

MCX/SEC/2445

October 28, 2024

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 Q2 FY-2025 results.

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on Monday, October 21, 2024 at 16.00 p.m. (IST) on Q2 FY-2025 results.

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

Manisha Thakur
Company Secretary

Encl.: As above



“Multi Commodity Exchange of India Limited

Q2 FY25 Earnings Conference Call”

October 21, 2024



MANAGEMENT: **MR. MANOJ JAIN – CHIEF OPERATING OFFICER – MULTI
COMMODITY EXCHANGE OF INDIA LIMITED
MR. CHANDRESH SHAH – CHIEF FINANCIAL OFFICER – MULTI
COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN D G – CHIEF RISK OFFICER – MULTI
COMMODITY EXCHANGE OF INDIA LIMITED
MR. RISHI NATHANY – CHIEF BUSINESS OFFICER – MULTI
COMMODITY EXCHANGE OF INDIA LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q2 FY '25 Earnings Conference Call. Joining us on the call are Mr. Manoj Jain, Chief Operating Officer, MCX; Mr. Chandresh Shah, Chief Financial Officer, MCX, Mr. Praveen D G, Chief Risk Officer, MCX and Mr. Rishi Nathany, Chief Business Officer, MCX. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Jain, Chief Operating Officer, MCX. Thank you, and over to you, sir.

Manoj Jain:

Thank you, Del. Good evening to all of you and a very warm welcome to the Earnings and Analyst Call of Multi Commodity Exchange of India Limited for Q2 FY '25. We are glad that MCX has concluded yet another quarter on a significant positive note. The company's PAT in Q2 sequentially grew to INR153.62 crores as against INR110.92 crores which is an increase of 39% sequentially. The operational revenue for this quarter has increased by 73% to INR285.58 crores compared to the corresponding quarter of the previous year. And if we compare sequentially, it has gone up by 22% from INR234.37 crores recorded in Q1 '25.

On the trading front, average daily turnover that is the ADT of Futures and Options during Q2 FY '25 saw a significant increase rising by 27.49% to reach INR2.2 lakh crores compared to the previous quarter is INR1.72 lakh crores. The increase was propelled higher by options ADT indeed which grew by 31.71% to almost INR1.93 lakh crores in Q2 versus INR1.46 lakh crores in Q1 of FY '25.

The Exchange continues to broad-base its investor base too. The credit clients witnessed a quarter-on-quarter growth of almost 20%, reaching about INR6.8 lakh during Q2 of FY '25 as against INR5.67 lakh in the previous quarter of this financial year. Noteworthy, on September 16, 2024, the total turnover consolidated for Futures and Options combined recorded an all-time high of INR4.73 lakh crores. Options accounted almost INR4.5 lakh crores out of that.

As we all know, there are two critical pillars of a Commodity Exchange. First is the efficient price discovery and second the key risk management against adverse events and price movements. We witnessed this in real-time when the change in customs duty rate in gold and silver were announced in the union budget on 23rd July 2024 which led to an immediate fall in domestic prices of these commodities in the spot and derivatives market.

MCX was able to provide protection to all our bullion market stakeholders, who had hedged on this platform. That was also a historic day for MCX bullion Futures and Options, both clocking record volumes, Futures at INR55,000 crores-plus and Options at a whopping INR92,000 crores-plus notional turnover.

More significantly, this instance underscored the importance of domestic stakeholders to hedge within India as the unanticipated change in price resulting from a change in duty rates could only be hedged on a platform which fully reflects duty-paid Indian commodity prices, something

which even the offshore markets cannot offer. On the product front, we have a significant development in order to encourage hedging and improve the hedge efficiency. The exchange has modified existing gold 1 kg options bimonthly expiry contracts. Gold option contracts will now include monthly expiry contracts, and this will be enforced with effect from Monday, November 11, 2024.

Another new product launch, we are happy to announce the launch of cash-settled cotton seed wash oil futures. This was launched on 15th October 2024. We appreciate the support given by our stakeholders in generating, making it success and we continue to look forward to your support there. This contract is of 5-ton trading unit and Kadi, Gujarat is its delivery centre. This new futures contract is designed to provide transparency, efficient price discovery and a vital hedging mechanism for various stakeholders for the cotton seed oil industry including cotton seed crushers, edible oil refineries, wholesalers and traders.

