

MCX/SEC/1664

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BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.

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Subject: Transcript of the conference call with investor/analysts on Q4 FY2019 results

Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on April 25, 2019 at 6.30 p.m. IST, on Q4 FY2019 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited


Sanjay Wadhwa
Chief Financial Officer



“Multi Commodity Exchange of India Limited (MCX) Q4 2019 Earnings Conference Call”

April 25, 2019



MANAGEMENT: **MR. MRUGANK M. PARANJPE - MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER - MULTI COMMODITY EXCHANGE OF INDIA LIMITED
(MCX)**

**MR. SANJAY WADHWA - CHIEF FINANCIAL OFFICER
MULTI COMMODITY EXCHANGE OF INDIA LIMITED (MCX)**

Moderator: Ladies and gentlemen, good day, and welcome to MCX India Q4 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements of the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mrugank Paranjape, MD, and CEO. Thank you, and over to you, Sir!

Mrugank Paranjape: Thank you and good evening everyone. At the outset, apologies, we had to reschedule the call a bit because our board meeting extended beyond the time that we sort of budgeted for and thank you therefore for joining in.

Let me just quickly start. Really feel happy to come with a very good year's result that we had. Some highlights which you would have seen in the press release already. In terms of the ADT for the last quarter we had an ADT of 26,981 crores. What is really reassuring there is that the third quarter itself was an all time high after the levy of CTT and after that to get another all time high was really pleasing. We have made an increase in the ADT over the third quarter itself, which to us is a reflection of the fact that participation overall in this market is going up and continues to do so.

Some of the other highlights of our performance of last year and again very pleasing that in spite of the concerns around competition, our full year market share is actually at an all-time high again of 91.6%. As of the registered clients which is distinct pan based clients we have crossed 30 lakh clients. And the traded unique clients for the exchange grew at a

fairly good rate of 14% and we crossed 3-lakhs in this fiscal. So, some of these numbers would give you an idea of why we believe that the overall growth and overall participation in this market has been consistently and continuously increasing.

A few other things which happened last quarter; first, on cotton we became the highest traded agricultural contract in the country in the month of March. We also have more than 2-lakh bales of cotton in our warehouses and in terms of base metals, we successfully completed the conversion of our aluminium contract in the last financial year. We are also on way to complete the conversion of our zinc contract and therefore conversion of a cash settled contract or physical contract, which probably was a concern at some point of time has absolutely adequately been addressed in my opinion. We had successful deliveries in aluminium last month. We already have people who have deposited zinc in our warehouses this month, which gives us the confidence that the conversion to a deliverable contract is on its way and should not pose any challenges to the exchange.

Coming to what I always talk about the four pillars of our growth and where we see ourselves in each of these pillars. So I think the progress over the last year on the distribution side has been absolutely pleasing. IDBI Capital Markets, BOB Capital Markets, Canara Bank are in the process of obtaining membership, SBICAP and Yes Securities have started doing trial runs of trading on the exchange and therefore gives us confidence that almost all the bank subsidiaries are already on the platform.

In terms of getting members to combine their memberships, I think, we are now at a stage where may be more than 50% of the key market is already moved into a unified licence. We still believe that there is about 30, 35 more key members whom we need to move into that unified category. They are in process and I think that is something which will stand us in good stead.

Options been a healthy growth in terms of what we have seen. We are clocking about 500+ Crores on a daily basis. And I think in terms of traded clients we are crossing 1000 clients on a daily basis during the previous quarters, so I think again sort of reconfirms what we had said that it is a slow build out of any product. Options will take time. But we see that inching towards where we think is the final destination.

On the regulatory developments, we had SEBI confirming something which the market was expecting for a very long time. At its latest Board meeting, SEBI announced that they would be permitting mutual funds and PMS participants in this market. It has been just about two months since then, we are now awaiting the guidelines, and we believe they should be out any time soon. Also in the next SEBI meeting, which comes up, I would think that we should definitely get approval for the approval to trade index products in this market. So I think products done, participants done and distribution done. With that in terms of how we do on expanding this market, I think MCX for the last year clocked more than 1150 training programs. Our target for next year is another 200 plus more at about 1350. So we believe we will continue to broad-base this market. We believe that with institutional participation, we will get better liquidity in the longer term.

