

MCX/SEC/1964

July 29, 2021

BSE Limited
Department of Corporate Services
PJ Towers, Dalal Street,
Mumbai - 400 001.

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the “Earnings Conference Call” with investor(s)/analyst(s) on Q1 FY-2022 results.

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on July 26, 2021 at 4.00 p.m. IST on Q1 FY-2022 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Mufti Commodity Exchange of India Limited

Ajay Puri
Company Secretary

Encl.: As above



“MCX Q1 FY2022 Earnings Conference Call”

July 26, 2021

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MANAGEMENT: MR. P. S. REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – MCX INDIA LIMITED
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER – FINANCE & ACCOUNTS – MCX INDIA LIMITED
MR. PRAVEEN – HEAD, INVESTOR RELATIONS – MCX INDIA LIMITED

Moderator:

Ladies and gentlemen, good day and welcome to the MCX Q1 FY2022 Earnings Conference Call. 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. P. S. Reddy, MD and CEO. Thank you, and over to you Sir!

P S Reddy:

Thank you so much and let me welcome you again to the analyst call for this Q1 and thank you for showing interest and faith in the company as usual and we will continue to strive to do better each quarter given the constraints whatever we have it. Let me explain as it happened in the last time. The peak margin is the circular of peak margin is impacting the ADT as you all know that. Now that it has become 75%. The final one will come on 1 September 2021 when the 100% peak margin has to be collected by the member affront and incidentally we have done an analysis of the impact how it worked pre-imposition of the peak margin and post imposition of it in each phases that is when it was 25%, 50% and now 75%. If you see the impact from phase zero to phase three so far it is almost all about 21% and most of the impact was felt between phase one to phase two. Now in phase three the impact is about 3%. That is it way it is so we are at this phase. So we lost about 20.65% plus that is what it shows we lost ADT. Another good part of it is which we must look at it is the top 15 losers of the exchange, the traders about Rs.10,000 Crores they lost and top 15 gainers have got another Rs.5000 Crores so that leaves little over Rs.5000 Crores as the loss. So it is not that it has impacted everybody. There are some who gained. There are some who lost. I am sure that the system and traders and the investors are getting used to this peak margin and that is why in this quarter or rather in this third phase the impact is about 3% to 4% so not much has been felt and hopefully going forward also we will see that kind of impact.

The second point, which we should also look at is, most of the impact that has been felt is some of the traders who are regional players. It is not so much of the national players and the gains that have come from those national players who are offering retail services. So as a result our UCC numbers also is not substantially impacted. When I say substantial impact UCC is still the unique client count traded from April to July whatever the time period that we covered may be till 23 July 2021 or whatever it is, it is about 2,46,600 UCC as in the corresponding period last year 2,36,000 so UCCs are increasing, but substantial increase has come in the options contract. So options volumes are also going up that you have seen and currently in the month of July it is almost Rs.4800 Crores, but in the quarter we have about Rs.1900 Crores of the average daily notional turnover.

Another important thing that I would like to inform is that last time I informed that we have extended what you call the zero tariff period on option contracts till 30 September 2021. Now we have decided we will start charging from 1 October 2021 and we have already issued a circular. The transactions fees will be on notional daily premium turnover. There will be a Rs.50 per lakh premium up to Rs.5 Crores and if it exceeds beyond that it will be Rs.40 so that will be an incremental much like your income tax slabs, so you will charge up to Rs.5 Crores at the rate of Rs.50 per lakh premium and over and above Rs.40 so this is something that we have come across. The number that we are coming across is the

notional ADT to the premium ratio is about 1.5%. So if it is Rs.1000 Crores and 1.5% of it happens to be the premium then this kind of calculations will fall in place. This is one important development that we have.

We have also introduced just recently the silver mini options contract, which you are all aware of it. Another one is the cross margin benefit has been extended just from today onwards. We got SEBI's approval for cross margin benefit on index futures versus the underlying commodities futures and if one has got a contra positions between the two they will get the cross margin benefit so that is also implemented from today. So these are the important developments I thought I should share with you and as we go along, people can ask questions and now I will now hand it over to Mr Bolar if he has got few more submissions to make.

