MCX/SEC/2190 February 16, 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 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Nippon Life AMC and Aditya Birla Sun Life AMC	February 08, 2023	05:00 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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: 2023.02.16 08:13:49 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

"Multi Commodity Exchange of India Limited"

Meeting with Nippon Life AMC, Aditya Birla AMC

February 08, 2023

MANAGEMENT: **MR. P. S. REDDY – MD & CEO, 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

Management: Go ahead…

Analyst: So I think largely, there are two or three key areas that at least we want to focus, right? One is technology. Second is there have been three newer regulatory updates, which will come through, SEBI allowed to launch multiple contracts in the same. So let's start with technology and then let's -- we'll try and focus that is the best bulk of the business, on the business side. But starting with technology, where are we -- what is the timeline? Does it look like it's a comfortable time to shift post June? From a cost perspective, it looks insanely higher, but obviously, you had your reasons, just can you give us some…

Management: I mean the extension was a necessity for which reason it was extended. But again, as I said in the call also, we are bound by the regulatory -- discharging our regulatory responsibilities that has become our weakness also in that sense. So, somebody else has exploited. But otherwise, if you see this quarter, it is exceedingly well in terms of topline. In the recent past, we have not seen this kind of -- at least in the last three, four years, we have not seen -- and it is one of the best quarters.

Then, on the technology, that has let us down in terms of going live by September end. But again, we thought there was only one more quarter that is needed, so that's how we took only for one quarter, although we asked at that time also for two quarters, that was refused.

And then when we went for the second time, they said either minimum two quarters, all or none. Of course, they have given another plan of one year, we spend up. But anyway, we want minimum. The minimum we've got, is the only two quarters. There's hardly any room for any negotiation, that's the most unfortunate situation, and that's how we have extended it.

And I think TCS at the senior level, they're all involved. They are all keen to make this platform go live and hopefully, we should be able to do this -- in these two quarters' time that we got maybe that extra quarter, we will use it for a more rigorous mock or other test runs that we have to do it, longer than what I anticipated. But we should go live in this segment.

Management: We already had a mock in the month of November/December. So that is a trading member facing. And that is -- went on pretty well, but it's essentially only region-related. We are not giving the back-office reports and other things for numbers. This time, when we are doing mock that we are giving the report also, so that whatever trade that they have done, even the outputs also they can verify in terms of margins, in terms of obligations, etcetera, etcetera. That is the second phase of it, which we are doing mock in that sense. But otherwise, the first phase is a ready, I think by and large, good that went on the—business side is good.

Analyst: Second process is, we will try -- is there any steps left or it is...

Management: No. While this mock is happening, we are also going to do the performance fine-tuning and what you call parallel runs, we will be doing it essentially pumping the data of orders and then get the output and the trades and then get the margins, etcetera, calculations, right or no -- all that is going to happen.

It's happening in …. UAT has been there quite for some time. So that will also happen. We can have longer UAT, longer mocks during this period. And again, we have to conduct also parallelly after the code is frozen, once these purse are fixed, maybe end of February, March, we should freeze the code and then conduct the system audits and other. Then with this audit reports there are only few security or other issues that will be fixed, but then that's all. We’re good to go ahead.

Analyst: Once you would have tested the system, is there a case where you would go live with both the systems for a quarter?

Management: There's no way that we can do it.

Analyst: It was earlier, I think that is also one of the plans that you were talking about…

Management: What we were seeing first, we will do Agri and then second we will do the remaining products. But that also we planned for a week or 10 days, not a long gap. So, what it entails is the members have to maintain two systems at the same time. So that's where we expect their reservations. So now that we have got more time, then we will complete…

Analyst: So there will never be a case where we'll have two systems…

Management: No. no.

Analyst: Most of the members that are -- I would look at it during two APIs to the customer, the back-end is just feasibly not possible for any API, so there could be a possibility that if you were to do this in both systems, you could see a drop in that every volume for that piece because most of them will not be at the parallel system…?

Management: That's right. It may happen. But then that's not really thought of right now. But what we may do, again subject to regulator's approval, maybe on a Saturday we were on live for one hour, two hours, something like that, with all products, then the next Monday onwards the full-fledged trade. So, these are all strategies that we do adopt in migration.

