

MCX/SEC/2162

November 23, 2022

The Dy. General Manager
Corporate Relations & Service Dept.
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400001

Scrip code: 534091, Scrip ID: MCX
Subject: Transcript of calls with Investor/Analysts

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Schroders IM	November 16, 2022	04:00 p.m.	<i>Annexure - A</i>

The said transcript is also uploaded on the website of the Company at <https://www.mcxindia.com/investor-relations/ir-meetings>

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

Ajay Puri
Company Secretary

Encl: As above

“Multi Commodity Exchange of India Limited”

Meeting with Schroders

November 16, 2022

Disclaimer:

This transcript is provided without express or implied warranties of any kind, and should be read in conjunction with the accompanying materials published by the company. The information contained in the transcript is a textual representation of the company’s event and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the event. The transcript has been edited wherever required for clarity, correctness of data or transcription error.

This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “should” or “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

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

Participant: India outlook looks good structurally. I know we're still very early on the whole commodity exchange road front, I guess last couple of years you did have some regulatory headwinds in a sense, yes.

PRAVEEN DG: Peak margin and also in metals we have converted the contract into compulsory delivery contracts.

Participant: Compulsory delivery? That's okay, right? Delivery, yeah okay so that's sort of not killed off, it stabilized the future's volume. Is there any hope that this will because it's still kind of like trickling down or is there any hope that this will start rising again?

PRAVEEN DG: See the current trend it is towards option, but if margins comes down even today in crude oil the margins are about 31% and when you go near to the expiry because of the introduction of the pre-expiry margin it can go to even 55% in total. Okay. Even energy, other energy contract natural gas. There are also the margins are very significant it is around more than 35% or something. So if that kind of margins comes down, that is one.

Second in gold also, there is a certain amount of margin is being levied just to take ourselves to bring down the SGF level. It is like a Settlement Guarantee Fund, okay. Because if you are not increasing the margin, then it is like the stress test numbers can give a higher number and you are supposed to infuse the capital as the Settlement Guarantee Fund and you cannot take it back. So whatever is being induced then you cannot take it. So while we have made the representation to the SEBI to reconsider it and not only we it is a group of all the exchanges and clearing corporations they made the representation to the SEBI.

SEBI would be taking it up to their risk management committee and the matter will be deliberated, if that kind of some concession is given by the regulator in types of way it has to be like as and when it is needed we are ready to infuse it, provided it allows us to take it out.

Participant: So what's being discussed at SEBI is, this SGF?

- PRAVEEN DG:** SGF, Settlement Guarantee Fund.
- Participant:** Okay, so that is in discussion, not the fact that the margin itself can be adjusted.
- PRAVEEN DG:** So if I'm not increasing the margin, what happens means the stress numbers can show higher things, so I need to bring in.
- Participant:** Okay, so I understand. So what do you I mean, who knows what study will say? But I guess if they are serious about MCX for commodity exchanges, surely they should consider, right?
- PRAVEEN DG:** Yes, see they are fostered that way. It is like I think some amount of discussion already happened but we have to see that because till the final things comes out you don't know how the things will pan out to be. But the margins happen to be quite significant compared to the global market, if you take CME or you take any other market where the same product crude oil or natural gas won't attract this kind of high incidence of margins. So when this comes down, we feel that could be again, some people can start again looking at the future's contract.
- Participant:** Why is it that India has such high margins?
- PRAVEEN DG:** Because of see, in India especially, the regulatory structure is designed such that for Settlement Guarantee Fund, you have to look back for a period of 15 years history. Okay. So any unprecedented event can continue to be it won't be behind you, it will continue to be following you. Because – that's what, a negative, and that because of that like a crude oil went negative. Then recently, even the nickel, so there in the global markets, they were all back to normal. But here it is like because in the stress test you have to anyway have to look back for a period of 15 years and that will become part of it.
- Participant:** Is there any chance that that 15 years can be shortened to global like whatever, I don't know what the CME looks at history wise?