Satyajeet Bolar: Thank you Mr Reddy. As we have declared our financials you would have seen that in spite of the challenging times, we have been able to maintain our profit as well as the top line as compared to the last March quarter. We have been able to control our expenses. The net, net we are flat. These have been tough times, but we have been able to keep our cost flat. We will go into details as and when you ask questions. Thank you.

P. S. Reddy: We will keep it open for question and answers more time. Is that fine.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good evening Sir and congratulations on a decent set of numbers. Sir I have two questions. First is on cross margins? How do you think the cross margins is going to impact our volumes in the sense peak margins of course has affected negatively, but how much it will compensate to an extent? That is my first question?

P. S. Reddy: Go ahead. Ask the next question also. I will answer both.

Mohit Kumar: Second question Sir on the crude margins, which are roughly around 20% right now? I think earlier it used to be 6% to 7%? Can we expect this margin to go down in the next few months?

P. S. Reddy: Is it done?

Mohit Kumar: Yes.

P. S. Reddy: The cross margin benefit otherwise is available on other products. This is with respect to index futures - bulldex and metldex versus the underlying commodities so how does it affect, we are expecting our bulldex and metldex turnovers to increase. We have also applied for the energy index to SEBI. If that also start getting traded then that will also get the same benefit. So it's index futures versus the underlying commodities. Does it help in increasing the turnover? Definitely it will help. Margins will be lower to that extent.

Mohit Kumar: Understood. It is affecting higher volumes in the indices am I right Sir?

P. S. Reddy: Yes we are expecting that.

Mohit Kumar: And on the crude margins Sir crude margins?

P. S. Reddy: On the crude margins currently we have to keep at this level only, but we are hopeful that we will be able to further lower it and there are lot of nitty-gritty involved in terms of stress results and stress test takes into account 15 years of volatility and the prices into account and the worst affected of that price point is the negative pricing. Otherwise the stress test results would definitely show a comfortable margin and we have to consider even those extreme scenarios also and it is under discussion. Either our SGF should be substantially increased to reduce our margins on crude oil or SEBI has to relax the conditions with respect to the stress test calculations or we have to maintain higher margins as and when the open interest increases in the contract then we need to increase the margins, but we are working out an alternative. Let us see how it works, but our intent and interest is all the time is to reduce the margin on crude oil. It is too heavy and we acknowledge that and we will be able to reduce it. That is what my positive sense is.

Mohit Kumar: One more question if I may squeeze in. You have done a MOU with EEX so what is this MOU and how closer we are doing a launching this electricity contract? Let us say if you get a Supreme Court order let us say in the next one month can we see the contract let us say after the order in a couple of months? Is that understanding right?

P. S. Reddy: Yes. With EEX it is more exchange of information, exchange of knowledge and knock their door when we need some clarifications or how you handle a particular situation, etc. This is more to do with that, but our contracts will be settled based on the IEX prices or domestic market leader IEX and we work on their closing prices. That is what we have already entered into agreement. This is one part of it. We have been doing extensively notwithstanding pending in the Supreme Court the awareness programs with every stakeholder. As a part of that we have organized recently also some awareness with some senior officials of some of these institutions and even EEX has also conducted a two day workshop including our officials, SEBI officials and CERC and it is all learning for us and we are there. Our contract has been filed with SEBI almost six months ago if I am not mistaken or even more than that. It is just waiting for the Supreme Court order to come and we also making an effort filing some kind of applications to get the order out at the earliest. That is how it is.

Mohit Kumar: Understood Sir. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Rohit Balakrishan from IThought PMS. Please go ahead.

Rohit Balakrishan: Good evening Sir. I have just one question. Sir I just wanted to understand a bit more about this software that you are building the contract to TCS so there is a note mentioned here can you just explain the bit

there is some dispute and just wanted to understand when the go date that you are expecting? Earlier I think it was September of next year if my memory is right, so can you just help me understand what was the issue here and if any chance of this sort of not going through?

