MCX/SEC/2319 November 30, 2023

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

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

Dear Sir/Madam,

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

Sr. No	**Investor/Analysts**	**Date**	**Time**	**Annexure**
1.	IIFL Securities	November 22, 2023	3:00 PM	***Annexure - A***

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

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

MANISHA HARSHAD THAKUR
Digitally signed by MANISHA HARSHAD THAKUR
Date: 2023.11.30 15:27:12 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

Annexure - A

"Multi Commodity Exchange of India Limited

Meeting with IIFL Securities"

November 22, 2023

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

Analyst: Thank you, sir, firstly for your time, giving me your time and many congratulations on successfully completing the migration. Thank you. I think this will be the one-of-a-kind migration where the entire platform or tech has been globally also...

P.S. Reddy: That's right. That's what my understanding is. And we are fighting our back to the wall, that's the reason why we have to do this kind of thing. But otherwise, if a choice is given, if the atmosphere is conducive with the vendor, probably we could have done transition in phases, but then any additional time would come with an erosion of net worth, not as operations, support kind of cost, as of supporting operation.

Analyst: It had to be done in one go.

P.S. Reddy: Yes, that’s right. So that's why we tell some of the people, it's a dare devil act, but you don't attempt it if you have an option to do it, that's the way it is.

Analyst: At least a precedent has been set now.

P.S. Reddy: Yes, that's right. So, nothing is impossible. That's the way it is.

Analyst: But any, sir, we had heard some teething issues initially, but now are things in place, everything?

P.S. Reddy: I think every day we are getting stability. On the first day and second day, we had good number of teething issues, but they all have fallen in place now. That is, even the latency numbers have improved, we are displaying on the website also our latency number, is far better than what it was earlier in the old system, and we expect it to be further improving it after completing some more changes, which we plan to do, in the next one or two months.

Analyst: And in terms of the backend, initially we were having some problem in terms of generating all these end-of-the-day reports at a particular timeline, so are those all in place now?

P.S. Reddy: Well, see, while those reports are all getting done, all the members are getting it, the only thing is, time is still an important element out here. Whatever is required for trading is happening, some of them are related to the CMR, Client Margin Reporting, where some penalties are levied, so that's not nothing impacting the members trading part of it. So there, at times, for a member it gets delayed, or for one or two instances it may be delayed.

That is also getting streamlined, we are working on that also, reports. But back-office files and other things, by five, six o'clock, everything is given. They get generated at various stages of EOD, BOD processes, so whatever is due at that point in time, it is happening, and members are logging in by seven o'clock, so we see the members log in at seven, and trading starts by nine.

Analyst: That is the arrangement you can say? Initial hiccup is not there?

P.S. Reddy: No, there is no. I mean, by the grace of God, so far we never had any instance of not having the trading. Maybe on that day two, we had, maybe about half an hour or so, there was some issue because of some memory leakage. I think that's also behind us.

Analyst: And so this gold price, we again heard in between, there was some up-move in gold price. Was that a glitch?

P.S. Reddy: No, there's no glitch on that. It was a trade. No, this was a trade. Okay, no doubt about it. Maybe the client or a member must have placed a market order. That's how the entire book, or maybe to the extent that his order is placed, the order book got swept. And subsequently also, when it came up also, it traded at a substantially higher price, maybe INR61,600 and odd rupees. It traded. Good number of lots were traded. So I think INR61,980 plus is the trade that has taken place. Again, there's a good number of lots, not one or two lots. So we have submitted our reports to the authorities.

Analyst: And so in terms of overall participation, what we used to see, pre-migration?

P.S. Reddy: Everything is the same. In fact, I mean, I'm wondering whether we have increased, number of users are increasing slightly. Number of users have more.

Analyst: Active users have gone up. Are you saying that?

P.S. Reddy: No, not users. Users are essentially that ones who are using the CTCL terminals or TWS terminals. These are registered as users. So that number is good, increasing. Even if it is marginal, it is increasing. So that shows that everybody is there in place.

Analyst: Right. In terms of the numbers, if you could share in terms of members who are using it, are all like you said?

P.S. Reddy: All of them are there.

Analyst: 330, I think is the number that you shared on the call?

P.S. Reddy: All of them are… today also, all of them are there.