PRAVEEN DG: They have -- CME omitted this particular incident considering, say, rarest event kind of thing and they completely taken it out. But SEBI is -- no, they are not considered, they don't have... so they made some aspects like they said that at least some technically it is... they say that score should be to some extent so that gives some leeway, but it is not totally giving us a complete freedom to eliminate that kind of events which are linked or associated to the black swan events.

Participant: So I guess futures, do you think that at least on the future side, we've reached the bottom or not?

PRAVEEN DG: So currently the way, because we currently don't foresee any major regulatory thing coming up. But even the peak margin reporting came as a surprise to all of us. In fact, it impacted the entire market. So it's very difficult to confidently say that, but yes, given the current scenario, another thing, whatever is there, at least in the discussions, at least we are through with that kind of very tough times. But we are more focusing on options now because that is where we are seeing that there is immense growth opportunities.

Participant: And I guess globally as well, options are much bigger markets than futures.

PRAVEEN DG: Actually, if you see the global markets, commodity options contribute only 20% of the futures.

Participant: Really?

PRAVEEN DG: But in India, even in equity, the biggest product happened to be the index options, 75% to 80% is contributed by the index options. But the rule why the kind of anomaly between the international markets and Indian market, this could be because of the transaction tax that is there in Indian market where it is very significantly high in the futures compared to the option. Because in options it is based on the premium, not based on the turnover.

Participant: So CTT is based on based on?

PRAVEEN DG: It is based on premium. It is same across you call it Commodity Transaction Tax in commodity derivatives market, in equity market it is called as Security Transaction Tax. But the rates are same. Okay. It's no difference between the two. It is like INR 10 per lakh, on sell side is the transaction tax.

Participant: So that actually I just noticed. So I thought that CTT was much higher than equity. So they were looking at...

PRAVEEN DG: No. it is same. But the commodity globally CTT is not being levied anywhere except I think in Taiwan or something. But even the percentage happened to be very minuscule. It's not significantly higher because commodity derivatives are considered to be meant for hedgers unlike in equity market. So the quantum of the tax even may be same but it could be act as a very heavy deterrent in case of commodity derivatives market compared to equity market. But there it can be one side story, it can keep going up and that kind of but these commodities have cyclical in nature. Sometimes you won't find that kind of volatility in the commodities also.

Participant: So I guess because to be a globally competitive exchange in the market space, this will be difficult. This will be a bit of a deterrence to identify?

PRAVEEN DG: Yes, definitely. Not only the transaction tax, we also have stamp duty, which is again a significant amount. Besides the stamp duty, we also have GST. Okay, so trading cost is quite high compared to the international markets.

Participant: Okay. From an Indian standpoint, I guess you're right. Options have done phenomenally well. The last few, like one and a half years at least we started charging for it in October 21. Okay, so it's looking great. So where do we go from here on the option, right?

PRAVEEN DG: So options, so our objective is today most of the volumes are coming from energy products. Earlier it was only the crude oil, but now even the options are doing pretty well, in case of natural gas also, both are happened to be -- the underlying product happened to be a cash-settled product. But besides

these two, we wanted to increase the trading interest in other, maybe later we wanted to push for even the metal options and other things.

So in bullion, the challenge happened to be that they are all bimonthly options, especially the gold. Kg happened to be a bimonthly contract and options are also bi monthly tenure. So because of that one the premiums are higher. Because in options the value of options depends on the tenure. So that is one actually. So we thought that if we can able to bring down that kind of premium amount, definitely it can attract more market participants. So now they are doing well. Gold is doing well; silver also is doing well. But we wanted to come out with the monthly options in both gold and silver. So underlying will be the same bimonthly futures. But you will have two contracts devolving into the same underlying contract.

Participant: Bimonthly means two months or...

PRAVEEN DG: Bimonthly in the sense it is like we have a February contract, then we have an April contract.

Participant: Oh! Every two months. Bimonthly it means.

PRAVEEN DG: You don't have in between. Every two months we have a contract. So we plan to launch a January contract. February, March, everything that means we want to fill the gaps with the options. Future, we don't want to make any change. But in options we wanted to bring in that new series, monthly series where it can fill the gaps and which can able to bring down the premiums down that can attract more market participants.