As some of you would have noticed, a contract like gold where we have had increased participation after some of the regulatory changes, we are now at an all-time high of 23 metric tons, which we achieved in the month of February in terms of the open interest in our gold futures contract.

So one last point, and this was a data point, which some of you may have noticed that the WFE, which is the World Federation of Exchanges, releases its annual report, generally they release it at this point of time, for the year 2018, very glad that we are amongst the top 3 exchanges globally in terms of growth for 2018. And our growth was both in terms of value as well as in terms of volume by an almost identical 16%, which

also sort of confirms what we have mentioned in the past that the underlying price of the commodities does not have too much of an impact in terms of the ADT of the exchange. And that is something which can be seen from these numbers.

To reiterate, some of the highlight numbers that we had. ADT has grown 21% on a year-on-year basis. For the corresponding quarter last year, it's grown 13%. Our EBITDA is up 17% on a year-on-year basis. The profit before tax has grown 20% from Rs.147 Crores to Rs.176.97 Crores, and the full year PAT is grown 35% from Rs.108.36 Crores to Rs.146.24 Crores.

On the dividend, very happy that the Board has, consistent with what we have been doing for the last couple of years, decided to actually distribute almost all of the earnings that we had. So we are proposing a dividend of Rs.20 per share, which effects a payout ratio of just about 90.5% to 91%.

In addition to this, there are 2 highlight numbers that we always speak about and I think we would like to draw your attention to these. So one that the controllable expenses, as we call them, which in our case, as you know, is basically all the expenses outside of product license fees, software license fees that we pay for our core trading platform and the regulatory fees. So in those expenses, for the full year FY 2018-2019, we have spent Rs.146.5 Crores as compared to Rs.147.75 Crores. So we have actually spent almost a percentage less. And as we have been communicating to all our investors, we believe that we should always remain within the 2% over the previous year number. So being 1% below is actually a very, very good outcome that we think we have achieved. And in this, I must point out that there are some expenses, which are again one-offs and we believe will not happen in the next year. And therefore, there is an element of efficiency for us to manage the similar budgets for next year as well. So again, we continue with that sort of a target for ourselves that we will not let the fixed cost, as we say, grow more than 2% per annum on a year-on-year basis.

With that, I am through with what I wanted to say. I have got Sanjay with me. Sanjay probably just want to add a little bit on why you have done a good job in terms of managing our tax outflow this year.

Sanjay Wadhwa: Okay. So we had one very good upside this year. So our clearing corporation got operational on September 1. And there is a requirement that the exchange should contribute 25% to the core settlement guarantee fund. As a result, the company contributed Rs.79.38 Crores during the year. And this is an allowable expenditure from a tax perspective. This has resulted in a MAT payout for the year and a corresponding MAT credit entitlement of Rs.20.65 Crores primarily because we are very confident that we will be able to absorb this MAT out of the future tax payables.

Mrugank Paranjape: I think with that, our update is done. We are happy to take questions. So please, we can start on that.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

Viraj Kacharia: Thanks for the opportunity. Congratulation on a good set of numbers. I just had a couple of questions. First is if you can elaborate a bit more on the participation from banks, other distributors, and you also talked about PMS and mutual funds. So where we are with respect to the on-boarding? And how much further in terms of growth do we see from this area?

Mrugank Paranjape: I think look, we have consistently maintained that the bank distributors will be an additive number to this market. Our understanding is that the bank distributors are anywhere between a 30%, 40% of the equities market today, which means that over a longer term, we expect these participants to add at least 15%, 20% to the pie when it comes to commodities. Because not every one of their customers is probably a new

customer, but there is probably some overlap. So even after factoring for that, the overall growth potential for bank distributors is in the range of 15%, 20%. Having said that, what we need to do is to make sure that all bank distributors are on-boarded. And towards that, except for ICICI Securities, which is still WIP, every other bank subsidiary, if I must say so, which is meaningful and large is already on-boarded. So you should see significant contribution coming from these guys. The first one which started about 5.5 months ago, we believe, is already doing a very good number. And we should expect all of the bank subsidies to start contributing very healthily by the second quarter of this year to our overall turnover.