Analyst: In terms of UCC also, there is no gap?

P.S. Reddy: No, no, no, no gap.

Analyst: Basically, we have the full participation. What we used to have?

P.S. Reddy: Yes, yes, no doubt.

Analyst: And sir coming to the operational part of the software, would there be any change the way things were done before when we had a contract with 63 Moons and now with TCS? Would we be more in control or is it exactly the same? Just the vendor has changed?

P.S. Reddy: No, I think in terms of control, I think the kind of clauses that they were there earlier, those clauses are not there with the TCS. Even if you want to develop a new platform parallelly, even now you can do it. There are no such restrictions. And the contract is one year, what you call, one year is in warranty and the next five years is again AMC has been fixed. Thereafter also, AMC has been fixed. In the sense, every year 4%, some percentage of the increment, you have to pay them.

So that's how the AMC, on the price which we paid at the last year, kind of. I think there is nothing kind of a ransom being asked after the sixth year or something like that. There is a cap on the…

Analyst: Basically, a long-term trajectory has been already planned and done?

P.S. Reddy: That's right.

Analyst: If the plan is, because we have this six-year contract, my understanding is you run the day-to-day operation and TCS will come only if there is a bigger problem with the application or if there is a development work. Is there any thought process in this six years we try to develop a team so that we can take up even those kind of work?

P.S. Reddy: I think it is too early for us to say that because the source code is not, we do not have, we have only right to use the source code, I mean right to use the software. So IPR is still with them only. So, the license is, we are having it. So, I think it is too early for us to undertake another exercise at this point in time. Maybe as we go along, we can think of all those things.

Analyst: But till the time we are with this same platform, it has to be TCS who can do the development work because they have access to the source code?

P.S. Reddy: That's right.

Analyst: And I think that is more or less on the technology part. Now again, you also said on the call that focus will now be on the business. After two years of this tech problem that we had. Just to, first to start with broad understanding, generally investors do kind of equate the volumes in the commodity market to the equity market.

We understand the participant base is much bigger on the equity side. Even the products are more, you have equity products which are exclusive to India, which is not the case in commodities. But what could be basically, if I were to say, do you think one, in terms of parallel, can we assume that even in commodities, volumes could be driven to options rather than futures as we have seen in the equities?

And secondly, do you think the growth in the commodities market, if not the absolute number, can be as big as what we have seen in the equities market?

P.S. Reddy: I think in the call also I have clarified people to, or rather I caution not to compare with equities. The reason being is equity markets are investment markets. These are for risk management. Okay.

Now being a risk management product and the contract sizes are also very huge. In equity you can buy one share of Reliance or one share of Infosys or anything it is here, but not here. One lot means, it is a few lakhs of rupees. Okay. So keeping that in view, the margin requirements will be high. So, by nature, it does not allow all and sundry to come and then trade in the exchange. That is one important thing that we have to keep in mind. Okay. So minimum margin in crude oil on a INR7 lakh, I mean that is a contract size of INR6 lakhs to INR7 lakhs of rupees, the main contract, and how much it comes to, almost all INR2.8 lakhs, INR2.5 lakhs of margin. And it is not a small sum. Okay. And similarly, even in NG, you have 30% margin.

That is also big. So I do not think so much of a retail investors coming in drones to this market is ruled out. Having said this, either roadmap is more towards options but not futures, and at this point in time, the drivers which led to options is the higher margins in futures.

Now, we have not tested as yet, having got used to the options, who knows, even if you reduce the futures volume, still people may go in that way only, that is in the options way only. Okay. And the, you know, the tendency of retail investors is to, you know, participate in options. That is what also, we have seen it. And that is where, you know, that is where they think that, especially in the week of option expiry period, they will see huge volumes. And these are all cash settled. That is another important reason why they are active. So maybe the way that things are happening internationally, maybe options are not the big ones. And, but we happen to be the largest in crude oil, you know, options in the world, isn't it? Largest in the world.

Praveen DG: Yes, it is because we have the mini contracts.