Participant: When you plan to do this?

PRAVEEN DG: So we actually got approval for our gold monthly options. But since our technology transition is ongoing, we wanted to all take it up post our technology migration.

Participant: Okay. Tech migration. So 63 moons have extended the period until when?

PRAVEEN DG: Until December.

- Participant:** Okay. And then hopefully is it TCS... So that will be ready.
- PRAVEEN DG:** So our plan is to go live by end of December. We already started mocks, soon we would be starting the parallel runs also.
- Participant:** Parallel, okay. And then fingers cross, everything goes well, say bye to 63 moons. And then I keep forgetting. So what's the differential in cost than...
- SATYAJEET BOLAR:** You see it's more it's variable versus fixed run variable. Here, 63 moons, it is actually you have a fixed component as well as a variable component. But when it comes to the TCS, you have only the fixed component, the fixed AMC, annual maintenance charges.
- Participant:** Oh! Right, okay. Which is quite low. Is the fixed component lower than the fixed component, you pay the 63 moon or not really?
- PRAVEEN DG:** Yes, we are paying 63 Moons, fixed and variable fees.
- SATYAJEET BOLAR:** But I think we should also keep in mind that along with the TCS platform, the ecosystem is also being built up. Like the servers, the network, switches, application software, so there would be those costs you have to pay those AMC on the ecosystem of it. Not only the TCS platform AMC, the AMC for the ecosystem also will come.
- Participant:** Come down.
- SATYAJEET BOLAR:** Will come in.
- Participant:** Oh! Come in.
- PRAVEEN DG:** We are not seeing any major difference if volumes happen to be at the same level. And we also have to do that depreciation or what, amortization, whatever. Given all those things, unless your volumes go up significantly, there will not be any significant difference that it can able to bring in, but other elements also we have to look at. But in the long run, yes, in the long run...

SATYAJEET BOLAR: More products that we launched, the more volumes and futures and options, definitely it would be beneficial.

Participant: Yes, if you have the variable. Okay, that makes sense. I think we touched a little bit about regulations as well. So on the options front, is there anything that could happen like what happened with futures can set me come in and say, hang on, no, this is too risky, I don't want any of this.

PRAVEEN DG: Our volumes are quite miniscule compared to the equity markets. It's a small fraction. I don't see that kind of because overall our market itself is very significant and structure wise it is more or less same products. The only difference happened to be like it is an option on futures compared to option on directly on maybe the spot or on the goods in the equity and currency.

Participant: Okay. Any other favorable regulatory changes apart from what you told me about the SGF?

PRAVEEN DG: SGF is one thing that really we are looking at. Besides that, if anything comes for GST related thing, we have multiple delivery centers, which we have been doing, but things have not come because it's not only a central government where is the state governments are also involved, framework and taxes. But if anything comes out in that nature, definitely I think that will be a big boon for the commodity market.

Participant: Yes, because you have multiple delivery centers, yes.

PRAVEEN DG: The buyers require registration in all the centers, so that is the license, compliance mandate...

Participant: Buyers register everywhere. Okay, so you're hoping for a kind of...

PRAVEEN DG: If they can be offer that Pan-India level....

SATYAJEET BOLAR: There's only one IGST, so that is at pan-India level. If there is only one GST. We don't have to then get registered at each state or province.

Participant: And is something in that towards...