Viraj Kacharia: With respect to the PMS and mutual fund, I mean where we would we expect to?

Mrugank Paranjape: So like I mentioned earlier in the call, SEBI Board approved the participation of PMS and mutual funds in the Board meeting, which I think happened on the February 28 at SEBI. This Board meeting said that the detailed guidelines will come out. Our past experience has been that it takes roughly about this time for the detailed guidelines to come out after a SEBI Board resolution. So I think this is the time anytime now we are expecting the guidelines to come through. In terms of our discussions with the market and there it is not so much with the PMS participants because they are anyways sort of dealing with HNIs who are used to this market. But more in terms of the mutual funds, there are at least 6, 7 mutual funds who are in active, sort of, discussions in terms of what type of products they could get into this market as and when the actual permission comes through. So we are really confident that as and when SEBI announces the detailed guidelines, a couple of these mutual funds will immediately launch their schemes

Viraj Kacharia: Okay. Second question was on the product side. If you look at IEX, they have launched a spot cash product. So for us, do we have the product ready enough and for cash, if you can comment on that? And with respect

to index products, I did not quite get it. I mean, are we now expecting I mean, is there any time line by which we expect approval from SEBI? If you can just provide on that -- color some on that part as well.

Mrugank Paranjape: Okay. So the first one, spot commodity is not coming under SEBI at all by regulation. Therefore, we do not have any answer to that in terms of whether it will come onto this platform. As a general update, yes, we have been always mentioning that we believe that the regulatory environment in this country is wanting to create platforms in which spot commodities can be traded on an exchange type of platform. And in that, there may be some announcements, but we do not have any firm time line. From an MCX perspective, we are ready as and when there is an announcement and whether it is in bullion, whether it is in natural gas or any other commodity, we will be there to participate and create a spot platform for commodities. As to your second question, like I again said in the call earlier, there is an expectation given on the feedback that the market has provided that at the next meeting that SEBI has, they will approve index products in commodity derivatives. But that's something which we really can't have a time line beyond this.

Viraj Kacharia: Okay. Just last question was on the delivery center. So with respect to delivery centers, how is our preparedness? And if you look at global experience, where would India be with respect to that?

Mrugank Paranjape: So one, I think, there is no comparison between India and global because I think these are very distinct markets. As far as India is concerned, I think we have the delivery centers in as many products as we need, and we do not see any issues in terms of addressing that requirement.

Viraj Kacharia: Thank you.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir I have two questions. So first is with respect to on-boarding of mutual funds after the guidelines come out, do we also need to iron out the same things on the custodian side as we had to do on the AIF? Or that issue is sorted for all the institutional participants going forward?

Mrugank Paranjape: Our understanding is that that issue is completely sorted for all participants. There is no question any need for doing anything else there. The custodial guidelines clarification was issued by SEBI at the end of 2018. Under those guidelines, we also understand that at least a couple of custodians have already applied to SEBI, because under those guidelines, custodians needed to get a formal approval done from SEBI for offering custodial services in the commodities segment. We understand that a couple of the custodians would have already applied for this license as well. So I don't think there is any stumbling block from a custodial participation perspective.

Dhwanil Desai: Okay. So FY2020, we can see some kind of a mutual fund on-boarding happening on MCX post the filing, right?

Mrugank Paranjape: Absolutely.

Dhwanil Desai: Okay. And my second question is with respect to index products. And I think it is more about I mean it is already new product for Indian market. But if you can share the experience of how the index products across-the-world do in the commodity exchanges and what kind of contribution they bring. And are they, in terms of contribution, significantly lower or higher than the options for us? If you can throw light on that?

Mrugank Paranjape: So I think, as a contribution, index is not a very, very widely-traded product globally. In fact, there are only a few indexes, which are very popular and traded in a big manner. Having said that, I think from an Indian market perspective, we need to take this with the sort of understanding that the Indian market has shown enormously large appetite for index-based products when it comes to the derivatives

market, especially in the way the equities market is operating. And therefore, I think we can expect slightly better percentages, but very difficult to give a guesstimate on the numbers.