P.S. Reddy: I am asking you, we are the number one in the crude oil contract. So, in the silver, I think, number two. Maybe in the options as a whole, it is the fifth largest in the world, and in futures, it is the sixth largest in the world. But then, ranking apart, I think we have scratched only on the surface of this market. There is a lot of growth potential. And with the enablement of regulatory regime, I am sure we should be able to do a far better and a deeper market. When I say deeper market, a market which, where people will resonate with the market, what is happening in the MCX platform. And that will happen only when greater degree of participation comes from the hedgers and the value chain participants. We see value chain participants, a good number in silver, gold, and to some extent, maybe metals, but then it is not deep enough. And that is what our effort is going to be, more and more.

Analyst: Sir, can we say that, when you say hedging, basically it is, what we are targeting is increasing the open interest, possibly, right? In a way, not exactly all open interest would be hedging, but I am just saying. So, can we say that there is a ratio between trading volumes and open interest, and as the open interest goes, the trading volumes will keep increasing in a multiplier?

Are there some numbers that we have seen, like the numbers that you shared in terms of open interest? It implies that on futures, we have a 1:1 ratio, while on options, we have 4x, 5x times the trading volume compared to open interest. So, are there any comparisons internationally, what are these ratios? And based on that, can we do some sizing of the market?

P.S. Reddy: Well, I do not have that ratios. I do not know whether that is the -- right, whether that is an approximation or that will work as a tool for assessing the market size. I am not too sure about it. I think we must definitely look at the physical market size and how much of the physical market is hedging on the exchange. Whether they are hedging in India or abroad is secondary. But as such, they are not hedging. That is the major worry. You have seen the balance sheets of many of these companies which are listed. Some say maybe doing it or not doing it. They are very vague, and they are not hedging at all. That is for sure, many of them. And I think that is the worrisome part of it.

I think we should start our education or cultural change from there. Unfortunately, which again I said on many calls also, if they lose money here, whenever hedgers, they look at only this book, not their other book, physical market book. And financial book and then that book, both they look at it. One side if there is a loss, the other side there will be a profit. So hedging means no loss, no gain kind of thing. But many of the CFOs or the financial controllers in these companies, or maybe even promoter driven, they don't realize that.

They think that we should have made profit here also and then still, physical market anyway will gain it if the prices go up. What is the big deal about it? That is the mentality, and I think that is where we need to really look at it. Coming back to your main question, yes, I don't have those numbers as such, internationally. I think you need to work on that.

Praveen DG: No, generally you cannot. Globally, it is not a right comparison because it also depends upon the volatility. So, volatility is there. The open interest remains the same, but the volumes significantly can go up. So, there are other factors which really can influence.

So comparison between open interest and other things cannot be a right, of course. That is how I look at it.

Analyst: And another factor of liquidity, hedging you said one thing, volatilities are mentioned. But even the size of the contract, I think, is something that drives volume. So basically, miniaturization of the contract. We have already launched mini contracts. We are talking about launching weekly option contracts. The whole idea is to improve the liquidity by doing all of this.

But given what has happened in the equity market and we have been hearing SEBI, they have been very worried about the kind of options that is happening, option trading that is happening in the equities market. Do you think there would be concern, regulatory concern, in terms of allowing us either the mini contracts or the shorter duration contract that could have some challenges from the regulator, especially in the commodities where they feel that it is more for hedging than speculative activity?

P.S. Reddy: Well, see, again, we are very clear. You need speculators. Without speculators, no market, whether it is LME or CME or ICE or any, will survive. Speculators are needed to provide continuous liquidity. So it is needed. Now the hedgers come as and when there is a need for them to hedge, and at that time there is no liquidity, then they will not look at this market at all.

And both legs of the hedgers will not be coming at the same time. So, then it could have been purely hedgers market also. That doesn't happen. And that is the reason why these speculators are needed. Now how much speculation is good and how much speculation is bad, I am not the one to comment on that. I think we need to take adequate risk management measures.

We need to educate the investors as to what are the pitfalls of the kind of trading that they may be doing it. And they should be able to take that risk. The event things go wrong, they should be able to take the risk. So, SEBI has put up on the report, you know, research report, 90% of the investors are losing their money. Yes, may be true. But still trading is not stopped. Cigarette smoking is injurious to health. Correct. Okay. But those who got used to it and who have seen maybe gains at different points in time, may continue to get lured.