Analyst: So, will there be -- is there a timeline in terms of when do you start the live for all of these products again by March, is there a time period?

Management: See, we have given internally some timeline for the development… But once we go, the mock and the people will say that now mock is doing well, then we can announce a date to the members saying that, that is one month or 1.5 months advanced notice we'll give it. We are going live on such a -- so we are planning to go mock in this month.

Analyst: Where members can start to use this system -- on a Saturday, like you said?

Management: Yes. It will be full-fledged, every day, we will keep it...

Analyst: So this month we'll switch to that system. So essentially, you're now doing extra performance?

Management: No. See, mock will be on. Mock runs this month…

Analyst: So, the fact that you mentioned that you would have been happy with a one quarter contract, given a choice. Would that imply that you can do the transition well within this week, including…

Management: ….Would have planned accordingly.

Analyst: So, okay. So this part is clear. Now from a TCS perspective, right, for most of these asset are things are covered, so to that extent there's always an SLA agreement in place. And I would have assumed some of that benefit should have started to kick in now. Is there a reason why you wouldn't go back to saying that look, it's an important contract you had 1.5 years sort of developing the private system already nine months?

Management: In that agreement, what is the date for go-live is already there, okay? So that is breached. So things will kick in, whatever the…

Analyst: I think they should have kicked in now only?

Management: It will kick in, but they will not be very substantial, okay? It cannot be the entire contract value. So it will be a part of that. And it is not that we have paid huge monies to freeze the site. So it's work in progress. Post go-live, also, there are payments with us. So we will see, we'll take a call at that.

Analyst: But you're not taking anything right now. So, you want the contract -- first, the platform to get deployed and then that top we see it up. I think that's the better way to sort of do...

Management: Its obvious. Anybody does….

Analyst: I think that's a fair way because you don't want to hire them right away in the middle of...

Management: Everybody is in the midst of working...

Analyst: But from a recoup perspective…

Management: No way to recoup...

Analyst: No, no, not the entire piece, but can be a 20%, 40%...

Management: I don't think… that's a very -- contract is not so big, that's what I'm saying.

Analyst: Because the way I look at it, you're paying somewhere around INR 140-odd crores, I think additional…

Management: That's what we're saying. It's a five-year contract. Partly, it is AMC partly it is a license and partly it is implementation and customization, that's the three components. So only on implementation and customization, we can take some not on the license, not on the...

Analyst: AMC you can't obviously, because that's…

Management: Its not kicked in as of yet.

Analyst: So broadly, whatever loss is not a material piece, is it a way to understand?

Management: Come again?

Analyst: Whatever we paid additional, let's assume fund whatever what you can sort of recover back from TCS or…

Management: Arguably – it's as good as no return.

Analyst: So that's fair enough, I think that's a business call at the end of the day.

Management: No, no. But nobody agrees also for a penalty clause of 50% of the value of the contract or that kind...

Analyst: Correct. So, and now so coming back to the business. So there are two or three things again within the business that at least -- so we obviously had the last call, and we understand the broader aspect, but there are two or three areas, which is, one, there is a regulation from SEBI right, which allows you to sort of launch on contracts on the same security.

So if you could just help us understand from a volume perspective, how big those can be, that is one. What do you think of the opportunity from that perspective? And can you still launch those contracts within the existing tech platform? Or would you still wait for TCS to go live and then launch it because there's a better way to do it in that system?

Management: So we had earlier five base metal contracts, which are new contracts, we had in Crude and Natural Gas. We cannot have all of them because in the case of Copper and Nickel, the trading unit and delivery unit is different. So that is ruled out. Where our trading unit is delivery unit is identical, it can be done. So we have already applied to SEBI for three of the metal contracts, were Zinc, Aluminium and Lead, and I think we are in the process of applying for Crude and NG.

Analyst: So from a size perspective, is...

Management: It is… earlier used to contribute about 25% around...

Analyst: You're talking about the metals.

Management: Metals as well as Crude. Mini used to contribute 25% of...

Analyst: The overall volumes, right? Earlier today…

Management: Of that segment.