- SATYAJEET BOLAR:** We have represented to the central government, Ministry of Finance, but I mean, it will take time to...
- PRAVEEN DG:** Have been following up.
- Participant:** Okay, when did you actually suggest this?
- SATYAJEET BOLAR:** More than a year, but these are politically sensitive because.
- Participant:** Okay. So, on the new part, I mean, you mentioned the monthly.
- PRAVEEN DG:** Monthly we are looking for even index options; we are looking for monthly options.
- Participant:** Okay. Monthly, gold will probably come short after I guess next calendar year, after you implement TCS, then you're going to launch the monthly gold, index option, or if this over index options, do you have approval for that or do you need both? No?
- PRAVEEN DG:** Regulator has come out with the guidelines. It is we have to propose and we have to get approval.
- Participant:** Okay, so how long normally would you expect for approval process?
- PRAVEEN DG:** It depends on case-to-case. Unless if they have any particular concern of anything, they may take time, otherwise maybe 3 to 9 months to get the approval.
- Participant:** So about six months.
- PRAVEEN DG:** Like I said, it's very difficult to say. But some products we have, like electricity, you know, that we are after, but because of some other reasons, we could not able to get approval, so, we have applied it. But in some cases you can get the approvals very quickly if there are no issues, concerns related to that, immediately you can get it. So we are hopeful that we can able to get it approved soon.
- Participant:** How long did it take you to get the monthly gold approval?

- PRAVEEN DG:** I don't know the start date, but roughly I think maybe six months time or something less than a year.
- Participant:** Less than a year. I'm just trying to for my own model.
- PRAVEEN DG:** See, once you get monthly contract now getting another monthly contract, I don't think already precedents have been set, so it won't take much time.
- Participant:** So this index option, you'll see a monthly as well?
- PRAVEEN DG:** We are looking for weekly and monthly, we are all looking for that.
- Participant:** Okay. Weekly and monthly.
- PRAVEEN DG:** But since it is new, maybe they maybe thoroughly examined it before giving any approvals.
- Participant:** Okay. And they gives, when you apply for this, do you apply for both weekly, monthly at the same time for index option or do you apply for monthly first and then wait, if you get that you apply for weekly?
- PRAVEEN DG:** When we apply, we apply for both. We already have monthly futures. It's all about like I have to bring that synchronization between the futures and options. Both should have the weekly and monthly kind of series.
- Participant:** I'm sorry, stupid questions, right now, I know, but I'm only an equity person. Because you mentioned before, this all you had the bi weekly thing and then you had to apply for the bi monthly thing and you apply for the monthly... I thought maybe it would be different and important to know Okay, so you can't gauge the future, obviously. But judging from the growth that you've seen in over the last six months to a year, do you think that kind of level of growth in options is that sustainable for the short term?
- SATYAJEET BOLAR:** I think we started with a low base, isn't it?
- Participant:** Yeah.

SATYAJEET BOLAR: It will be interesting to see how it takes even when we close September premium of around 800 growth.

PRAVEEN DG: See, potentially is good, no doubt about it. We have good potential because given the equity market and other things and even we could see that participation adding it's not only the volume, we are also seeing the participants getting added into the futures options contracts. So given that one there is definitely great potential. Only we have to look for enhancing the pie so that more people can start looking at it. Indians are pretty familiar with that product because in equities also it is very popular. So it's not something a strange animal coming in here, it is a well-known product.

Participant: Okay, so you've mentioned new participants who are the prospect.

PRAVEEN DG: New participants now see new participants. One interesting development that happened is now foreign portfolio investors are allowed now they are yet to make an entry. But it is a new development and we are expecting that maybe once we also come out with necessary circulars, I think we can see their participation in the next year. Okay. The current participation is we see very good diversification between. There are ALGO players, then we have the retail, prop clients. So different category of participants are trading in options and especially the options throws like multiple strategies for any trader.

So it should definitely require some people who continue to write. But on the other side, given kind of peak margin reporting and all those things, some set of market participants may only prefer to buy the options, some may prefer to only some can really be happy to write the options because you require to maintain that kind of margins to write the options. Unlike buyers, you only pay once a premium and then you are shut. You do not have to be active on that one. So the raise or fall in the margins will not impact you.

Participant: I see.

PRAVEEN DG: But for writer it is there. That is where we see that when options grow it, being our products, being option and futures both should complement each other. That is how we look at.

Participant: What about trusting mutual funds?