But I think it is for the member brokers also to equally educate at the time of entry, at the time of what you call -- client coming for trading, that look, this is what the risk is all involved. I think they should not be tempted by the investor coming to give them business. I think they should educate well at the time of entry itself. That's very important.

Analyst: I completely am with you on that, sir. The thing is that when SEBI gave approvals to NSE for weekly options, they never imagined the volumes will go to this extent. And even after what they're doing everything, introducing peak margin regulation, gross margins, everything, still the volumes are only going up. Do you think now they have become more, what do you say, they want to stall any product which can increase the speculative volume rather than hedging volume, although speculative volume is important. But have they grown any kind of this thing that they don't want to do this now?

P.S. Reddy: You see, again, I will not be able to comment about the equity markets, what restrictions they will put up, they will not put up, what works, what does not work.

Analyst: From a commodity perspective.

P.S. Reddy: From a commodity perspective, I think we have not reached anywhere closer to that. There's a lot of room for us to grow. And instead of stopping at this stage itself, probably we will be, what do you call, we will be doing injustice for the growth of this market, I would say. I think we should allow innovation.

Of course, safety first, no doubt about it. Then everything else will come. With that safety keeping in mind, we should allow the innovation. And new products should be allowed to be launched. That's all I can say that.

Analyst: In your experience, has that been the case with the regulator that they don't see everything with one eye and they do understand this is an Asian market and it needs some help to grow. So probably the rules, not exactly the rules, but the approach could be different for different segments.

P.S. Reddy: Yes, but it is for us, the onus is on us to convince them, that this works, and this does not work. So if they are convinced, probably we have failed, not they have said no.

Because they have a greater responsibility than allowing us to just launch a new product. That's the way it is.

Analyst: And secondly, we saw that NSE kind of launched this option contracts without having this INR1,000 crores liquidity in the futures. So is it like that rule has been done away with or it was an exception made for NSE?

P.S. Reddy: Well, I would not be able to comment on that, what happened…

Analyst: But the rule is still in place.

P.S. Reddy: At least there is no new circular issued as of now. There is no new circular as of now. That rule is in place is our understanding. We have not seen any new circular.

Analyst: So we will not apply for any product wherein we don't have INR1,000 crores of underlying liquidity?

P.S. Reddy: Not necessary, you know, whether INR1,000 crores or no INR1,000 crores. If we give a justification, probably they will encourage us to launch it. Relaxation of rule is their discretion. We can ask them. Asking is our right. We can always ask them. Discretion is their right to give or not to give. So I think we can try all that.

Analyst: Have we applied for any of the products which doesn't meet this criteria?

P.S. Reddy: No, no. We will make an attempt to, especially options on some of the mini contracts, we will ask for.

Analyst: And so for options to succeed, how important is the liquidity in the underlying futures contract? Is it very important or without even liquidity also option volumes can come through?

P.S. Reddy: My personal view is liquidity is important. Otherwise, we are seeing a big, what we call, exposure, risk exposure to the option writers. Because option writer, when he is selling an option contract, then he must be from a physical market player. Or he must be, if it is a cash settled contract, he must have deep pockets. Otherwise, if he hedges in the underlying futures, then there is no problem. So, to that extent, what we call, the depth in the futures contracts will increase. So that is what we are expecting. But that is not happening. And we are also equally concerned as to why the option writers are not taking exposure in the underlying futures. Some of them, not all of them. And I think it should be taken. That is the reason. Then only it will

protect them also. Anyway, the option buyer is protected. He doesn't have any, except for the premium that he or she pays, then there is no other risk. Only option writers are exposed.

Analyst: You think sellers who are ideally supposed to take some hedging against their open exposure, that is not happening.

P.S. Reddy: Some of them are not doing it. Maybe the higher margins again, the cost of trading in options and futures is high.

Analyst: Right. But they are incentivized in terms of cross-margining. If they took an offsetting position, then the margin requirements will come down. Can they do it through options only?

Praveen DG: Ours is a span-based mechanism. That is how the margins are elevated. So one, if they take futures, on the other side, if they take an option, automatically the span will come to the portfolio level kind of margining. So, automatically it will be considered…

P.S. Reddy: But to some extent only, not fully. 100% they don't get it…

Praveen DG: Because there will be always, you will have certain things like minimum short margins and other things still will be there. But that benefit of portfolio margining will be, that testing will be benefited.