In line with MCX continued efforts towards developing Indian standards for metals, the exchange has recently empanelled one more Indian-led producer, M/s. Jain Resource Recycling Private Limited at their Tamil Nadu plant. These have been added to the MCX good delivery list. With this, total number of empanelled-led producers are now 8 and we continue to strive in expanding this list in future. This trend of empanelling domestic refiners, a part of the national vision of Atmanirbhar Bharat would serve the nation by creating domestic benchmarks, reducing price disparities and encouraging quality recycling of metals.

MCX has always been conscious of the needs of stakeholders in the commodity value chain and has been at the forefront in creating and modifying products and processes to suit the varied needs of these stakeholders. In recognition of these efforts, MCX was bestowed the Exchange of the Year title at the India Gold Conference on 23rd August 2024 at Bengaluru.

In order to foster transparency and rationalize the transaction charges, MCX, under supervision of the market regulator has recently introduced a single-tier transaction charge structure for each of the Futures and Option segments. The rationalization in transaction charges has effectively reduced the charges for the vast majority of our clients. The exchange has also asked members to ensure that the charges levied on clients are true to label, that is fees levied on the end client by a member should not exceed the exact amount as charged by the Exchange to the member.

On 16th October 2023, if we all recall MCX and MCXCCL together went live with our new-age commodity derivatives platform successfully. We celebrate the first anniversary of that historic event, and we congratulate all who were involved in that mega project. We once again extend our sincere gratitude to all stakeholders, regulators, technology service providers, data vendors and member brokers for their ongoing support, guidance and encourage to us. We really thank you.

With this, I conclude the opening remarks and look forward to discussing more during the Q&A session. Thank you.

Moderator:

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

Amit Chandra: Sir, you mentioned about the increase in participation, wherein the number of retail traders on the platform has increased significantly. But our intention was also to increase the FPI participation. So if I'm not wrong, it was in the range of 1%. So if you can provide some update, so what is happening there? What steps we are taking to increase the FPI participation? And also on the colocation part, can there be any chance that the colocation can come to the MCX as well?

Rishi Nathany: Yes. So thanks for the question. First, to answer your question about FPIs, we already have around 117 FPIs registered on the Exchange, and we are getting more and more of them to trade on the Exchange. You have to understand that it is still early days yet. It was only a few months back that FPIs were permitted and enabled on the Exchange to participate, and we have been seeing healthy participation. We have been seeing a lot of OI coming from the FPIs both in crude and natural gas. And we hope that going forward, if the regulators so permits, we could see FPIs, trade in other commodities as well if the regulator so allows.

In terms of FPI participation, the ADT has been increasing, and we hope to see that this will increase further. In terms of colocation, as of now, the extend norms do not allow for colocation in commodities. As and when the regulator allows colocation in commodities, we will definitely look at bringing it to market.

Amit Chandra: And sir, secondly, you have announced that we are launching the monthly expiry gold contract. But in terms of the other products in the pipeline, so it has been like a year since the new platform has been running, and I suppose the first year was where we were not very keen in terms of launching a new product, okay? So from here on, as we have completed 1 year successfully, so can we see some accelerated launches in terms of some of the products, which are in the testing phase as of now?

So lastly, you mentioned about the monthly series, like contract, which will increase the number of expiries specific to crude on the options side and the index options as well. So I know the index options is the second product, which will come after the monthly series. But if you can provide some timelines and where we are in terms of the testing of these products at the back end? And what's like pending from the regulatory side?

Rishi Nathany: So while I cannot give you any specific timelines, all I can tell you is that the Exchange always keeps looking at various commodities and new contracts or variants of existing contracts to bring to market, and we are actively pursuing that. As and when we do get a regulatory approval and we have done all our internal testings and everything, we will definitely bring it to market. So in a nutshell, yes, you would see us trying to bring more products to market as we go forward.

Manoj Jain: Just to supplement Rishi, Amit, I'll add that see there is always a launch cycle, and things get launched gradually, with the successful launch of Cotton Seed Wash Oil also. So that proves the system capability, scalability, and we have also announced the monthly expiries of gold 1 kg. So yes, there would be a cycle as and when the right contracts and the right approvals and the launch timing is appropriate as considered, you will see a gradual launch. So that's the whole idea. I mean we are going ahead slow and steady.

