MCX/SEC/2315 November 23, 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 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Nippon Mutual Fund	August 16, 2023	04:00 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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: 2023.11.23 20:00:01 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

Multi Commodity Exchange of India Limited
Meeting with
Nippon India Mutual Fund

November 16, 2023

MANAGEMENT: **MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED**
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED

Participant: The last couple of years have been challenging for us a little bit due to tech transition and some other regulatory stuff, so now all those things behind, how do you see the outlook? What are the things which you are doing to increase the volume, increase the participation?

P. S. Reddy: I think, as I said in the call also, now that we are focusing more on business growth and some of these contracts which were to be issued earlier, we could not issue for whatever reasons. Now that we will be proposing to launch them, subject to regulatory approvals and we will also look at the penetration into more diverse types of participants, like for example, for FDI category 1, we are permitted, but… 2 is not permitted. We are not done as yet, I think that is one thing, and they are also asking for a DMA facility, which we will be looking at that, and like that, we will be working on it. So, some of the new contracts, what to call, shorter tenured options on the underlying futures, and similarly steel re-bar contract for futures of course, and on the gold contracts, some 10-gram gold, so these are the kind, we can look it. These are new contracts.

Participant: Which is, I think, this steel bars is something which is very exciting, in China it is very big?

P. S. Reddy: You see, the volume is, with our markets is, most of the spot markets are opaque and the success of the derivatives market or organizing market may not be in their interest. So, there will be challenges, but then we need to overcome those challenges and it will take time to grow, but it will grow. That is what it is.

Participant: Yes, like users find value for hedging purposes and…

P. S. Reddy: Absolutely.

Participant: Sir, if you look at overall options volumes… in the futures and like other exchanges, in NSE for example, like the number of times, so in commodities, still options volume seems to be having a lot of room to go up. So, how do you see it?

P. S. Reddy: So, first of all, I don't compare the equity markets and the commodity markets. That is an investment, and this is for hedging. Secondly, the contract sizes are very big in this as compared to the equity markets and so obviously there is a limitation to the ….and the number of people who can participate, etc., but the volatility in the commodities will continue to remain in the years to come. That is what the report of IMF also says that. So, keeping that in view, I think there will be a lot of opportunities for the traders as well as for the hedgers to mitigate their risk and traders to actually speculate and provide liquidity in the market. So, I see that way. Will it be as much as equity markets? May not be…

Participant: Yes, actually you are comparing Apple and Oranges?

P. S. Reddy: Yes, that is right.

Participant: You are a little mindful of that.

P. S. Reddy: That is right.

Participant: But still, from the current level, there is room for it to…

P. S. Reddy: There is room for it, more than a single product, there should be multiple products which we are looking at. So, keeping that in view, I think there is a lot of room. In equities, you have so many distinct entities. Even if you take top 100 or top 500, that many companies are there for trading. That is not the case with...

Participant: You need to.

P. S. Reddy: That is right.

Participant: You have multiple duration contracts?

P. S. Reddy: Multiple duration contracts in options, yes, that is one proposal that we have. That is right.

Participant: Just going back to the options part, when you say quarter duration, they wouldn't be only on the energy side, I think 95% of your volumes are energy, would you introduce multiple shorter duration contracts or it would be not just energy, but it will be bullion also?

P. S. Reddy: If you see, subject to regulatory approvals, we propose to introduce the shorter option contract in other products also, not necessarily energy and it will be serial contracts in the sense, one contract because as far as the SECC regulation can't be less than 11 days, okay. So, you will issue multiple contracts expiring in every week. So, you will introduce 25th December to 25th January, maybe 15th December to 15th January. So, in terms of tenure this contract is one month, but the expiry is weekly expiry you will get it, a serial contract is called now, a serial expiry. So, that will give a larger room for play.

Participant: I don't know, whatever I understood that when you say you have weekly expiry, that is what you are talking about, is it allowed on futures? On futures you will have to launch futures contracts also for…?

P. S. Reddy: No, now the same underlying futures you can launch by multiple options.

Participant: You have two months…I don't know….

P. S. Reddy: You have monthly futures contract, currently you have. Crude expires on 20th or 19th of every month. So, there are four weeks from the time it is launched and from the time it becomes near month, one month is there. So, every week one-one expiry can happen.

Participant: On the options?

P. S. Reddy: Option expiry in the underlying futures.

Participant: Why do you need a regulator approval for this?

P. S. Reddy: That is what the rules are like.

Participant: So, for any new contract because ultimately energy is…

P. S. Reddy: Not only new contract, even existing contracts where we do not have a permanent and continuous approval this one, you need to submit a calendar of one year or whatever it is, approval, to get one thing we prove that. Then you keep on issuing it depending on the minimum number of contracts that should be there at any given point in time.

Participant: The other thing I had is, if you just double click on this site and energy, look into the option, is there a hedging element over here or most of it is in trading?

P. S. Reddy: There are a few hedgers, because if it is only speculators, there will not be open interest. There are open interests also there, even in contracts. Then the open interest is somebody who thinks that they have some position in the physical market, then only they will keep the open interests.

Participant: But the time horizon for speculator might be 20 days, 30 days, so that would also happen.

P. S. Reddy: Day speculators, they square it off…

Participant: I understand that, but I am saying…

P. S. Reddy: If they happen to be speculators, notwithstanding they have a hedge position, be that so. They may not call themselves hedgers.

Participant: So, the question was, is there a risk to the nature of trading, in the sense if there is a short on oil, does it mean that we will see drastic business in this volume, whatever we see, sustainable or not, that is my ultimate question to you. I am not getting into speculation and all, the question is, is this sustainable or not?