Analyst: Okay. And that is between futures and options only? With two option contracts of different cycles? That also.

Praveen DG: Yes.

Analyst: But there is a possibility that people may be taking far off, out of the money as a hedging tool. Is that a possibility, sir? Instead of futures market, they are kind of hedging themselves in the options market itself?

Praveen DG: Somebody can even, able to develop a synthetic futures, right, using an option. So, they have different ways or strategies to which somebody can able to replicate a futures contract also. But at the same time, ultimately these are all option on futures. So, if you have an underlying futures contract, it is meritorious to take a position in futures also.

Analyst: Okay. Understood. And in terms of newer products, you did mention about Steel TMT rebar side, in the futures side. Are there any more products that we are targeting in the futures? As of now, it is only Steel TMT rebar?

P.S. Reddy: We have applied for this aluminum alloy, in the past also I said that. Again, the approval is another thing is pending. So, are the some of the mini contracts also. And some of them are again related to electricity futures is another one. So, we are waiting for these things to come.

Analyst: And mini is copper and nickel?

P.S. Reddy: Copper and nickel…

Analyst: Only those two are left. Rest everything we have mini contracts?

P.S. Reddy: Yes.

Analyst: And in terms of this gold futures, the main contract, which is a bi-monthly contract, is there any plan to make that monthly or it is the other contracts which are already monthly? We don't intend to make that as a monthly contract.

P.S. Reddy: We don't want to change the gold, bi-monthly contract into a monthly contract. And I think the market got used to it. If we have to introduce, we may introduce another product. But it should not cannibalize the volume here. We will look at that. But options on the gold, monthly options on bi-monthly futures is what we are looking at it.

Analyst: At least in the futures, I think we will keep the specification here.

P.S. Reddy: Yes. We don't want to change.

Analyst: And any time you have gold mini, which are monthly?

P.S. Reddy: Gold mini is monthly. Gold 10 grams, I mean, applied 10 grams is one. And we already have a gold mini, 8 grams and 1 gram is also there…

Analyst: On silver, the main contract and the mini contract are both bi-monthly contracts?

Praveen DG: All are bi-monthly contracts.

Analyst: Silver. Why is that so? Isn't it wise to introduce a monthly contract in silver also on futures?

Praveen DG: No. See, when we started that time, it was like initially, that means prior to this kind of delivery-based contract, the mini and micro contracts are also linked to the main contract. So, they happen to be a bi-monthly contract. But in case of gold, from the beginning, it was like a separate contract. Because silver, there is an issue with regard to the delivery then, that time. Because you may not be easily able to get that kind of 5 kilo bar or something.

P.S. Reddy: Micro is 1 kg.

Praveen DG: People use it to import mainly in the 30 kgs. Even that also, you won't get it exactly in 30 kgs, but you get it in a range. So, because of that scenario, then it was decided to come out with a contract, which are linked to the main contract. But subsequently, SEBI has come out with rule. And we also have gone to the market and we have, after extensive discussion with the market, we could able to come out with the delivery-based contract, even in mini. So, all are separate.

But since the precedence was set that time, it was like we had, but definitely like Sir said, we can look at options whenever we wanted to come out with the options. Definitely there, we can look at shorter duration contracts.

Analyst: At least for futures, we will not tinker around…

Praveen DG: There is no merit in doing that one. Because sometimes it is like some market participants prefer to have a longer duration contract because you will be able to cover a greater duration. That means, like suppose if you have three contracts, that itself will be covering some six months.

Analyst: Basically, the shorter tenure will be done through options. The one that you mentioned, weekly options on the monthly future contracts?

P.S. Reddy: Weekly, when I say weekly, it should not be understood that the contract itself is weekly. Because under SECC regulations, at least the derivatives should be more than

11 days completely. We will issue monthly contracts, but every week, one-one monthly contracts will expire.

Analyst: It is a weekly expiration. Weekly...

P.S. Reddy: No. You see, 7th of the month. Previous month 7th we issue one contract. And this…month 7th, we expire. Previous month 15th, we issue contract on 15th. So, in a month, there will be four expiries of different contracts.

Analyst: Of different contracts?