Amit Chandra: And sir, in terms of the cost, obviously, we have managed the cost well, but the technology cost has come off in this quarter. So is it because after the completion of 1 year, maybe some of the extra cost related to technology that was required is coming off or is it the new base? Or there is some one-off in that? And also, if you can elaborate on the AMC costs, which will -- which is likely to hit in quarter 3? So is it on track? So the AMC cost will hit in like quarter 3?

Management: Hi Amit, so the IT costs are gradually increased, but still there is some breakeven, and we can say, nominal marginal savings compared to what we would have paid in the previous arrangement with 63 Moon. And you are right, the AMC cost of TCS will start coming in from quarter 3. So we'll have to wait and see. In the numbers, they will reflect.

Amit Chandra: Okay, sir. Thank you and all the best for the coming quarter.

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

Prayesh Jain: Congratulations on great set of numbers. Sir, firstly, on the premium to notional turnover ratio on the options side, that has gone up in this quarter. And so how should we look at the sustainability of the same going ahead? And particularly on the gold contract, also, if you could highlight whether that would lead to a drop in premium to notional turnover ratio?

Rishi Nathany: So see, the premium to notional turnover ratio is governed by a host of factors, including volatility, and it is very difficult to predict what would be the premium to notional turnover ratio going forward. So we can't give any future visibility on that.

Prayesh Jain: Okay. But sir, with respect to gold monthly contracts, ideally, if the period reduces, that would lead to a lower premium versus the current contracts?

Rishi Nathany: See, ideally, if you look at it, I don't think so because, firstly, if you trade in a bimonthly contract, the premium is higher at the beginning of the contract, but the volume correspondingly is lower. And then as you mature into the contract and reach the expiry, the volume goes up and the premium goes down. Now if you split that in from 2 months to 1 month, ideally, I think it should have a similar effect, if not better.

So, I do not see any negative effect of bringing our monthly contract into the picture. So overall, the premium behaviour will still remain the same, that will be high during the launch and lower during the expiry.

Prayesh Jain: Okay. Sir, secondly, on the SGF contribution bit, how do we see that going ahead? We have contributed in this quarter as well. So, if the volumes continue to surge the way they are, do you think we will need contribution to SGF on a regular basis?

Manoj Jain: So Prayesh, yes, as a strategic thought process, we do look upon a gradual contribution on SGF on need basis. And you would see such numbers, though numbers are small, but the idea is to continue to strengthen our SGF for future scalability and new product launches. So that's a strategic thought process.

- Prayesh Jain:** Got that. And just one bit on the computer and technology expenses, that has gone up in this quarter. What was the reason for the same?
- Chandresh Shah:** See, in fact, for this quarter, it is marginally reduced. But Prayesh, see, last year, we had warranties and all. So as and when the warranties expire, so the AMC costs starts coming in.
- Moderator:** Thank you. The next question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.
- Parikshit Gupta:** Hello. Am I audible?
- Moderator:** No sir. Could you come a bit close to your handset you sound a bit distant.
- Parikshit Gupta:** Okay. Thank you very much for the opportunity and My name is Parikshit Gupta. So, my first question is a more fundamental question. While we understand that the volumes of saving usually increases during times of economic uncertainty. We saw this in the post-COVID era as well as during this calendar year because of the geopolitical tensions and the unfortunate events in Middle East and Europe. I just wanted to understand is there a way to understand if the volumes that we see right now, how much of it would be sustainable going forward?
- Rishi Nathany:** Okay. So, Parikshit, to answer your question, first of all, volumes are only not driven by geopolitical concerns. If you see that the overall participation base of the Exchange has been going up, which means all the participants on the Exchange, whether it be hedgers, physical market participants, retail traders, HNIs, FPIs, everything is going up. Now when overall participation goes up, naturally, you would see a better turnover.
- Also, what adds to volatility in the market is, of course, these geopolitical tensions, but it is not just those which drive the market. So, there are a host of factors which drive volumes. So it's very difficult to quantify that how much geopolitical tension will happen and how much it is sustained volume or not. But all I can say is that if we continue with the trend of growing participant base, our volumes in any ways continue to grow from strength to strength.
- Parikshit Gupta:** Absolutely, sir, I completely understand that the driver of volume is the market -- increasing the market depth. So, thank you for extending that. My second question is on the India International Bullion Holdings piece. I understand that even in the previous quarter, you mentioned it is very hard to predict how much of a business might generate going forward and that the revenue was about -- the business generated was about INR2 crores overall. Do we have any sense for the current quarter and the next quarter as well?
- Rishi Nathany:** See, we cannot give any future predictions on business of IIBH. All we can say is that it is a relatively new exchange. The gestation period and the profitability cycle of any exchange is a long-run process. Having said that, IIBH has already broken-even and also delivered a small profit, so we hope that going forward, it will continue to grow from strength to strength.
- Parikshit Gupta:** Understood. And my final question is about cash on hand. Please correct me if I am wrong, I believe the cash on hand for investments is about INR1,500-odd crores at this end of the quarter. Do we have any plans of deploying that capital in site right now?