Dhwanil Desai: Okay. And my last question is on the options. Have we started charging for the option contracts yet?

Mrugank Paranjape: No, we have not yet started charging for the options contracts. After much deliberation, I think, we decided to wait for another quarter. And this is a decision which we'll take by the end of June whether we want to start charging or not.

Dhwanil Desai: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Subrata Akhuli from Adqvest Capital. Please go ahead.

Subrata Akhuli: I just want to know what is the average realization per crore of turnover in this quarter?

Mrugank Paranjape: Just one second. So the realization in this quarter is 2.16 per lakh.

Subrata Akhuli: Thank you so much.

Moderator: Thank you. The next question is from the line of from Prashant Tiwari from SBICAP Securities. Please go ahead.

Prashant Tiwari: Can you help me understand what is the target that we can look for or achievable number for the participation of mutual funds and PMS? Like looking from global experience, how much have they achieved in terms of institutional participation as a percent of total value? And what time has it taken for them to reach that?

Mrugank Paranjape: So I think tough question. A, we would not be able to give any sort of a guidance in terms of what number we should be looking at. As we have

always said, I think, institutional participation is important not so much from the perspective that it will probably add to the ADT because one does not expect the institutions to really churn their portfolio so fast. What it will add to is the depth of the contract, because we expect institutions to be having long-term money and long-term money, therefore, should be chasing the far end of the contract. And that is really where we believe the value of getting institutions will be. So one of the complaints, which is generally held against all Indian derivative contracts, is that we do not have enough depth in the far end. And I think that is something that we are hoping institutions will address. It will also address the need of getting more retail into this market. But again, will it really add to a lot of trading volumes? May not.

Prashant Tiwari: Okay. But in your experience the global exchanges, do we have some understanding what share do they have in total trading?

Mrugank Paranjape: I do not think we have that sort of a number for the global exchanges, but you could separately get back to Sanjay. He will try and get that number for you.

Prashant Tiwari: Thanks.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal. Please go ahead.

Ashish Chopra: Thanks for the opportunity. Mrugank just had a couple of questions. One on the progress of may be hedgers coming onto the platform. So we had these regulations, which were kind of compelling, at least the bullion traders to come on and head onto the Indian exchanges. So just wanted to know from you as to how has that impacted? And at least in that particular segment, are we seeing more hedging? And with the delivery ecosystem now coming in, what has been the early experience with respect to the other segments as well?

Mrugank Paranjape: Ashish, thanks for the question. On the bullion side, I think more specifically in gold where we had this change of regulation, it has been an enormously positive response from the participants. So like I mentioned in the gold futures we hit an all-time high of 22.8 metric tonnes in terms of the end-of-day open interest. Intraday, it was even higher. And this is an all-time high since the levy of CTT. Correspondingly, even the OI in gold options has gone up to about 4.65 metric tonnes. So I think two numbers, which is generally the open interest, it tells you the depth of the market and the hedgers that are participating, obviously a very positive response. And this is not limited to where you see something happening only in terms of gold. But overall, we have a fairly good increase in terms of the hedgers across all our contracts. So whether it is even cotton or whether it is Mentha or any of these contracts, I think hedgers in the exchange have gone up over the years in a very healthy manner.

Ashish Chopra: And against the constraint in the form of depth as far as the far-duration contracts go, I would have assumed that to still have been a challenge for hedging at least as far as the other segments go. But do you see that also probably gradually beginning to get addressed with options? Or that is still some way away and will need some of these mutual funds to really start participating before that can be resolved?

Mrugank Paranjape: I think options I do not think is really going to help us in that perspective. I believe we hold the view that it is mutual funds and institutional participation, which will help the far end of the contract.

Ashish Chopra: Just lastly for my side, any thoughts that you would have now may be throughout the course of your incurring on the technology bit now. I mean, there is still some time as far as the contract with FT comes in. But you have, I think, also mentioned an option of may be owning technology at MCX. And part of your cash may also be kept aside for that sort of an eventuality. Would you have maybe formalized and finalized

your thoughts? Or would you have a skew towards one option versus the other just yet?