Praveen DG: Technically, you will have one expiry each week. That's it. But the contract.

P.S. Reddy: Serial contract.

Analyst: But they are different contracts?

P.S. Reddy: They are different contracts.

Analyst: Sir, I thought you mentioned that on crude itself, you will have four different weekly expiries?

P.S. Reddy: Weekly means, these four monthly contracts are starting with different dates. So, there will be four weekly expiries.

Praveen DG: Even today, if you look...

P.S. Reddy: Underlying is the same. Underlying option contract is the same WTI. Same 100 barrels or 1,200 barrels.

Praveen DG: No. In case of crude, it is 100 barrels. But even if you look at it today, while we are calling it as a monthly contract, it is not technically a monthly contract. It is like, I launch a contract which is of a duration of four months. Okay. But you have, every month you have an expiry. So, similar to that one, whenever you are saying a weekly or it is a fortnightly, it means that every week you will have an expiry. But that contract, expiry contract, that would have been launched from one month back or two months back.

Analyst: But unlike equities, where the contracts are launched on…

Praveen DG: No.

Analyst: Even an equity. These are launched on Monday, right? Or for Friday expiry, like a Sensex contract?

Praveen DG: No. May be, I may not be knowing that.

Analyst: That is what I am saying.

P.S. Reddy: That is the equity, I mean, I don't think there also, it is like that. They are also monthly contracts or fortnightly, at least a longer duration, but then it is expiring every week.

Analyst: My understanding is that this was weekly contract and now I think they are seeing volume only on the expiry day. It is becoming even more shorter. And every day there is one expiry that is happening on the equity market. So, between NSE and BSE. So, these are effectively becoming your zero date options. And volumes are happening only on Monday.

For BSE, if you see, volumes happen only on Friday, expiry day. So, I thought we are planning in options something similar which when we call it weekly, we are saying this will effectively have different, every week there will be one expiry. It is not the one contract of say, December ending contract will have 7, December, 14, December, 21, December, 28, December as an expiry date?

P.S. Reddy: …No, it is not like that….

Analyst: Because I thought the series, I think serial contract is what you mentioned. So, that was done, I think the genesis was because you have this two month contract. There was a month in between which never used to have a contract…

P.S. Reddy: Because 11 days is the minimum required, …a tenure, for derivatives contract.

Analyst: Minimum 11 days?

P.S. Reddy: At least. Anything less than 11 days is spot. That is what the legal definition is.

Analyst: Then, even the equities has to be more than…

P.S. Reddy: So, equities also, somebody has told -- explain to me, it is monthly only. Expiring every week.

Analyst: Expiring. We are doing something similar?

P.S. Reddy: Yes. Expiring every week. We are yet to try that.

Analyst: You have already gone to the regulator?

P.S. Reddy: We have, what to call, ideated. Nothing else.

Analyst: I want to understand this little better. I think this is very important. If this comes true, I think this will add to the volumes.

P.S. Reddy: We are hopeful of it.

Analyst: At least based on the experience what we saw on the equity side, probably this will add to our liquidity here as well. But just to be more clear, on a crude oil contract, monthly contract, there are option expiry which will happen. When you say different, different weeks…

P.S. Reddy: Let us say, you have a crude oil month of December. On a December contract, today you have only one option contract. We will have four option contracts. On the December one only. That is what the way it was. These four option contracts are monthly contracts. So, each one will be expiring. Instead of expiring just two days before or three days before the underlying futures expiry, it will expire every week.

Analyst: In effect, they are becoming weekly. If somebody wants to trade in near month contract, they will trade in the contract which will expire in that week?

P.S. Reddy: Whatever expires on that day and if there is anything to be devolved, it will devolve on futures. And then next week if something is there, then it will devolve on futures.

Analyst: Understood. And this can be done for both cash settled as well as physical delivery contracts only for cash settled?

P.S. Reddy: It can be done for both.

Analyst: Understood. Perfect. And sir, one of the thing is that index when we launched it, index product, we thought it will drive volumes. Metal index, we understand because of nickel debacle, that did not see volume. But energy, in fact, I think the margin requirement are not as high as what you saw on the individual commodities like crude you said 40%, natural gas you said 30%. Energy index, as of now I don't see any trading happening but should not have that much margin requirement. Still we don't see any volume in those contracts?