Analyst: It's largely in mini? So that's essentially how we can look at the market as the way in some of these contracts as well, a lot of the futures and this year -- I'm assuming you're talking about the futures, right? Margin. But a lot of the auction volume also depends on how futures volumes sort of pan out right. Is there even a market where you would expect that you can start to launch mini options and that can also start to do…

Management: Our turnover in the underlying is contract...

Management: Anyway, for one year, we can't talk about anything on that. Well that it takes into consideration previous one year.

Analyst: Okay. So the entire one-year ADT should be on an average of -- but some of these metals can actually INR 800 -- INR 1,000 crore like, for example, aluminium…

Management: But I'm telling that is the main part, but if you see the meaning also it has to reach to that level.

Analyst: But, so when you look at futures right, is there a very easier way to understand that we've got a larger contract. But the way we saw a shift in options, let's say incremental volume of future went options. It's mostly the way I understand people the way they trade is, with one smaller outlay, minimum upfront outlay, right? So if you are…

Management: Generally, there will be apart from what we are -- there will be like always you have arbitrage happens, between them -- so it can contribute to both main as well as mini. So holistically, I think there would be a lot of permutation combination what at least what we have seen in the past is, both complemented each…

Analyst: That essentially gives you a pathway to options for, let's say, a year…

Management: Once we reach out – preferred is we can look for a shorter duration contracts rather than -- because you require at least a year gap, at least to reach to that level, only when then we can able to consider that, okay. Not every contract, like if you take one or two -- not every contract which is more than – if any regulatory change that is a different thing, but...

Analyst: So largely futures is where you will see bulk of the opportunity in the next 1 year.

Management: But margin has been in some of the commodities, margins have been -- when you come out to say, smaller versions -- but that really can help out...

Analyst: The volatility of -- from a -- so when you look at the -- launching these contracts, how soon can you do it, will you wait for TCS or would you want to do it?

Management: We can do it now because there is a plain vanilla contract. Even in TCS also it works. There's no problem. Because the contracts which are not there today but which require changes in the present system and the future system is something which is – or something for us like one monthly options on bi-monthly which is called gold. We had approval. We are not issuing it unless that is tested in the TCS system. When it is tested, and when it is go-live, it is able to seamlessly transfer the positions from the existing system to new system. So that is not we are introducing, but these are contracts which are vanilla -- plain vanilla.

Analyst: Suppose your approval from SEBI, there is a good probability that we'll just go ahead with new contract.

Management: Yes. New contract will be launched as soon as we go.

Management: This is only licensed, but it's a perpetual license, provided you pay the license fee every year. This is of P7. Trading is of P7. Banks is of P6. P7 is German …. so.

Analyst: So we cannot expect such kind of a large quantum of buying this entire software for the next two years or one year or whatever. My question is only AMC is we have to pay or is there?

Management: Only AMC.

Analyst: Only AMC?

Management: If there is any customization, we have to pay the customization. but not linked to the turnover or anything of that,

Analyst: Just to understand, sir, if there is a new product launch after TCS platform if some customization required you think we have to pay additional amount for that?

Management: Only for customization. Product launch is we don't and after five years once TCS contract is over thereafter also you keep paying the AMC that's good.

Management: With AMC they will be servicing.

Management: The AMC servicing for bug fixing essentially the system halts, but if there is any customization, let's say some regulator says that you change this, okay, then which is requires fixing the code, they will do it. But if we have to download some information, because it's also API driven in that sense for us. So you can keep on build the APIs in the system and then take the data and then run it in some other system and then develop it, no problem. But if you want to fix within there itself, like for example, client level margining and all that has to be monitored by the system that is a code to the engine. So that kind of things require, fixed customization.

Analyst: What I'm trying to understand is what happened with 63 Moons, after the expiry of the contract. We were not able to run it by ourselves because…

Management: They will give that -- we pay AMC they have to support it. They will support.

Analyst: When they increased the charges of the AMC because… I think what you have done…

Management: It did not provide for it. It did not provide for increase there is an increase already I think escalation is very small CPI - consumer pricing that's all. Okay that's a perpetuity.

Analyst: But TCS also, we have to pay AMC some percentage of..

Management: No, it is included in that.