P. S. Reddy:

I think there is some kind of misunderstanding at least going by the understanding of the question with you. There is no dispute with TCS. TCS thing is going on and that is to develop commodity derivative platform, which we are currently having with our vendor, which the contract ends sometime in September next year. That is one part of it, it is happening. That is not the issue. There is no dispute at all on that. By issue related to the PESB, which is where spot platform development contract was awarded and what we asked and what is delivered is not up to the mark. This is not completely developed. I will put it that way and that is where our dispute arose and some payment has been withheld and that is where they went to Singapore international arbitration and it is almost in the finalization stage I would say this and definitely we will be able to close it by the end of September. As far as dispute the concerned closing the contract with PESB is concerned, the essentially the way that we have been guided by the lawyers better to settle it because one is that lot of legal expenses involved in Singapore arbitration. Even if we award the execution you have to go to London and then again we do not know the fully the financial worthiness of the opposite party and then spending money on that is another big question mark, but we will take over the code and then see there is another assessment will be done by our SCT who will look at the code and then whether additional resources have to be given, not given or is it worth developing to further enhance it for this short platform. That is it. These two are two separate. One is to resolve the dispute. Another is whether we can use the code or not is a different topic. So that is the issue currently and we are handling that part as explained.

Rohit Balakrishan:

The other question that I had was in terms of spot exchange and we need to go so any update on that side? I think SEBI has come out with some paper also to get one to ... any update on that?

P. S. Reddy:

On the domestic gold spot exchange yes it was put up for the public comments by SEBI and everybody has given their comments and SEBI called for the working group meeting where we are also part of it and the thought process that is there is whether you should do it in the same exchange as a segment or you should do it in the existing segment or you should do as a separate exchange or completely a different exchange so that it will have its own regulatory framework. Need not be coupled with the existing regulatory framework in the equity markets or in the commodity market because every commodity requires certain breathing space and for it to develop and then foster so spot exchanges are new to us in the sense so they need to have a different treatment in terms of regulatory or products and all that. So this is the broad listing. This is what the discussion that went into and probably no final decision is taken. That is the way it is. Unless the regulatory structure is finalized we will not be able to comment further on it the way forward.

Rohit Balakrishan:

Fine Sir. Thank you very much. All the best.

Moderator:

Thank you. The next question is from the line of Aman Shah from Jeetay Investment. Please go ahead.

Aman Shah:

Good evening Sir. Sir my question is on metal contracts when we started there was increase in the tonnage that we were delivering while in FY2021 we see a decrease over FY2020 as well as in Q1 whereas we were flattish delivery of metal contracts? Can you please highlight what is the reason we are not seeing any increased traction or increased delivery of these contracts?

P. S. Reddy:

As you understand let me see this, in the future market especially the platform not mainly intended to have delivery.. Because we expect the prices to converge with this spot prices the threat of delivery is always there for the people may be who recklessly trade. Maybe that fear will be there and that is the reason why delivery thing has been kept. Having said this we are increasing this especially in the metal contracts increasing the number of delivery centers. It has got both sides to it. One is our contracts are at the sellers end and buyer has no options. He has to take delivery if he has to do it. If he does not close his contract the buyer then he will end up getting delivery may be at any of the centers. So to mitigate that risk on the one hand we want to increase the number of delivery centers. Now we have seen Raipur. We have made Raipur as an additional delivery center for aluminum. We have seen 6500 tonnes of metal that was delivered in the month of I think April or May. I do not exactly remember or May, may be. It was delivered. The point I am making is if you add more delivery centers the players who are in the region will starting joining it, but because of the uncertainty of the buyers may be exempted. So both sides it is there so we are looking at what you call as swap kind of a window where people do not want and they can always swap it with the location where they would like to have the delivery or give the delivery which they do not want. This is one part of it, but it is under development. I think last time also I said that, but I requires an IT development that is what the relevant response is, but another important thing is the GST. The more we increase the number of delivery centers there are also people who are supposed to be trading this contract must be having delivery what GST registration with respect to the states. This issue has been flagged off at the high level in the Finance Ministry and the Central Board of Indirect Taxes and SEBI and exchanges and CPAI discussion on this how to resolve it and what is our ask. Our ask is very clear. We want IGST to be replacing the CGST, SGST and so multiple registrations would not be requiring it. The second as long as they are in demat form, in the form of comrisk, then the ideal that should not be covered at all because the metal does not move anywhere. The metal is just lying there. It is like a security in that sense and security in demat are not covered that is the kind of response we are giving it, but in the worst case scenario there are people who do not require GST registration, but for the sake of this particular taking delivery or doing financial arbitrages who buy in this month and then deliver in the next month they have to take unnecessarily delivery. Then we are looking at another model where it is the designated entity model who will be registering in the respective states wherever the warehouses are going to be located and this designated entity will have a subledger and maintaining their profiles and the giving credit, debit or whatever that needs to be done. It requires some changes in the act so we have already flagged it off and taken it up and this is the status at this point in time and this is the reason also why some of the deliveries are lower, but that should not be the reason for us not to expand the number of business centers. We would like to do that and at the same time introduce the swap model which will immediately address some of the concerns. I hope I answered your question.