P.S. Reddy: If I am not mistaken, there also the pre-expiry margin has kicked in...

Praveen DG: Pre-expiry margin is one major challenge because irrespective of whether underlying margins are there or not, it is like, as and when it comes closer to the expiry, then you have a, it is a cash settled contract, right.

Analyst: Yes.

Praveen DG: So, because it is a cash settled contract, then you have an energy, it is linked to the energy where pre-expiry margin is applicable. So, here also it is applicable. So, you have one pre-expiry margin for…

P.S. Reddy: How much is the pre-expiry? 5%...

Praveen DG: 5% incremental basis.

P.S. Reddy: So, it will come to…

Analyst: Day by day 5%?

Praveen DG: So, 25% by the day of expiry.

Analyst: Okay.

Praveen DG: And immediately followed by your underlying having the pre-expiry margin. That is your double whammy, right? It is like you have a pre-expiry margin here, then again you have. So, that is what has created the problem for the…

Analyst: When a new contract is launched, what would be the margin requirements sir for an energy index?

Praveen DG: It depends upon purely based on that volatility. I don't know that's what -- No, currently we don't have it. We have discontinued it.

Analyst: Discontinued it. Okay. Any plans to reintroduce that or no?

Praveen DG: See, currently we wanted to first focus should be on index options have been allowed by SEBI. Okay. So, we have to explore the products in index options.

Analyst: But again you need the underlying for index options.

Praveen DG: No, we have…

P.S. Reddy: We have BULLDEX.

Analyst: Okay, only BULLDEX you have.

P.S. Reddy: Only BULLDEX and METLDEX also probably we will try to relaunch it after the -- I mean we removed the nickel.

Analyst: Correct.

P.S. Reddy: And then reconstituted the METLDEX. With four of them, we will try to relaunch.

Analyst: So, the timelines for both these options on index and those weekly, is there any timelines that you have thought to?

P.S. Reddy: It's only regulatory approvals. These are all…

Analyst: No, no, but at least we have approached?

P.S. Reddy: No, no. No, no. As I said, we have not approached it. So, we will approach.

Analyst: At least weekly is still an ideation. It will take some time.

P.S. Reddy: Yes, it will take some time.

Analyst: And this option on index, because again underlying doesn't have the volumes?

P.S. Reddy: That's what I am saying. I mean although it does not have the volume, if they choose to give it, they will give it. But at least…

Praveen DG: No, but there won't be any threshold as such is applicable.

Analyst: Okay.

Praveen DG: It is because it is going to be independent to the futures. It is going to be settled on the -- almost on the same day of the futures. So, that way it is, both are independent to each other.

Analyst: Okay.

Praveen DG: So, it is an index option compared to any other option what you are looking at like crude oil, which are all option on futures. But here it is different.

Analyst: I understand. And sir, in participation, you did mention that there are some algo traders who are not comfortable coming on to the old platform. Now that we have migrated to the new platform, they should come in. Any indication that you can give how many numbers are we talking about here? What are the number of algo traders which are currently trading and are we talking about 10%, 20% addition to those numbers?

P.S. Reddy: Yes, there will be. Because, I mean, you look at our, what you call, website, maybe you have the members who are admitted. Okay. There are some members who have not as yet, some of them are inequities who are there, they have not taken membership. They are already participating, but then they are testing the waters kind of. And some members have already become like citadel. They have taken membership of the exchange, but they have not started as yet.

Analyst: Okay.

P.S. Reddy: So, all those people should be able to do that.

Analyst: So, you think over the next two, three months you will start seeing higher participation from them?

P.S. Reddy: Well, I mean, I will not be able to give any plan of what they are...

Analyst: Based on your engagement with them?

P.S. Reddy: Based on my engagement, I think they should be able to at the earliest. That's the way...

Analyst: Okay. At least that's a tailwind for us?

P.S. Reddy: Yes...

Analyst: in terms of volume at least And on FPI again, sir, you mentioned that one of their requirements is this DMA facility?

P.S. Reddy: Yes, with that we will start.