- Chandresh Shah:** So the amount what you are mentioning includes our current investments into subsidies also. See, the cash will be utilized in the business. We also have to maintain some cash for safety in case of any claims or any issues. There is also some bit of growth capital. We may have to invest in technology in near future. So, we are retaining that cash, but the Board is aware, and Board may take a call on how to utilize the surplus cash in future.
- Moderator:** The next question is from the line of Mohit Motwani from Tara Capital.
- Mohit Motwani:** My first question is on the premium ratio. I know that you have said there are a host of factors. But in the previous calls, you have also said that many participants are trading out of the money options, as a result of which it ultimately translates into a lower premium ratio. Now in the month of September and October, we have seen an uptick in the premium ratio, and it has coincided with the heightened volatility in crude. So just want to clarify if this increase in premium ratio can be directly attributed to the heightened volatility or there is some difference in the behaviour of participants as well?
- Rishi Nathany:** See, that is very difficult to quantify. The premium ratio is a function of various factors, as I already told to you. So, it's very difficult to dissect and give it to you.
- Mohit Motwani:** Sure, sure. Okay. And my second question is a book-keeping one. So can you let us know what are the revenues from options and futures? And how to think about the effective tax rate. Since it's been in 19% to 20% rate in the last 3 quarters, so how to think about it for the near and medium term?
- Chandresh Shah:** So see, revenue for futures was approximately 30% and options was approximately 70%. And effective tax rate will remain in the range of 21% to 22% to 23%.
- Mohit Motwani:** 21% to 23%, right?
- Chandresh Shah:** Yes.
- Moderator:** The next question is from the line of Chintan Sheth from Girik Capital.
- Chintan Sheth:** So my first question was on the new launches. You mentioned monthly Gold Option contracts will be launching on November 11th. Have I heard correctly or its Future contracts?
- Rishi Nathany:** No, no. So in Gold, we have bimonthly Futures and bimonthly Option contracts. The bimonthly Futures will continue as it is for now. We are now making the Options monthly from November onwards.
- Chintan Sheth:** Earlier doesn't it -- we were thinking about launching the Futures first and then the Options later, I think that was the plan earlier or am I incorrect on that part?
- Rishi Nathany:** No. So whatever the plan was that is being implemented.
- Chintan Sheth:** So we are looking for Option monthly only to start with and the Futures, we are not looking at it currently.