Analyst: What are you asking? 60% of the…

Management: No, fixed fee.

Analyst: AMC annual, it is linked to the…

Management: That's what MD said, the first year is under warranty, once we go live, then the next five year, we have already fixed it. The amount is fixed. After that it will be under CPI.

Analyst: And typically, AMC would be what, 10% of the contract or as…

Management: Single thing.

Analyst: And sir, when we first talked about this TCS platform migration, we said that the impact immediately will be limited in terms of margin expansion of actual contribution to the profit. At that point in time, the cost that we were paying to 63 Moons was around INR 50-odd crores. Like FY '22 for the full year. FY '23 will be paying somewhere around INR 65 crores assuming the same formula for the entire year. When you say the impact will be not there on the PAT, it is based on the last year number or this year number?

Management: Actually, when we were discussing that up to September, we were discussing. Right. Then this figure came up what we paid to. Basically, talking about the earlier. September ’22. And there's one more thing. What we are going to pay to TCS after the warranty. Also, we have purchased servers, hardware, switches. That AMC would also pick it.

Management: So because net-net, there is no benefit at this volumes with the incremental volumes we will see the operating levels in the next five years so…

Management: Even if you grow volumes by 10-20% every year all of it should fall down in the market that's right, the FY '24 is where you don't see the margin update. FY '25-'26 onwards I think you will see growth.

Management: Should see.

Analyst: So within the overall, I think there are two or three contracts that you were more sort of bullish about over the say longer term, right? Gold mini was one of them.

Management: It's doing well.

Analyst: Yes. Sorry. It's doing well. Gold mini. Gold mini. Yes. So I'm talking about when you have the fortnightly, when you have the smaller contracts that you will launch, post that you say options, options as well. Right. So typically from a longer term, what are the three contracts? One is Gold mini that you would, come incrementally…

Management: I will not be able to give any exact…

Analyst: Not an exact just these are three contacts where we would think that volumes can be…

Management: No, no, see, it's not just gold. I have the way that I look at is, what I am looking at is, the energy products and the metals and the bullion, these are the segments which we expect to do well. Agri will be there, but it will take some time, but it's not something substantial. These are the three segments which we expect. New contract is something which we are looking forward to and at least this calendar year we should get whatever we have applied.

Analyst: So my question is around these three. Because I would think that these three are the larger part of the market. There will be 95% even FII was out as well. I don't think the other ones electricity is still, I mean, you still see how you see all of these guys integrated, right? Because once there is a future market is where, there is a spot market is there.

Management: Already, the spot market is there. IEX.

Analyst: IEX is already there. So I'm saying the futures market will it fall under the NSE I would assume it will still fall under NSE. Yes, yes. If you are a part of SEBI…

Management: Yes. It is.

Analyst: So from these three segments itself, one was gold is where you were more optimistic about within the options. Is there any other piece that you can launch which can give you a good kicker? Let's say over the next years?

Management: The NG options is also doing well. Currently about 6,000 crores, that is also doing well and all the minis.

Management: We started duration contract…

Analyst: But within shorter duration, I mean, you have a gold you already have, right?

Management: No. Other than that Gold products, Bullion products.

Management: Fortnightly our – see, today we have only Bi-monthly, but if you can reduce it…

Management: And FIIs also are very keen, many are enquiring about it. So we held back that, but then I think that is something which FPI's, that they are permitted. So that is something which we are working on. Their participation also should see some good amount of action.

Analyst: But what is the incentive for them to go ahead and participate?

Management: One is that the arbitrage opportunities, although LME also has, the MCX has same metals, but then arbitrage opportunities differ from theirs to you. So cash and carry. So there are situations where the gold silver, I think last year or the year before last year, the huge arbitrage opportunity in silver and we got very good amount of so the revenue in warehouse or what you call vault charges good amount of. So I mean, what I wanted to say is that there are arbitrage opportunities. That's one.

And second thing is the, some of them want to trade in commodities, and they are not able to do it. Some of them, what they are doing is currently they have an international outfit which trades via Dubai, maybe in London or the book here is different. Okay. But they can adjust the profits and losses across all markets via FPI rule.