Mrugank Paranjape: No. I think at this point of time, the exchange will evaluate all its options. I think the eventuality in terms of how we treat our engagement on the 63 Moons contract is still far away. And we would like to do as much as evaluation that we can, so absolutely no views. The good part that we have always maintained is that our technology is really doing well. So there is no pressing need or hurry for us to look at something as well.

Ashish Chopra: Got it. Thanks for answering my questions and all the best.

Moderator: Thank you. The next question is from the line of Meet Jagani, an individual investor. Please go ahead.

Meet Jagani: If I see there is 1000 Crores lying in the balance sheet idle, so any near-term plan for rewarding the shareholders? If not, then how do you see this idle cash lying in the balance sheet as beneficial to the company in such an asset light model?

Mrugank Paranjape: I think, Meet, we have mentioned this consistently that we believe that there are a couple of requirements, which are uncertain in terms of how they will pan out over the next couple of years. The first one is how much we need to invest in terms of technology. The second is the fact that the regulators have been speaking about opening up spot markets, and that may require setting up of separate companies and investment into those subsidiaries. And beyond these two, there is still the fact that competition in this segment is extremely hot, and our competitors continue to price their products at 0 pricing. So I think for these three eventualities, we believe that the company should conserve cash for another couple of years. And therefore, there is no immediate plan to reduce the cash on the balance sheet. But consistent to what we have been communicating to all of you, we have tried to payout as much as we

could in terms of this year's earnings. So like we have said, the dividend represents about 91% of the accrued earnings for this year. And the payout ratio is going to be 91% this year.

Meet Jagani: Okay. Is MCX looking in block chain technology, Mrugank? Are there any plans being the biggest exchange of India?

Mrugank Paranjape: I think any new technology is something which we keep exploring. But as you might have read about the block chain, when we are talking of the sort of latency numbers that we are talking about, block chain is really not a reality for an exchange type of business. Where block chain is probably a feasible idea is in post trade. But there again, it is something which we will be looking at. Nothing yet or no immediate plans to go live with the block chain technology.

Meet Jagani: Okay. Thank you. Good luck.

Moderator: Thank you. The next question is from line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: Thanks for the opportunity and congratulation on the good set of numbers. Sir I had two questions. One was on, if we can have a bifurcation between hedgers, speculators and traders, a very ballpark number would help. And second would be on the MAT credit that you see. This would be one-time credit, right? Is the understanding right?

Mrugank Paranjape: On the MAT, absolutely correct. This is a one-time credit and that is it. On your second question, I think this is a constant thing that we have sort of been speaking all this while. However, in discussion with the regulators, we have all come up with a framework now, which requires that upfront all members classify whether the underlying participant is what part of the value chain. So we define what part of the value chain you could be. And you need to sort of declare what your underlying client is. This bifurcation of clients is something that is going to be mandatory from the October 1, 2019. So from the Q3 of this year, you will be able to

get these numbers straight off from our website. You do not even need to talk to us about it because they will be publicly available. But till then, we are working with the market to get this bifurcation done, and you will be able to get this data from that start of Q3.

Kunal Thanvi: Okay. Thanks Sir. That is helpful.

Moderator: Thank you. The next question is from the line of Shrivatsan Ramachandran from Spark Capital. Please go ahead.

S Ramachandran: Just wanted to get some sense, are you seeing a good volume expansion over the last six, eight quarters? I wanted to get a sense if there is any difference between prop vis-à-vis client trades. The second thought, I was just looking at how that has played out with may be top 10, top 20 concentration kind of a number? Has there been any meaningful change? Or it is pretty much same?

Mrugank Paranjape: I think to your first question, the overall percentages have not changed too much. We have seen as much growth in some of our top Algo players as well as the growth in the retail market. And like I had mentioned at the beginning of the call, the healthy growth in the unique client codes as well as the healthy growth in the registered clients demonstrate that retail is growing at a fairly good pace as well, so from pure Algo versus rest of it, no perceptible change. In terms of concentration, again, no very big change. But yes, the change in our average realization for the full year would give you some idea that we have our larger members are doing better than the smaller members because the average realization has gone from 2.22 to 2.17 in the full year.