- Rishi Nathany:** I didn't say we are not looking at it. I'm saying that we are implementing Options first and thereafter, we could see that experience and then take a call.
- Chintan Sheth:** Sure. And secondly, on the Index Options, which we were planning, Index Futures and Options, which we were planning because that will be the precursor to the weekly expiry, which we can launch given that now the SEBI has regularized and limiting it to single Index Contracts. What are the management thought? And any indication where are we in terms of testing and filing to the SEBI regulators for the approval.
- Rishi Nathany:** So while I can't give you specifics, all we can say is that there are a host of products we are looking at studying, which are in various stages of testing or study or applying or the pipeline is there. And what I can say with certainty going forward, you would see a few product launches.
- Chintan Sheth:** And just on the revenue split, you mentioned 70-30, but if you can spell out the absolute -- this is on the stand-alone revenue, if you can spell out on...
- Management:** Standalone.
- Chintan Sheth:** Stand-alone. Okay, then I'll be -- and on the consolidated cost front, if I look at the software support cost, which declined from INR22 crores to INR21 crores around sequentially. Despite the revenue or -- energy basket continues to be performing well; I believe that revenue share to CME should have sequentially increased implying that the other software costs likely to get reduced during the quarter. If you can quantify how much of the revenue should we have -- was shared with the CME on the energy contract for the quarter?
- Chandresh Shah:** See, the revenue, what we are making payment to CME is shown as product license fees, that is item Number B in expenses. It is not part of IT expenses.
- Chintan Sheth:** Sure. So I'm talking about that only. I'm sorry, I'm talking about that only. The cost declined from INR22 to INR20 crores point something, INR20.5 crores...
- Chandresh Shah:** Yes. That is the IT cost, and what you are talking of CME in product license fees, that is the second line, which has increased from INR13 crores sequentially to INR17 crores.
- Moderator:** The next question is from the line of Shalini Gupta from East India Securities. As there is no response, the next question is from the line of Sanketh Godha from Avendus Spark.
- Sanketh Godha:** Sir, can you tell me how much is the float income in the current quarter and corresponding margin money what we have in the Exchange or Clearing Corporation? And also, just wanted to know your update on SEBI thing to share the float income with declines. Anything that you have heard on those lines? That's my first question.
- Second question, sir, was the other income, which was up almost by 34 percentage sequentially, just wanted to understand what led to that increase? And also if you can quantify the nature of cash in hand, that is other investments, what led to that increase in the other income? Yes, those are my two questions, sir.

- Chandresh Shah:** Yeah, Sanketh, so the treasury income was around INR20 crores for this quarter, and it has increased from INR18 crores to INR20 crores.
- Sanketh Godha:** When you say treasure income, it is float income, right? Margin...
- Chandresh Shah:** It is everything. It is float income, it is our own, surplus funds, everything.
- Sanketh Godha:** So it increased from INR18 crores previous quarter to INR20 crores in the current quarter...
- Chandresh Shah:** INR17 crores to INR20 crores. INR17 crores-point-something to INR20 crores.
- Sanketh Godha:** Okay.
- Chandresh Shah:** Yes. And the next question you said was on the cash?
- Sanketh Godha:** Yes. The cash on books, because the other operating -- other income, which I see it is INR25 crores, that is basically the interest income down on the cash what we have, right? So I just wanted to understand what led to that...
- Chandresh Shah:** It is largely that. So see the absolute amount of the surplus funds also increases. Margin money held with us also increases with the open interest. So the other income from that also increases.
- Sanketh Godha:** And lastly, if you can speak about -- see, we launched the steel. It did not take off much and we, in the past, had an agreement with the electricity derivative to be launched through -- from IEX as underlying. So any update on new products like electricity derivative because now the platform is up and running. It's been a year as someone asked. So just wanted to understand the new product launches.
- Rishi Nathany:** Yes, Sanketh, as I've repeated earlier is that we are working on the entire product basket, which we want to launch. And why we cannot give you any specific timeline or any specific product in right now, but all we can say is going forward, you will see certain launches since you have already spoken specifically about electricity futures. We have -- we're still waiting for the regulators to approve that. There is still that which we are waiting on. And as we go ahead, you will -- I'm sure you will see more launches, and I'm sure that will add to our product basket.
- Praveen DG:** So, Sanket, I want to add one more thing. It is not like the new products are getting launched, and it will be add up to significant volumes, okay? Every product will have some amount of gestation period, that means it will take time to really mature. So while every effort will be made to launch the new products, but we should also be judiciously be launching it such that every product will get enough time to really mature. That is how we have to look at it.
- Sanketh Godha:** Fair point, sir. Got it. So sir, in that sense, you would say that steel will take its own time to evolve and become a vibrant product in our market?
- Praveen DG:** There will be multiple -- see, if we launch, there is -- it is not always feasible or practical that every product will be a successful product. It takes time to really mature. Second, we also will examine if at all any modifications are required in the contract, and we'll also go to the market

and study what could be the possible reason that really has led to not significant interest in this particular contract.

So it is a continuous exercise. So it doesn't mean that immediately we can consider it as a failure, but -- so we will be -- definitely we'll be studying this product specifically. And again, if needed changes will be done to the product and also, accordingly, we'll again bring it forward the product for the trading.

Sanketh Godha: Got it, sir. And last one, do you see any revival in nickel, sir or you can say that globally, the product has become almost dead for the futures market?