Aman Shah: Okay that was quite insightful Sir. I just thought like corporate hedgers coming more onto our platform the deliveries would also tend to increase? You highlighted that the reasons why there are some issues that are still there? Can you highlight anything on the hedgers side where are we in that journey on hedging or hedges coming on to our platform Sir?

P. S. Reddy: Yes I think I do not have immediately the numbers, but hedgers participation has been increasing in all these contracts. I do not have it but then that is for sure that so much I can say this hedgers participation has been increasing and it has been also displayed on website also if I am not mistaken. I have individual commodity wise numbers but then that is not appropriate for me to disclose but yes hedger participation has been increasing. That is all I can say.

Aman Shah: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Lavania Tottala from UBS. Please go ahead.

Lavania Tottala: Thanks for the opportunity Sir. So it will be really helpful if you can help us understand the impact of this peak margin on the options volumes. So options volumes increased significantly at each stage whenever the peak margin has been increased so how do you see this going ahead I mean September when it will be 100% will it increase more? How do you see this an insight analysis on option volumes?

P. S. Reddy: You are absolutely right that volumes have started increasing, but as I told you it has just happened in the month of July. It has become Rs.5000 Crores almost Rs.4980 Crores or so and for the entire quarter it is almost Rs.1900 Crores and so it is too early for me to say that peak margin had helped, but the indication suggests that that is the route that they are taking but at the same time if you see the composition of this particular growth, a substantial part is in the crude oil. So where the margins are almost 23%, 20% plus and 3% is additional margin and in all these months it is the crude oil, which is doing very well in options and in the month of July almost Rs.3800 Crores is the crude oil composition and the rest are still smaller. Of course gold is good and silver is also there. So we are looking at diversifying into it, but since crude oil contribution in the future is less I am sure in addition to the peak margins probably this particular higher margin in the crude oil is helping us to diversify the investors to get into the options. That is the way.

Lavania Tottala: Got it so is this fair to assume that when crude margins reduce to normal levels in the future the relevant option volumes might reduce, is that a possibility?

P. S. Reddy: Not necessarily. In fact going forward everybody says that index options is something, which has to be the highest the volumes but then as of now index futures itself we are about Rs.300 and odd Crores so we are trying to ramp that because they are all cash settled. The beauty of it is cash settled contracts.

Lavania Tottala: So as we started talking about index futures what do you see the drivers, which were needed for the volumes to pickup? Though they are cash settled still the volumes are hovering around the similar levels

over the past few months so do you see anything as volumes or any other requirements that people are looking for trading so what is that can drive index futures more?

P. S. Reddy: Whenever volatility is there and I think we have seen good amount of volumes in this along with the underlying commodities. Now the cross margin benefit has come, I am sure that will help in increasing the volumes in these index futures. That is what we are looking at.

Lavana Tottala: Got it. Thank you so much Sir.

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

Aruj Narayan: Sir my question is on just to understand what is the impact of this cross margin benefit on our overall ADT or in terms of liquidity can you quantify that?

P. S. Reddy: As I just said the cross margin benefit start giving today onwards. We got the approval and started only today so it is too early for me to say anything but then it will definitely benefit.