Analyst: But they still have enough liquidity. I mean, again, I think most players, a lot of them are domestic guys, right? They also don't trade in our exchange. For example, metals, right? The reason why they would want.

Management: There are two things. One is the traders other one is the hedgers. The one which you are talking about the hedgers.

Management: The inter-market arbitrageur, there will be lots of possibilities. But all, see the strategy algorithms, strategies are used across markets. And whatever they are running, the engines they are running, what's we think for the arbitrageurs. The moment you get a new market, they can also deploy that one and also try to use that, because strategy can remain but you have a different one.

Management: The tax issues are coming in the way.

Analyst: Local taxation is where you don't so you have to have… your book here is your…

Management: And then maybe internationally if you trade and you have another form there then it has got its own this one.

Analyst: But you seen any interest I think FPI …

Management: We are getting.

Analyst: I think SEBI allowed for a while.

Management: No, no, not for a while. Just in the last six, three months, it was allowed.

Analyst: So, but have you started to see any of that because a lot of these banks you have...

Management: We have not permitted so far because of the technology treatment is required. There are two conditions are there. So, I mean, our people told me that without that also, instead of going for individuals or… certain category of…

Management: FPIs for that is like it is the position limits are only 20% of the client's level. For the normal FPI, it is going to be as good as equivalent to the other level. But certain category is going to be one to customize that kind of because you cannot partially allow.

Analyst: If you could introduce as a one shift, why are they restricted in terms of the quantity? For a particular contract you mean?

Management: I think the regulation.

Analyst: So for a particular contract, they can't be more than one fifth of the volumes.

Management: One fifth of the client level position. The client level position is let us say 100 barrels. And for those clients, it can be only 20, 25 whatever it is. That is a second type of... But if I permit only the other ones where there's 100% can be taken, the system is ready. But if some other type wants to register, we will not be able to...

Analyst: But typically when you look at it, volumes essentially come from the hedgers. They provide you—

Management: Hedgers, volumes don't come from hedgers. OI comes, so, open interest only..

Analyst: Not liquidity, so they will provide you enough. Let's say, liquidity across-- contracts across prices. Your price discovery is better at the beginning.

Management: Rightly -- It contributes to the prices- And even if you want a further contract, in the hedgers can really come close price, what would be the-- but they are not the liquidity…

Analyst: But essentially, those guys drive a lot of the liquidity...

Management: You require all types of...

Analyst: Correct.

Management: See the usual question that I get from some other analysts like you, is that -- look, what is the difference that MCX is making when the same contracts are available on LME, for example?. The answer is, we are not-- our contracts, as you see, LME contracts, as you see, it's 1/10 of it, or even less. So the kind of firms that we have, Hindalcos and the…., they may go there. But there are many others who are medium and then small. They can't do that. So at least we will be able to provide the platform. So that is what we are starting. The smaller players, aggregators, if we are going to service it, it's more than enough. And as we grow, the liquidity will come. And then maybe others also will start looking at this platform. So bottom-up approach is the one which is driving this.

Analyst: And in somehow, let's say acquisition, customer, education, acquisition. I think you've been doing a lot of those initiatives. I mean, how do we drive to get a lot of these? Because I think when you look at the unique number versus the total number that you have from a participant perspective, I think it's fairly significant, right? How do you sort of get from 3 lakh to, let's say, getting it to maybe a 10 lakh, 20 lakh customer base and what stops you…?

Analyst: That's the main difference between commodity and equity.

Management: That's what I say.

Analyst: College people also, boys also, you know, they just started in trading on their own.

Management: You see in the equity…

Analysts: Barring the technical, you know, few brokers, you know, send the technical charts and supports, etcetera, and based on that people do speculations and all. So here, enough data is not there to, you know, guide or educate the people to cater the mass population.

Management: Whereas the data is -- what is getting traded here is not…. There it is like, anybody can… Even if we didn't like the price, we can continue to hold it. What you see typically is when our IPO, you have lot of things to happen, which is holding. Some great activity will happen…

Management: It creates that buzz around the investors, so and so IPO is coming. Every time that excitement is created in commodities, it doesn't help. Second, you want to trade in any single commodity, you need to have at least INR 15000-INR 20,000 investment as a margin. Because one lot is costing about INR 3 lakhs to INR 5 lakhs. Unlike in equities, you take even for INR 1,000 also, you can buy few shares and other things. So, when numbers are admitting their clients UCCs, they are doing it for everybody all markets, all segments. So obviously we can't expect everybody who is registered here to be trading on the exchange…

Management But that should change once this...