Praveen DG: Yes, nickel is a very good product, in fact, but because of that earlier episodes, it had... died. But we are confident that, again, we will come out with that product. We'll try to revive that one. But difficult to say what kind of changes right now we'll bring into this particular product. But we are -- it is very much within our radar to really see that how we can be able to improve the performance of this contract.

Moderator: The next question is from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal: This is Devesh Agarwal from IIFL Securities. Congratulations on healthy set of numbers. Sir, my first question to you is basically very much our dependence is now on 4 products. That's 2 on the bullion and 2 on the energy side. Does this worry you? And historically, base metals have been a good contributor to our revenues as well. But what are the challenges that you are facing on the base metal side? And do you see a scope for the recovery of base metal volumes from here on?

Praveen DG: Yes. Historically, like if we take some years back, of course, the metal happened to contribute significantly to the volume. But we all know that we had to make these contracts, a delivery-based contracts and also still you know that there are some issues that are related to the GST, okay, with multiple delivery centres are there. So these are the factors that is really dragging this particular metal basket.

But it is not like it is not a significantly worrying factor because if you take any global exchange, yes, there are certain products, which really contribute significantly to the Exchange. But if you look at the MCX, you have a diversified basket because you have bullion, you have metals and energy. And also, we would be able to take some lead also in the index products. So that's why it's not immediately worrying, but of course we will make every effort to diversify that one. So one of our efforts have been witnessed in this monthly -- launch of this monthly gold 1 kg options also.

Devesh Agarwal: But sir, we've been hearing this that because of this increase in the size of the contract, base metals has seen a decline in the liquidity. Are there any dialogue with the regulator to kind of again cut down on the size of the contract? Is that a possibility or at this point in time, there are no discussions around that?

Praveen DG: You are talking about nickel?

- Devesh Agarwal:** No, generally base metal contract, sir, including copper and others.
- Praveen DG:** So, mini already we have launched.
- Rishi Nathany:** No. So just to explain that it is not the size of the contract. What Praveen was trying to tell you is that earlier these contracts were cash settled and then they were moved to a deliverable contract. Moreover, from a single delivery centre, there have been multiple delivery centres, which leads to issues in GST. So that is why these contracts are facing the kind of headwinds they are.
- Having said that, we are trying to work on whatever we can to make sure that these contracts also revive. And if you see from last fiscal to the current fiscal, base metal has also shown a decent improvement. And going forward, we hope that the base metal contracts will also do very well.
- Devesh Agarwal:** Right, sir. And secondly, sir, you did mention about new client addition. Could you just share some profile in terms of are these people who are active on equity and have now started trading commodities. So that gives us a -- basically a size that on equity side, we have almost 50 lakh people trading equities and are we heading to that direction? Or some profiling of these new clients that you have added over the last 2 years?
- Rishi Nathany:** So we are a commodity exchange. We do not have an equity segment. So even if they are trading on equities on another exchange, we will not know whether they are trading on equities or not. So as far as we are concerned, all the people who are trading in commodities are trading with us on commodities. Having said that, we have a very healthy mix, which has been consistently maintained of Futures to Options as well as all these people coming in and trading on the Exchange.
- So anyways, whoever trades in the -- see, let me tell you that in equities or currency or whichever other segment, you will only find investors or traders, but commodities is very different that apart from these investors, traders, FPIs, etcetera, you will also find a lot of physical market participation. You will find actual hedgers and people who are actually in the business. So I don't think those hedgers will be trading in equities. Apart from that, the rest of the people who are trading, it is very difficult to say whether they're trading in equities or not.
- Devesh Agarwal:** Okay, sir. And sir, in terms of new contracts, we had in the past talked about series contract. Any update that you can share around that, whether we are still pursuing that or at what stage is that product at?
- Rishi Nathany:** See, again, I will not be able to give a specific timeline on that. We are in the testing phase. And once we have done it, we will definitely come back to you.
- Devesh Agarwal:** Sure, sir. And sir, last one from my side. The date that you said for the launch of this monthly gold expiry, is it 21st or 11th?
- Rishi Nathany:** 11th November.