Aruj Narayan: Sir on the contract with TCS even that is starting only from September or we have already seen some benefit in this quarter? Can you comment on that?

P. S. Reddy: It is a huge platform. There are three stages of development and then drops we call them. The first drop has been delivered. Testing is going on. There will be a second drop and there will be a third drop. Then after the third drop the parallel runs will be done with the member brokers and also the mock testings will also be conducted about the three months or so each on them so we have already issued those circulars to member brokers. These are the APIs to integrate with the TCS system and almost all 300 member brokers we have interacted. They are all fine with that because T7 platform is already being used by BSE and many of the member brokers have used these APIs so that is the way it is. The impact I do not know in what sense financial impact, have you paid anything all that kind of thing. I think there are mile stones that are given in the contract accordingly we will be paying.

Aruj Narayan: So TCS platform will be completely used from this September am I right Sir?

P. S. Reddy: No not this September. As I told you, you have an agreement still next year September. I am saying next year September it will be implemented.

Aruj Narayan: Fine. Thanks Sir.

Moderator: Thank you. The next question is from the line of Vineet Maloo from Birla Sunlife. Please go ahead.

Vineet Maloo: Thank you very much. Sir I just wanted to understand your investment book what is the composition of investment book and how should we expect your other income to move based on that? Could you throw some light on the investment book composition themes?

Satyajeet Bolar: So we have a large chunk of our investments in mutual funds and our investment committee has proactively reduced the exposure so we are basically into short term, ultra short term funds that is one. We also have some investments in tax free bond and also in perpetual bonds. So this is how it goes and perpetual bonds are accounted under the amortize system method of accounting while the others we do not have a choice. It is under the fair value. You are aware the debt market are volatile but hopefully that is we hear and whenever we need experts from your industry to keep guiding us that we expect RBI to keep rates at least till this calendar year so hopefully we should be able to maintain the same level going forward, but we are into as I said ultra short term funds the major chunk of our investments are there.

Vineet Maloo: Sir how big is the tax free bond portion?

Satyajeet Bolar: Tax free bond it is around a bit less than around 6% to 7% is of our total limit.

Vineet Maloo: Okay so that is the volatile component right because short term and ultra short term funds as you said is ammonized so they are not the volatile components?

Satyajeet Bolar: Even the mutual funds some movement would be there.

Vineet Maloo: Since they are on the lower end of the curve it will not be that much?

Satyajeet Bolar: Yes.

Vineet Maloo: Should we understand that current level of other income is the one that should not fluctuate too much right?

Satyajeet Bolar: I hope so. Again it depends on the underlying, on the interest rate. What it was in June, June the interest rates were better. When we closed June it was around 6.03 to 6.05. Now it is 6.13 to 6.16 the tenure.

Vineet Maloo: No I understand because of the interest rate changes some changes are fair value right? There is no component of large unrealized gain or anything that you can have going ahead right by booking some profits? There will be nothing like that because anyway everything is fair value now almost?

Satyajeet Bolar: That is right.

Vineet Maloo: Sir my second question is on income tax can you just explain what is the income tax benefit that we are currently enjoying and for how long will it last?

Satyajeet Bolar: As I mentioned earlier, we have some tax free bonds obviously the interest is exempt. Also we had some brought forward long term capital gain and losses, which we would during the year exhaust and we also have a MAT credit balance of around Rs.12 Crores in our books. So once we exhaust the MAT credit then we will use the normal income tax rate of 22% plus surcharge and hopefully that will be from next financial year the way things are moving it will be from next financial year, but this year I

am using the budget rate as per the Indian accounting standards and whatever changes I have to do, I will do it in the March quarter. So it will be more or less at this rate and in March we will take a final call on this income tax.

Vineet Maloo: Understood. Sir my last question is to Mr Reddy. It is regarding the delivery of contracts right so you were talking increasing the number of delivery centers, which helps in that and obviously once you have a network then all those are possible that you are talking about so can you just talk about what is your plan in terms of adding the number of delivery centers? What kind of capex, etc., it takes from our side? Can you just throw some light on that area please?