Analyst: Shorter duration contracts...

Management: Shorter duration, that is one thing because automatically the premium amount will come. Second with the option definitely we have there is a good increase, the participation because some set of market participants don't want to get into kind of a volatile margining kind of thing. They prefer to go for …, where you just have to get a premium and will be a one-time fee.

Analyst: Correct. So, with this shorter duration, it could be what, 1/4th of the current premium you typically most of the...

Management: It depend upon the, see the time period is the only element that you will be able to win...

Analyst: I was talking about gold specifically because gold from a volume perspective is huge. And I think that is one area where at least India to the minutest of the category would understand that product, right? So, they would still want to do it and that is where -- I mean there is a gold ETF is done pretty well. Why not use this as an… so that's where what will be the premium which will come down once you launch those options?

Management: Only the time factor that is going to be. Rest of the things will be…

Analyst: No, on the option side, you….?

Management: From Bi-monthly, If you are going…

Analyst: I will go monthly…

Management: Option pricing depends on several parameters. Time is one element. Apart from time, have several other factors. So, given that one roughly you can one….

Analyst: Your lowest contact will be the one, three, four thousand, with the three four thousand premium, someone can go ahead and trade on a gold..

Management: If somebody wanted so. It is like you are reducing the time but at the same time further contracts also will be available for trading. When we are saying suppose a weekly contract or a monthly contract, it is not essentially that the duration of the contract is one week. It is like duration will be definitely greater than one month or little more like three month, four months but people prefer to trade as the contract expiry comes closer.

Management: They typically tend to close, right. No one would want to...

Management: If it is a cash settled contract, many people prefer. If it is a delivery-based then to that extent it will be…

Management: Every week, there is a delivery then there…

Analyst: No one would want to go into. I think that's what you also lose out right? There is no delivery. At the end of the day you can't take delivery.

Management: Our contracts are different, ours is option only, as compared to the equity market.

Management: So even when you wanted to reduce the duration, we have to typically consider all the parameters.

Analyst: But on futures, you can also now launch a shorter duration.

Management: I launched, but I have, like for example, as and when it converges into a, devolves into the underlying futures contract.

Analyst: You'll have to take delivery?

Management: So again, margins, I have to take it from the buyers, buyers as well as the sellers.

Management: So what ever are the options, what premium only you pay, and toward the last five days when it goes, devolves into futures, then full premium, full margin, of the futures have to be paid. Let's say if it is crude oil, 30% has to be paid. So that's where they exit.

Analyst: On margins, is there a way because, I think margins, earlier even in crude used to be…

Management: 100% less.

Analyst: I mean that was a level during COVID, right? But more stable, say, has been, what, 20%, 25%.

Management: See, go by the international…

Analyst: Today, it's still higher than where we were expecting.

Management: We were expecting, only 10% to 15% is what we...

Analyst: So is there a path on where that discussion happens to the regulators on a regular basis? Or how would you sort of get to that number?

Management: Let us see, that we have asked some concessions with respect to the SGF contribution. I think that comes through, then again, we can reduce the margins.

Analyst: So now, which is another question, right, which is around SGF. I think we've already seen what they're trying to do for an ASBA mechanism for a secondary market. And we also have an SGF have, what, 545 or 550...

Management: 580 crores. So margins would not be there float will not be there...

Analyst: So again, I'm not coming back. So now the float will not be with us, right? So one, it's optional. So just wanted to understand what -- because it is also an inconvenience, right? If I was a trader, if I were to do an UPI mandate to every time to trade, right, if I were to better do a bulk trade, it's a painful process to keep dropping in limits and... I think a lot of people might just still prefer to transfer the money, right? Is there something that you would have looked at, that what percentage of the float will still be available even if this was to be implemented?