- Devesh Agarwal:** Thank you so much and all the very best.
- Moderator:** The next question is from the line of Heenal Gadda from UBS Securities.
- Heenal Gadda:** Sir, just a couple of questions. First, which gold future contract would be the most active on the platform that is seeing high volume traction? And secondly, could you help us with any expected timeline for the new CEO joining?
- Rishi Nathany:** So the gold contract, which is most active is the 1 kg contract, and that is where we see maximum traction both in futures and options. Regarding the new CEO, I'm sure that we will inform the market with a specific date.
- Heenal Gadda:** Sure, sir. Sir, in terms of the new product launches, would it be possible for you to share what is in our pipeline from which we've already applied to SEBI for approval?
- Rishi Nathany:** So, ma'am, as I said earlier, there are a lot of products at various stages with us with our IT teams for testing or with regulatory approval or whatever, where we are in various stages of seeking regulatory approval. Now it would be very difficult to quantify that. Having said that, what we can definitely say is that going forward, you will see a better pipeline of product launches.
- Heenal Gadda:** Thank you so much.
- Moderator:** The next question is from the line of Subramanian Iyer from Morgan Stanley.
- Subramanian Iyer:** I had a question on the composition of volumes. So, when I look at SEBI data, what it shows is that there are two big parts in your composition of volumes. One is proprietary traders and then there is others. Basically, the farmers, foreign participants, hedgers, domestic financial institutions, all are very low as per SEBI data, what is the major components of others which is almost 50%, I mean how much of it is retail and what are the other nature of participants?
- Rishi Nathany:** So we'd just like to clarify that we have a very healthy ratio of client to prop, whereas in this quarter, if you see, 52% in futures and 43% in options have been clients, and the rest only is prop. So, it is quite evenly balanced. Within the client space, the ratio between who is a hedger, who is not, that is something we cannot provide.
- Praveen DG:** Iyer, just to add to what Mr. Rishi has said. As you aware, see, they will not be the contributors. If you see in the market, hedgers will not be the contributors, principal contributor to the volume. In fact, they will be adding to the open interest because their interest is more into the hedging, not into the trading, okay?
- So, if you look at even the open interest, that is what I think we've been publishing to the market also that what hedges as a percentage to the open interest. And of course, again, it is dependent upon our disclosures made by particular people whether he is a value chain participant or something. But the true intent of the market participant never we'll know.
- Subramanian Iyer:** And what proportion of volume is actually contributed by retail?

- Praveen DG:** So, we don't have that number. But if you look at the client participation, I think that anyway those details are given in the part of our presentation.
- Rishi Nathany:** If you see the Page 8 of our presentation, it shows you what is the percentage of client trading.
- Subramanian Iyer:** Sure, thank you.
- Moderator:** The next question is from the line of Arpit Shah from Stallion Asset.
- Arpit Shah:** Thank you for disclosing the premium numbers, thank you for that. The exchange on the data front, which we had requested earlier on. My question was pertaining, if you can quantify the AMC charges, which is going to be charged from Q3 FY25 to TCS. So what will be that charges?
- Chandresh Shah:** So see, we cannot share that number, but if you track the IT costs, you will get some idea about that. Contractually, we are not allowed to share that number.
- Arpit Shah:** So then there would be a bump up in the information technology costs?
- Praveen DG:** Yes.
- Arpit Shah:** And some proportion would be added to depreciation, or everything would be based on that?
- Chandresh Shah:** It will be in IT cost only.
- Arpit Shah:** And the IT depreciation as it was announced earlier, from the previous calls, it was around INR60 crores for TCS, would that number include AMC or that is a separate number, INR60 crores plus AMC or INR60 crores includes AMC numbers only?
- Chandresh Shah:** See, we have never given any future guidance on any of the numbers.
- Arpit Shah:** No, I remember earlier call, we had disclosed about INR60 crores that is the number, which is going to be technology cost. So does that number include the AMC number or that would have been separate on that?
- Manoj Jain:** Arpit, we may not have given that in this context, maybe you are probably linking it to some other number, which would have been given. But as Chandresh just now mentioned, we are not disclosing the private contract details. Even that INR60 crores is in which context, not sure, please.
- Arpit Shah:** I think INR60 crores was in the context that was a number that was probably the cost that we were paying to 63 Moons on those specific volumes. Since now the volumes are increased, we would see operating leverage on that cost line. That INR60 crores was in that context. I think in one of the Q4 or Q3 calls you were speaking about that number.
- Chandresh Shah:** See, that arrangement with 63 Moons was different. It was a little bit of a variable kind of thing. But the arrangement with TCS is very different. So the numbers you will have to wait and see for the coming quarters.