S Ramachandran: Sure. I just have one more question. Just wanted to get your thoughts. You had a great three-year stint, is there anything that you thought you could have completed during this stint, but you have not completed? I just wanted to get your thoughts.

Mrugank Paranjape: Again, I think a lot of things that we started off together and what happened under the aegis of SEBI are almost all done. As I look back, there is not too much that I would say is not done. Yes, I would have loved to see some of the approvals that we are getting now. If they had come a bit earlier, then we could have probably on-boarded some of our mutual fund clients, we could have probably started trading on index. But honestly speaking, I think, for a market that has just started developing under SEBI in the last three years, we have made great progress. So I do not think there is anything on that count, which I would say is not done or undone.

S Ramachandran: Sure, thanks Mrugank.

Moderator: Thank you. The next question is from the line of Rahil Jasani from ICICI Securities. Please go ahead.

Rahil Jasani: Thank you for taking my question. Sir just one question. Last quarter, SEBI declared a few brokers not fit and proper for commodity derivatives. So they said that they shall cease to act as commodity brokers. Does that impact us? I mean, it was not seen in this quarter's numbers but does that impact us in any way?

Mrugank Paranjape: One, I think, the members that you mentioned were not active at all and they had ceased their operations. So that does not impact us. It did not impact us this quarter and should not impact us going forward as well.

Rahil Jasani: And that is - is that because of the unification of their broker license into one single entity?

Mrugank Paranjape: Yes. So I think most of them have already started their business in another entity or moved their business or taken some call in terms of how they will migrate to other entity.

Rahil Jasani: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

Viraj Kacharia: Thanks for the opportunity again. Just had two questions. One is on the tax part. So what is the sustainable tax rate we should look at going forward?

Sanjay Wadhwa: So Viraj, we still have some long-term capital losses, which are available for set off against long-term capital gains. So the rate for the next year also should continue to hover around 22%-odd. That is where it will be for the next 2 years at least.

Viraj Kacharia: Okay. Understood. And there was news which was going on regarding your forensic audit regarding the share of data of IGIDR. So anything you can comment on that?

Mrugank Paranjape: So we do not comment on regulatory matters, and there is nothing that sort of really impacting and therefore, we would not be able to give any other information on that.

Viraj Kacharia: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: Good evening. So one question from my end. What has been the attrition rate at the company level and at the senior management level over the last 3 fiscal years? If you could give the data, it will be useful.

Mrugank Paranjape: You are looking for attrition rate at senior management level?

Arpit Ranka: Maybe, yes. I mean the key management personnel level and also at the broader company level also.

Mrugank Paranjape: So I think both numbers are single digit. Both senior management as well as the full company, we are at single digit in terms of attrition numbers.

Arpit Ranka: And what has the trend been like over the last 3 years? Has it been sort of healthy or not so competitive?

Mrugank Paranjape: So like I said, last 3 years' trend is single digit, and which we believe is a very healthy number.

Arpit Ranka: Thanks a lot.

Moderator: Thank you. The next question is from the line of Sujit Jain from ASK Investments. Please go ahead.

Sujit Jain: Just wanted to check about product license fee increased by CME, when exactly did it happen? And in absolute terms what that number would be?

Mrugank Paranjape: So the product license fee increased from September. So you would have seen we had mentioned it even in our Q2 numbers call. And the total impact for this year was approximately Rs.7 Crores for that 7-month period, so full year impact would be approximately, maybe Rs.10 Crores, Rs.12 Crores there.

Sujit Jain: So meaning FY2020, it will be Rs.10 Crores, Rs.12 Crores impact?

Mrugank Paranjape: So FY2020, we are saying, as compared to last year, we'd probably end up spending another Rs.4 Crores to Rs.5 Crores, somewhere between that.

Sujit Jain: Thank you.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Sir, I just wanted to know, as we have been focusing on the physical deliveries. So as of now, what is the percentage of the physical delivery?

So earlier, it used to be around 1% to 2%. So has it increased considerably now?

Mrugank Paranjape: I think the percentage of delivery remains the same. And I guess, as we have consistently maintained, percentage of delivery is a good number to track but a higher percentage does not necessarily indicate anything in relation to the health of the contract. We believe the threat of delivery is the most important aspect when you are looking at derivative contracts, but beyond that, that number is only a good number to track but a very big number is not necessarily any indication at all.