Management: So we are still discussing the process how it happens. It's only a consultation part -- so it will take time. The clearing is going to afford. But at this point in time, only when there is a volatility, we get more of margin, more of cash margins. Otherwise, the bank guarantees and the FD….margins. I think yes, it's about INR 1,000 crores. That's INR 900-1000 crores is the margin we have, in terms of cash margins. Only that. But otherwise 90%...

Analyst: So the INR 540 crores, you're saying 90%…

Management: The margins that clients and members have with us, what you're talking about is… part of...

Analyst: Then just a clarification, you said INR 17 crores is what we earned in this quarter. That's if we analyse, its like a 7% yield on INR 1,000 crore. I thought we invest that money in liquid funds and all.

Management: But it's over a period of time. INR 1,000 crores...

Management: Using the 1000 crore number, average number will be much higher… And if we, let's say, lose up on the floor, is there another way where we can sort of recoup that money or there is a good probability that we see that impact coming through whenever this gets moved from a regulator perspective.

Analyst: Clearing corporation must be looking at alternative…making it more…

Management: What is the incentive for them to...

Management: This is our wholly-owned subsidiary. This goes into their balance sheet…

Analyst: Correct. I mean what consolidation rate comes to us….

Management: But I'm saying as a matter of what we call, they have their own KRAs to look into – they are looking at it...

Analyst: So to your point, just to get a sense, do you think that impact will be lower, even if this were to go ahead and materialize?

Management: I think it is -- it is too premature, for me to say that. That's not correct. Let us see how the mechanism operates.

Analyst: Just directionally, if we talk about like last time in the mini contract, you told us that the contribution was 25% of the segment. But given the increase in the retail participation, you think this can be much bigger this time? Because you said one of the hindrances is the size that margin money required is at least INR 15,000, INR 20,000. With Mini I think that number will come down.

Management: It should come down.

Analyst: So then the contribution this time can be much more than what it was last time, logically?

Management: I can't say that because we have also increased the number of deliveries. So that gives some degree of consistency to the investors. On the one hand, positive side is what you have pointed out, the negative side is, the number of delivery centres that are introduced. But it's a single digit, I know that it's Mumbai, Thane whatever. But if it is now we have a Noida, we have East and we have down South, all these delivery centres with us. Seller has the choice to trade anywhere.

And Buyer has to figure out where he has to -- Buyers have a problem of GST, okay? So that issue always is just a hanging sort for these investors. By any chance, if they get it in Noida, then they don't have a registration, then they have to catch hold of some agency to take the delivery and maybe ask to sell it off once again to somebody, and then they take delivery somewhere down south, if the client happens to be from -- it's a challenge, is there. We are trying to find a solution for that. That's a very important for us to crack this metals…the metal… volumes. That is something which we have been talking with the Government– we have to make a...

Analyst: With metals, do you think that opening those delivery centres was not the right way to go about it because again, people will – let say someone wants a tier and it's available in another market, like in Noida. There's no way that we will be able to take a delivery very easily, right? Would it be in a more micro-market type of strategy that look maybe Ahmedabad will have its own market…

Management: See, for a decade plus, we had only the thing that kind of thing -- but then the producer side or some of the consumer side, we see that now it's far away from me. Battery manufacturers, for example, lead, and they are right in north, right in South. And earlier, we had only one, Thane. And it is not catering to everybody. And those guys say that, no, I can't take delivery from your -- this one. I can participate on your platform for this reason. Although, it is to hedge their risk, they used to give this kind of, understand…

But again, sometimes it helps. We had aluminium only at this, Thane. We shifted to Raipur. When it was in Thane, obviously, Nalco will not come and deliver here. But there are others who are closed by -- they are not delivering. They chose not to deliver because that's a private-players, other major area. But Nalco doesn't care, whether it is MCX are giving it to -- they are interested in meeting their targets and then -- huge delivery is coming in Raipur.

Now that has increased liquidity and then other players who were the big players, now they are feeling threatened that marketing control is lost, okay. The consumers are going there and then taking it. For them, otherwise also, they have to take imports from East most of these industries – out there. So I might as well go to Raipur and then take it, they're doing it.

Analyst: So consumers are starting to take the from markets where they are not present?