P. S. Reddy: I am sorry. I did not get what kind of capex.

Vineet Maloo: Yes what is the plan in terms of ramping up number of delivery centers and what kind of capex if at all it takes from our side from MCX side?

P. S. Reddy: There is no capex involved in it and CCL simply hires warehouse service provider. You have Steinweg and you have Origo or whatever whosoever the player is linked to do that and we hire them and then they open that center there. That is the way it is and there is no capex involved and we have already announced by the way of circular. For zinc, Kolkata has been identified as the delivery center because zinc is used in galvanizing industry and lot of industries are there so that is one area we have looked at it. For nickel we have made additional delivery center, Chennai because nickel is entirely imported material. We have one in Thane and the other one will be in Chennai and the third is the lead. We will be opening one more delivery center up north because there are a lot of battery manufacturers are there or inverter manufacturers are there and they will also be using this product so we need to look either producer centric or consumer centric that kind of approach is what we are looking at it. To mitigate the risk of buyers getting delivery elsewhere we are going to introduce the swap facility also. We are working parallelly on all these things. So it should increase the participation on the exchange platform especially the hedges.

Vineet Maloo: Sure thank you very much.

Moderator: Thank you. The next question is from the line of Arish Mehta from B&P Paribas Asset Management. Please go ahead.

Arish Mehta: Thanks for the opportunity. Sorry I missed the early part of the conversation. Sir last month there was news in media article that SEBI may open with commodity in the future for FPI so any development there Sir? Can you help us to understand at what stage it is currently in and by when you expect?

P. S. Reddy: All that I can say is that MCX facilitated a meeting with FPI or FIIs and some of the EFE eligible foreign entities and there is a very good participation almost about 50 to 60 people have attended and all put together of course and they have given their inputs what kind of relaxations are needed. They are not too big a number to begin with, but at the same time the concessions that they have asked is

much the same as what they have given in currency or equities in terms of registration requirements, in terms of open interest, what is kept or whether they need to have what you call, they should have hedged underlying commodity in India. That is the kind of one requirement for EFEs to participate. They said that is not the case anywhere in the world. You may have hedge position in India, but still you go and then hedge in LME is it not. That is what many people are doing it. So it is immaterial where they have it. It should not be linked to that and similarly in currency of about to 100 million there is no such requirement exposure to any of the currencies so a similar kind of benefit should be given. So this is being debated and discussed and I am sure a considerate view will be taken by SEBI keeping all stakeholders interest.

Arish Mehta: Any timeline or any deadline SEBI had given for this when you expect this to happen?

P. S. Reddy: Obviously we cannot say and neither they will give it but they will do it. That is the way my sense is. I am sure they are equally responsible for developing this market.

Arish Mehta: Right. Sir my second question is can you just help us to understand how much percentage of volume is coming through algo channel of total volume?

P. S. Reddy: It remain around 45%.

Arish Mehta: 40% to 45% okay.

P. S. Reddy: 45%.

Arish Mehta: 45% sure. Thank you.

Moderator: Thank you. The next question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Thank you for the opportunity. A few questions, our average realization have been declining on a Y-o-Y basis so what is leading to this decline? Is it the product mix or the mix change in terms of the participant?

P. S. Reddy: We have two tariff slabs and if the concentration increases obviously the people will move into higher slabs so obviously the average realization will come down, but here I think this quarter it has improved that is what.

Sri Karthik: Sequentially yes. On a Y-o-Y basis, it is down so I am trying to understand why on a Y-o-Y basis this is reduced?

Satyajeet Bolar: Generally if you notice on a Y-o-Y basis when the volumes are low the realization is better. So that is why when you compare it to June 2020 if you recollect June 2020 was a bad quarter for us because of the lockdown and so it was a bad quarter for us, but this is the normal. We are in a normal situation and compared to March the second and third there is an improvement in the second and third decimals.

Sri Karthik: Secondly the status of your electricity product launch?

P. S. Reddy: I think I have explained. We are yet to get the Supreme Court permission in the sense, it is nothing to do with our contract as such but it is overall the dispute between SEBI and CERC that is being decided. That is yet to come out, the outcome. We are waiting for that.