Amit Chandra: As we are shifting towards physical delivery in some of our contracts in metals, so is it that only 1% number is actually going to increase from here?

Mrugank Paranjape: Again, the 1% number that you are talking of is also not a generic number. The number varies by contract to contract. The percentage of deliveries in gold will be higher than the percentage of deliveries, say, in some of the other contracts we have. The percentage of deliveries in cotton will be extremely high as compared to those contracts. So in that sense, of course, since it was a cash-settled contract and sitting at a 0, yes, it will probably inch towards that 1% number. But again, 1% is something which we generally see being achieved over a very, very longer-time period once the contract has its maturity. So even if it is internationally, the 1% to 2% that most of the larger exchanges have internationally is something which exists for very, very mature contracts.

Amit Chandra: Sir, in terms of the ADT for, like, bullion, we have seen a recovery in the last two quarters. So is it only because of the increase in volatility? Or do the return of the members who were earlier trading and who actually stopped trading after the demonetization impact, so what is driving the growth here?

Mrugank Paranjape: So I think we believe that inherently, there are two or three factors, which is helping us in the bullion market. One, of course, is that volatility is slightly better, which obviously helped us when it comes to the bullion market. Second, again, you are correct that members or underlying participants who may have reduced their volumes have gone away during the post demonetization period have now started coming back on to this platform. And I think the other part is, of course, the fact that we continue with our fairly aggressive push in terms of getting more physical participants on-boarded. So that is contributing as well to this deepening of the market.

Amit Chandra: So the earlier rate for the bullion was Rs.9000 Crores to Rs.10000 Crores of volumes. So do we expect that to return to these levels?

Mrugank Paranjape: Again, Amit, as you must be knowing we consistently do not give a product-level outlook in terms of ADT because it's something which is extremely difficult to predict. But yes, as an exchange, we have the believe that the Rs.9800 Crores peak, which we had pre-demonetization is an achievable number, should happen over the next 12 to 18 months.

Amit Chandra: Thank you.

Moderator: Thank you. The next question is from the line of Prashant Tiwari from SBICAP Securities.

Prashant Tiwari: Have you thought about what would be the pricing that you would look out in options at this time?

Mrugank Paranjape: Prashant, early, cannot indicate, but I think there is a sort of market on the other side, which is the equities market, which gives you some sort of an idea of what the market can probably absorb in this product. So that could be a starting point but that is not necessarily where we will end up.

Prashant Tiwari: Yes. But will it be safe to think that it will be lower than Rs.2 or lower than what we charge on futures?

Mrugank Paranjape: You need to compare it on a like-to-like basis. Obviously, if you are comparing it in terms of how much you charge on the absolute versus how much you charge on the notional and how much you charge versus. So what we charge in an options contract is based on the value of the premium. And therefore, if you compare that, then it would not be a comparable number. It is not an apple-to-apple comparison that you are looking at.

Prashant Tiwari: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Paranjape for closing comments.

Mrugank Paranjape: Thank you. Thanks, again. I must say it has been a phenomenally great year for MCX. Like I said at the beginning of the call, a lot of things that we started three years back when SEBI became our regulator have taken flight, they have come to fruition. Almost everything that we have been doing is coming to a stage where it is maturing in execution. From a personnel perspective, I just want to thank all of you as very supportive group of investors, shareholders who have been a party to this journey, who have been supportive of MCX. And I am very sure that you will remain as supportive as investors to MCX for my successor, Mr. P. S. Reddy, who will be joining shortly. Today at the Board meeting, I think we have already put out the release as well to the Bombay Stock Exchange. Mr. Reddy will be coming here over the next 8, 10 days to facilitate a very smooth handover to him. And he takes over formally from the May 10. So we can do the call jointly for obvious reasons. I am hoping that you all will give the same support and the same sort of rigor with which you have looked at MCX. So thank you for that, and have a great evening.



*Multi Commodity Exchange of India Limited (MCX)
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Moderator: Thank you very much, Sir. Ladies and gentlemen, on behalf of Multi Commodity Exchange of India Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.