Management: And the MCX prices become a benchmark price. Will you give me premium or discount to MCX price that is the way negotiations are happening. There's a monopoly. The brand building their brand name, they are building around their products, charging premiums. For me, it's a material, whether it is – as long as I meet the contract specifications. So medium players are also able to benefit from this platform. Otherwise, the bigger players are not allowing them to survive.

Analyst: But then what will help you drive the volumes in metals, right? I mean...

Management: GST is one, it's the only piece to be fixed. Once this is fixed.

Analyst: Single GST across?

Management: Not we are asking single GST, IGST is what we are asking. It's of CGST, SGST, give us the IGST. If people are from different states. So you don't need to register in all states, correct. That's all. There's no loss of revenue to anybody.

Analyst: But then the -- for the revenue department, they will not -- for them, the incentive is too small to look after what MCX is trying to do versus the entire system that they would have set up, to have two different…

Management: No, no. The issue is that states have to approve it. Some states may be losing some sales may be gaining is the ways that they were talking about. But it's what we call the cancel out each other in that sense. Why I'm saying, consumers are spread across. Okay? When they are raising IGST also, they are doing the same thing. If somebody takes delivery by registering it, -- he takes credit, that is also happening. There is no I mean it should...

Analyst: But a lot of these states will not come, there is a good probability that will not happen for a fairly long time?

Management: This we suggested or alternate also – there's a designated entity concept we are doing. That's one part of it. We are also now looking at, still a third alternative, where FTWZs are there where IGST only is applicable in FTWZ.

Analyst: In that particular area as well, in zones?

Management: Why not establish there, we are trying to look at all those alternates. Let us see…

Analyst: Which would mean that additional investment...

Management: No, we have no investment, already their warehouses are there. We're just hiring and then the broker whosoever is depositing, they will pay. And we don't have incurred any expenses...

Analyst: Just one last question. I know we're out of time. But just from a more fundamental, let's say, the way we look at equity is where 95% of the volumes is options. Do you think which will also start to look that business, the mix would also start to look similar, let's say, 3, 5 years out, when you've got the entire bouquet of options, and you've got everything within that category.

Do you think that is essentially how our market would also look like or because you've got larger players, which you don't have an equity, right, you're not ever -- you have institutions, but there is a large bouquet, let's say, HNI's, retail, there's participation across, which might not be the case -- I think hedges will have really a large book for sort of. Do you think that can -- that will be the case or will not essentially be good...

Management: Well, probably, we don't say that options is going to be as is. And the futures are needed, especially for these hedgers, they do look at prices and they do take deliveries, but a lot of education is needed in this space. GST, as I said, it's not only coming in the way of other hedgers, even for financial players, HNIs, they have no interest to take delivery or anything. But they do have to register wherever they get delivery in event of this basis or PMS. Even in PMS schemes, each of the individual investors *ke naam se bhi*, they have to take GST registration when they take the delivery.

Analyst: But why would they take deliveries will close the contract...

Management: So they are to take -- no, no, but if it is a cash and carry arbitrage, they have to take delivery immediately; they sell it in the next month. So they hold it in their name.

Analyst: They're just not a delivery...

Management: They all physically pass out this one, but still they have to have a registration. This is what the piece coming in and...

Analyst: Essentially, if you're trying to buy 20% of GST …

Management: No, they have to – if they are otherwise traders, they have to claim. But then there's no other business, except they are financial players. Anything else?

Analyst: Is there any other regulatory measure which can drive volume like in equity, you're seeing co-location is a big contributor of volume. I think commodities, we don't have that facility.

Management: Not there...

Analyst: So is that -- is there anything and probably which can drive volumes of HFPs something like that?

Management: It can drive. But I don't think we see anything is happening in the… again, whatever has happened in NSE and all that...

Analyst: And the other thing is like probably can regulator agree to a cash-settled contracts. I think that is called many more problems of GST. If ultimately, the contracts are again made cash-settled. Like initially, they withdrew mini contracts. But now I think they would have understood and...

Management: I don't think they will. Because -- they expect the futures and spot markets to move in tandem. Otherwise, they will go somewhere else.

Analyst: Okay sir. That's all from our side.

Management: Thank you so much.

Analyst: Thank you