Sri Karthik: Sure Sir and if you could tell us what is the shareholder cash on balance sheet currently?

Satyajeet Bolar: So when we look at it on a standalone we have around Rs.1200 Crores of cash. Consolidate it is around Rs.1700 Crores. I included the margin money so it is around Rs.1200 Crores.

Sri Karthik: It would include SGF and IPF also in it.

Satyajeet Bolar: No it does not include.

Sri Karthik: Any regulatory capital required in terms of what you need to keep to ensure for the exchange license?

P. S. Reddy: We need to strengthen our SGF definitely okay. Why we need to strengthen it, if you do not strengthen it and if the stress test results shows that you need to have so much of SGF then either you increase the SGF cover or increase the margin so that somewhere you should get the covers such that stress test results are matched with that number so obviously it is good to have may be SGF if you increase it and if that is increased then you lower the margins and then earn a higher may be an ADT and that may results in higher revenue and may be the interest that you are earning may be compensated whatever you are doing more than compensated.

Sri Karthik: Fair enough Sir thank you.

Moderator: Thank you. The next question is from the line of Devesh from IIFL Securities. Please go ahead.

Devesh: Good evening Sir. If you can share an update on institutional participation as well as bank subsidiary where are they in terms of rolling out?

P. S. Reddy: One bank subsidiary is moving aggressively and we are getting good volumes month after month and the others are just there wherever they are. I will put it unfortunately they are not moving and again peak margins have further dissuaded them from going any further, but one bank is moving very aggressively that is good point of it. That is good to know. On the other institutions, mutual funds that is also very encouraging and mutual funds are participating very actively in our contracts that is the way I see it. I think some more reforms may come. I do not know when they will come but we are working on it. That is all in terms of institutional participation. That is the way I would like to reserve my comments on this. There is nothing more on this.

Devesh: Sir can you identify the bank subsidiary that you said is doing well?

P. S. Reddy: ICICI Securities.

Devesh: Understood and in terms of the interest derivative this cross margin although you indicated that directionally it is positive for the volumes is there any number that you could share over the next 12 months?

P. S. Reddy: I never give. Sorry. I will not be able to give.

Devesh: No worries and Sir on TCS software thing any incremental numbers that you could share in terms of what would be the cost that we are looking at? Is there more crystallization of savings from the software expenses?

P. S. Reddy: We know the numbers in terms of crystallization and all that, but then it is not proper for us to disclose any of them because of contractual obligations on our part not to disclose the number but as and when we start incurring expenditure I am sure each of the quarter you will come to know of it what we have paid and all that kind of thing. You will know the amount that we are incurring.

Devesh: Sir when we see your UCC numbers the one that you disclosed in the presentation I think that is close to 7 million but I think the UCC that have traded in the last one year I think that number is very small compared to the total UCC numbers so we are seeing a significant increase in total UCCs but not in the UCC which have traded so why is this a disconnect and do you think that UCCs that have traded will grow in the coming quarters?

P. S. Reddy: Yes good question in the sense that brokers now consolidating theirs what you call memberships so earlier they had one for equity, one for commodities and maybe for each exchange they had one and with this consolidation they are able when they are onboarding the client they are onboarding across all exchanges so the number they will upload that information and then UCC will get uploaded so the client is ready to trade so it is for the broker to just to what you call educate him and do what he wants to do on this platform. So it is because of that reason the UCC count the number of UCCs uploaded are increasing but activation the clients who are trading will remain depending on the kind of effort they are putting by the member brokers. Is that clear.

Devesh: Yes but any directions do you think this traded numbers will also see a growth in coming quarter or difficult to say that?

P. S. Reddy: If I am not mistaken I said till last year corresponding period may that is from April to July 23 or whatever it is both futures and options were about 2,36,000 UCCs have traded and till now in the current year 2,46,000 plus have traded. So there is a 10,000 more UCC traded in this four months time but not that we are satisfied about it but the regulatory frame work is getting tightened that is the reason why we are lagging behind in that sense of the term. We are not able to get more UCC activated.