- Arpit Shah:** Got it. But would there be very significant number or would it be a very, say, low single digit...
- Chandresh Shah:** I can't comment right now. You'll have to wait and see the results for third quarter.
- Moderator:** The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.
- Sanketh Godha:** Sir, we saw the crude volumes to pick up in the Options market because the margins were meaningfully very high in the Futures market for crude and natural gas. But in gold, it is meaningfully still low, so just wanted to understand that despite -- I understand that you launched a monthly contract, which should increase the vibrancy of the product. But given the margin requirement is still very low in Futures for gold, do you think it will trickle down as greatly as it happened in crude or natural gas for gold in your internal assessment?
- Rishi Nathany:** So very simply, we are bringing products to market. We are trying to provide that bouquet of products which the market wants. Now whether the market trades in Futures or they prefer to trade in Options is a choice of market participants. Our job is to provide that platform and a wider variety of choices.
- Sanketh Godha:** Got it, sir. And lastly, your margin in the crude still remains at 33 percentage, right? It has not changed. Initial margin, I mean to say.
- Praveen DG:** Yes, it is around that level only. Yes.
- Moderator:** The last question is from the line of Chintan Sheth from Girik Capital.
- Chintan Sheth:** The question I had was on the participation side. In the presentation itself, we are seeing client trading percentage in the Options has been on a decline. So this quarter it's around 43% versus a few quarters back, it used to be about 50% on the Option side. Anything to read into it, whether it is given by involvement of FPIs coming in? That is also helping or reducing the client's trading percentage? Anything you want to point out?
- Rishi Nathany:** No, there is nothing specific to point out. We still have a very healthy ratio. So in the Q2 of FY '23-'24, it was around 47%, now it's 43.5%. Having said that, overall volumes are growing and the overall client percentage, while the percentage has gone down, but the overall volume of clients has also gone up. So as long as that continues to grow in every segment and every participant segment continues to grow, I don't think there is anything much to read in it.
- Praveen DG:** Yes. So just to add to what Rishi has said, in a growing market, I think you should to be really worried about the percentages. In fact, overall market, you can see that growth is happening. And of course, there is no significant change that is happening in terms of trading client percentage.
- Rishi Nathany:** And also that the overall number of clients is going up. So that is also something that...
- Chintan Sheth:** That is increasing the customer -- number of customers are also growing, but the percentage is declined that was observation I was coming to. It should ideally -- with the increasing participation...

- Praveen DG:** Growing volume. So I'm saying it is growing volume, right? And growing volume, I cannot say that all the things will moveThere will be here and there...
- Rishi Nathany:** Yes. Percentages could change over quarters from one segment to another and back, right?
- Chintan Sheth:** I agree. Okay. Got it. And on the cash side, if you can just point out that the total cash, we are currently -- cash and investments, free investments, which we are holding. And you mentioned the Board is aware about it. But anything in terms of where are we in terms of what will be the utilization of the same? What should one expect, say, over the course of the year?
- Chandresh Shah:** See cash utilization, I already had responded earlier that the Board will take a call, what is to be used for. But the cash is retained for business growth, investments in infrastructure, IT systems and development of new software, also for maintaining some capital to unforeseen circumstances and buffer.
- Chintan Sheth:** How much we are planning to do the capex on the infra side this year? And what is the current cash balance...
- Chandresh Shah:** There's not been a significant increase in capex, but in near future, there could be some further investments.
- Chintan Sheth:** Okay. And how much cash we are currently -- cash and investments we have on the balance sheet base?
- Chandresh Shah:** Around INR1,000 crores.
- Chintan Sheth:** INR1,000 crores. Including investments, it will be around more than that, right? Those are the liquid investments...
- Chandresh Shah:** No, I'm talking about the surplus cash, not the investment in associates and subsidiaries.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of our Q&A session. I would now like to hand the conference over to Mr. Manoj Jain for closing comments.
- Manoj Jain:** Thank you, Del, Once again, our heartfelt gratitude to all our stakeholders, regulators, participants and our analysts for your continued attention, feedback and encouragement. We continue to grow and add value together. Thank you. Thank you very much.
- Moderator:** Thanks on behalf of Multi Commodity Exchange of India Limited, that concludes this conference. Thanks for joining us. You may now disconnect your lines.