Analyst: Can that be a significant volume driver or it's again, don't…

P.S. Reddy: It's like, I mean, whether it will drive or it will not drive, the feedback that I receive from my team is ground foot soldiers is that, no, no, today I met so and so FPI or so and so member. He said, boss, you bring DMA, then they will start participating. And somebody says that Category II FPIs, they all want to participate. So, you should activate it. So, this is the feedback that I get from them. So, since that is already available in our new system, we should be launching it at the earliest, releasing it for use.

How much volume it will bring, how much it will not, I will not be able to comment on it. That's not correct. But, whosoever is suggesting, look, this is the hurdle for which reason I am not able to participate, I will work on that to, I will work on that to clear it. That's the way it is.

Analyst: Overall, sir, your understanding, how big can institutions become or it will take some more time before they become big?

P.S. Reddy: No, you see, before they become big, will they be, will they take time? My assessment is, if commodity prices are going to remain volatile in the next two years, as the reports indicate, be that World Bank, IMF or even RBI, etcetera., and I think they do come earlier than anticipated, is my view.

Analyst: Okay. But any number that you want to put? Probably 10% of the market at all? Some, some work that you would have done?

P.S. Reddy: No, no. I have no numbers.

Analyst: Okay. And, sir, a couple of questions on the regulation part. On the interoperability we have seen on the equity market that is being implemented, do we have something similar for commodities as well, between exchanges?

P.S. Reddy: I, when I say interoperability, it is essentially a full-fledged interoperability, something which may not happen. Okay. There are other challenges out there. It's not just cash settlement or share settlement via depositories. There are physical market commodities out there. So interoperability is not easy.

But at least to the extent that members deposit collaterals or other margins, etcetera., whether we can ask, the margins can be interoperable in the sense, you keep the margin, a physical cash or, FD, BG and all that, you keep it. But at the end of the trading, 3 o'clock, equity market on 3.30 is shut and there is excess capital line for efficiently use of it if member decides that it should be given to MCX. Currently, it is not feasible.

Unless it is, he withdraws from that and then again deposits here. We are looking at a fungibility where, there he will say that he transfers INR50 crores to MCX. They will mark a lien on that as a name of MCX. And then we will give, once the confirmation comes from the other exchange, then we will release that to member. And it is for him to distribute as per the regulations and other things. If there it is lying in your name, then he will give you here also in your name, some amount, whatever that is.

Analyst: You will have that margin money here to trade?

P.S. Reddy: Yes, margin money here to trade, although it is not physically available.

Analyst: And you think there is a good overlap between people who are trading in equities and commodities?

P.S. Reddy: There are, no doubt. There are. Especially these proprietary and algo or even some of the clients also. There are. Yes.

Analyst: In that context, we keep hearing that NSE wants to extend the time for equity derivatives in the second shift. Now, half of our volume or slightly more than half comes in the second session, after five…

P.S. Reddy: But it is nothing to do with the margin coming from NSE to MCX.

Analyst: No, no. But people's capital will again get deployed in equities because they will have opportunity on the equity. Will that have an impact on the volumes?

P.S. Reddy: No. It is other way. As of today also, the capital which is lying idle after 3.30, is lying idle only.

Analyst: Right.

P.S. Reddy: Okay? We are thinking that that will come. But if they increase their equity timings, then to that extent it will not come to us. It is okay. So it will not be worse off.

Analyst: Okay. It will not negatively impact.

P.S. Reddy: It will not be worse off. It can only be positive.

Analyst: Understood. Thank you. Okay. SGF contribution. We have seen that in the month of September you made some contribution. This will be the last one. And in October, you again had to make some contribution. So now can we say that we have already exhausted our SGF fund because last contribution then came in some three, four years back that we made. Now for the last few months or years, we have not been making any contribution. But last few months we have been. So is it fair to say that incrementally as volume goes up, you will be making regular contribution to SGF?

P.S. Reddy: If the open interest keeps on increasing, obviously we have to make contribution. But the contribution is determined based on some calculations, etcetera. And if that is getting revised, then the contribution may come down. Okay. So, it is both regulatory issues, some issues are there. And, but, factors for others. This will increase if the open interest increases.

Analyst: Understood. Okay. Perfect, sir. Thank you so much. Those were my questions. Thank you so much for your time.

P.S. Reddy: Welcome. Thank you.