Devesh: Understood and one final one Sir what is the expected effective tax rate for the year?

Satyajeet Bolar: It will be around 25% to 26% but we will take a call in March so this is a budgeted figure and when we go to March we will be able to crystallize the figure more effectively.

Devesh: Right but if I am not wrong Sir last time I think on the call you indicated around 17% to 18%?

Satyajeet Bolar: That was around 19%. As I said we are using the budgeted rate, which is around 26% so we will continue till December and then when we come to March the effective rate and we have MAT credit and all that.

Devesh: Any adjustment will be done in the Q4?

Satyajeet Bolar: That is it.

Devesh: Thank you so much.

Moderator: Thank you. The next question is from the line of Aditya Gudibande from Piper Serica. Please go ahead.

Aditya Gudibande: Good evening. Sir I just wanted to understand we have ADT of 21% growth so why our revenue has declined in spite of our volume has increased by 21% so just wanted to understand it?

P. S. Reddy: No I think probably you have not heard me right, but it is 21% fall that is what we said not growth. From the peak margin impact the way that we have explained is the peak margin has impacted. I said from the zero which is prior to the peak margin in position and till now if you see there is 21% fall of which 17% has taken place in the first and second more majorly in the second and the third one it will happen about 3% to 4% is what I said.

Aditya Gudibande: Thank you.

Moderator: Thank you. The next question is from the line of Nilesh Jethani from Envision Capital. Please go ahead.

Nilesh Jethani: Thanks for the opportunity. So pardon for the lack of information on the software side so just wanted to understand the new vendor TCS so we pay out the money to the new vendor so one of course component would be the software variable fees, one would be the AMC charges do we also pay something up front the lump sum amount for the development of the software?

P. S. Reddy: The AMC is also there that is a very small component of it. As I said may be in one of the calls I said it is a single digit figure that is what I said. Even the increment annual increment is also a single digit figure and regards to the AMC upfront payment we have not paid anything up front. There are milestones that are there. As for the milestones once the delivery comes then we will pay. That is the way it is.

Nilesh Jethani: Okay and milestone as in development of the software?

P. S. Reddy: Yes development and delivery also. As I said when we have done a drop one. There will be drop two, drop three and after that UAT testing, the acceptance testing rather and then there are parallel runs. It is divided into multiple milestones.

Nilesh Jethani: So when we total the entire milestones any rough idea what will be the quantum of amount you will be paying up front so that amount is supposed to be paid out by at least September of next year so what would be the out flow in that sense?

Satyajeet Bolar: The amount will be amortized and that amount that you have mentioned it will be two just to add to what MD side. One will be the capex and the other one would be the AMC. So now we are in the stage where the software is being developed. So presently whatever we are incurring will go under capital work in progress. So once we go live in September 2022 we will amortize it over a period of six years and that amortization charge will be there to the P&L right and then after a year that is from September 2023 the AMC would kick in because there will be a one year warranty and then after that the AMC will kick in. That is when the AMC will come in but for this year everything will be under CWIP. Most of it will come under CWIP till September 2022. I hope that answers your query.

Nilesh Jethani: One last thing so currently I believe the software is variable is around 10.3% to 10.5% so any guidance on this number from TCS would be 100 to 200 what basis lower?

P. S. Reddy: That is where I wanted to say so currently we are paying a fixed amount, which is about 10.64 and then linked to ADT also there is so variable fee is also there. As far as TCS is concerned there is no variable fee that is the way it is.

Nilesh Jethani: Okay understood and that will be savings for us?

P. S. Reddy: Yes.

Nilesh Jethani: Those were my questions. Thank you.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to P. S. Reddy, MD and CEO for his closing comments.

P. S. Reddy: Thanks to all of you for patiently remaining present and listening to the conversation. I know some of you have asked very interesting questions but as I always inform you that we work in the best interest of all shareholders so we will continue to do so and given the regulatory regime and other market conditions, I think this is the best we have done and we will continue to improve our working. Thanks to all of you.

Moderator: Thank you very much. On behalf of Multi Commodity Exchange of India Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.