PRAVEEN DG: They are already there, but their participation is still not so high. It should be around 2% to 3%. See the currently it is like the regulations are still not given a complete what is it, rolled out completely. So it is like they want to do it in a phase manner. So even recently the Silver ETF also come. There are also certain conditions that the underlying should be exactly 30 kg bar and one more institution. Institutions cannot hold the metal for more than 30 days compared to the gold where which can be hold. You can hold it for a period of 180 days. So these are certain things which really may not be encouraging for those people to come in full-fledge and do it. So we are seeing some three or four participants active on this commodity side.

Participant: And then on the... regulations will you be listed?

PRAVEEN DG: And even we are constantly engaging, with AMFI, which is association for Mutual Funds. And they're also planning to come out with a separate committee for commodities which can collate or which can deliberate or various issues related to the commodity and then they can pick it up with regulator.

SATYAJEET BOLAR: We have around four mutual fund which has started.

Participant: Okay, so I guess that will slowly roll out... orders will slowly start participating next year and your check will be resolved soon. So I guess very short term for this particular quarter you will see double check fees. Sorry.

SATYAJEET BOLAR: Yeah, it would be for quarter ended in December. Yes, it would be high.

Participant: But I think everyone knows that already. Okay, so what are you most worried about right now, what should be...

PRAVEEN DG: Our focus is primarily tech migration.

Participant: Right. Okay, so that's your execution.

PRAVEEN DG: Yes, that's key for us.

Participant: I guess it's a huge deal if you're changing vendors on everything you're for tech, which is the first time ever, I guess you guys are there any sort of contingency plans if something doesn't go right by end of December? Any way you can mitigate this risk?

PRAVEEN DG: It is too hypothetical to really look at this hour right now. We are positive. Let's see.

Participant: I am sure your risk Management committee is looking at it right now. Okay, what else? What else should we talk about?

PRAVEEN DG: I think broadly you have covered mostly key issues have been covered.

Participant: Is it in dividend policy today?

SATYAJEET BOLAR: Is it 75%? 75% of the year, which is probably.

Participant: One of the highest in the year. 75%. Wait, is it 75% of par value? No.

SATYAJEET BOLAR: 75% of what are we earn.

Participant: It's a net profit.

SATYAJEET BOLAR: Okay.

Participant: Yeah. It's probably a little high. And you still have cash? Are you net cash still? After this texting, what a few plans?

SATYAJEET BOLAR: Few plans. One is a colocation if SEBI allows us to come in with colocation, while we're not sure of the amount that we need. That is one, and yet to set up other exchanges. So we need to capitalize those entities to meet the network requirements, so we need cash and over time. Then the board will take a call at an appropriate time what to do with any exit itself.

Participant: Colocation is allowed for equity is not at all okay. So yes, if they do allow it, where's the next is it Gift City then.

SATYAJEET BOLAR: We have space in Gift City.

Participant: When there's nothing, how long have they been delivered on this colocation issue? Yeah.

PRAVEEN DG: A very long time. But when we were under the Forward Market Commission that time only it was not allowed colocation. So that has been continued and SEBI also not considered it and given some issues, all those issues, equity market still that immediately would be looking for any colocation. But you have apart from colocation, like you said, we also look for some spot platforms like Coal, EGR is another thing which regulator has allowed recently Gold Spot Exchange. So that is another thing. And also you also would be knowing that Gift City, International Bullion Exchange started commercial operations.

Participant: Okay.

PRAVEEN DG: We are also shareholders.

Participant: So you can hold minority stakes.

PRAVEEN DG: Equal stake across five entities.

Participant: Okay, so these are apart from collocation. That could be a cash. It could be a significant cash.

SATYAJEET BOLAR: Even if we have to... even if you have to transfer money and stuff, so you need some liquidity.

Participant: I see that. Okay. And on the competition I guess no one talks about it anymore...

SATYAJEET BOLAR: Not even worth considering now because liquidity drives liquidity.

Participant: Anything I feel that completely...

- PRAVEEN DG:** We have no idea, what is, it is...
- SATYAJEET BOLAR:** We just read it in the public domain.
- Participant:** Okay, that is it. Anything else that I should know.
- PRAVEEN DG:** We met before also, I am not able to recollect.