P. S. Reddy: Yes, that is where the sustainability comes, where there is an open interest, sustainability will come, because those people who have an open interest, they have to square it off. Anywhere somebody sells his position, so, somebody has got a buy-position, that means he also has got a sell-position open interest, isn't it? And so, they need, I mean, the open interest is the one which makes the people to short in and then short out. Now, if you want to exit and there is no liquidity you will have a problem and because there is an open interest, people tend to give you both.

Participant: Just continuing on this, if you increase in short duration contracts, would it be only on energy platform or…

P. S. Reddy: As I said, depending on the regulatory approval we have...

Participant: Your intention is to launch multiple commodities?

P. S. Reddy: Subject to the approval of the…, yes, that is right, but we need to see traction in one option contract, then we can introduce many.

Participant: So, multiple durations or multiple…?

P. S. Reddy: Multiple durations.

Participant: So, first maybe you will introduce some one-month contract, then see the traction and then go for weekly, that's the…?

P. S. Reddy: Weekly or fortnightly...

Participant: When you get into this weekly contracts, so does it like…lot of… so how the GST thing actually… is it the…?

P. S. Reddy: GST will come in the way only when it is a delivery-based contract. Cash-settled contract there is no problem. And in the case of weekly options contract, option will become on the expiry become future, provided they don't close it up. Then the futures will continue till the end and then only end may, the deliveries will come.

Participant: So, with this way of introducing multiple options like, will it encourage a lot of people who are not participating because one, it makes the duration…?

P. S. Reddy: Because the CTT is smaller and the margin in the futures contracts, margins are high whereas …, of course…, to the existing cost of trading is less.

Participant: So, do you consciously analyze the nature of participation and we try to improve the overall quality of participants? For example, in gold, still lot I think, is happening outside India?

P. S. Reddy: In gold, it is not permitted. RBI banned. It is the other way. Maximum pitching happens in the industry.

Participant: The corporates are fully using, there are some other ways where they…?

P. S. Reddy: At least, I mean, whosoever is complaint with the law, they are all doing it here. We are all doing it here. We have a few metric tons of gold open interest on the exchange.

Participant: Looking at the depth of the gold market, you feel like we are attracting…?

P. S. Reddy: Yes, how much is the hedging? You published, no?

MCX support team: Sir, we have given that in the press release.

P. S. Reddy: Not in the press release. Daily, do you put up on the open interest on the website?

MCX support team: Yes, we have that.

P. S. Reddy: What is that number? You have it, no? Harmesh Malade sends it…

MCX support team: Today's email, sir?

P. S. Reddy: Today's email is yesterdays. Anyway, go ahead.

Participant: How do we increase the participants of foreign portfolio investors, sir?

P. S. Reddy: I just said, they are looking for DMA facility and I think with that they should be able to come. Let us see.

Participant: How sooner that will happen, the FPI participation?

P. S. Reddy: We are looking at… no FPI is in line. That is already there in our system, we have to activate that.

Participant: Category II and category III of FPI is also?

P. S. Reddy: Category II is also already available; we just have to activate it.

Participant: But what is stopping us from activating, we are just waiting for the new platform to get settled.

P. S. Reddy: That is what we think, that is what.

Participant: Sir, these three-four measures you mentioned about the…

P. S. Reddy: One minute…8 tons, no? What is it, 8 tons? It is an open interest, 15 metric tons of gold, that too, 1 kilo bars. There are others also.

Participant: I don't know, earlier I used to think given gold is a global commodity and India has this CTT, there is cost of trading, right? You have CTT which is very unique to India, which is not that globally, are FIIs very keen in participating in this exchange or globally they find other exchanges much more lucrative from a first of trading perspective, how do you think of them?

P. S. Reddy: Well, that is one way of looking at it. If crude has to be hedged or traded, why not trade in international markets, but there are also, what you call... by trading, somebody who is trading India, there also, some margin they are earning, isn't it, so they will be earning that also here, that is number one. Number two, there is a calendar spread, in bits are there, and there may be some in the US, some may be here also calendar spread, ok, and they step in and then they buy near-months and the far-months, vice versa, whatever, they are doing it.

Participant: But that we could do at the international exchanges?

P. S. Reddy: If the price difference is more here, then they will do it no, and it is in Indian rupees, that is in dollars.

Participant: One question I don't know… earlier whenever I used to look at this, there was this angle of GIFT city… that is what you call GIFT city because of the tax … which are sitting …in the GIFT city….

P. S. Reddy: Most of the people who are trading here for all these years, leave aside the FPIs who recently permitted, they are all domestic. Gift city domestic players are not allowed except for the LES…or whatever.

Participant: So, Gift city you will not be a major….

P. S. Reddy: We don't consider them…, as of now there is …

Participant: Would you say, from your exchange ADTO, how much is retail, how much would be pure retail I don’t know that… how much could be…

P. S. Reddy: You have disclosed it?

MCX support team: No, we have not disclosed it.

Participant: Indicator, can you just tell me, I can make predominant is a retail for you? Are you retail oriented or?

P. S. Reddy: Algos are major... Algo players are there, no? Algo is 52%, non-algos is 42%... 48%

Participant: But Algos could be both, right? It could be proprietary well as institutions, isn't it?

P. S. Reddy: Yes, but you see the proprietary 47 and client is 52…the other way it is coming to.

Participant: How much pure retail for you? Very difficult for you to….

P. S. Reddy: I only said client that is all, it could be….

Participant: …I don't know. I mean, obviously, some of them are UHNI, HNI. How many individuals who are trading?

P. S. Reddy: I don’t have the idea…

Participant: So, the reason why I am coming to this is, when we look at certain discount brokers, when we look at their market share, whatever they publish, that seems quite high**,** the disclosed number is 50-53% of, or he has a commodity market share of 50-50%. I am just trying to understand obviously he is only retail; they don’t entertain institutions…

P. S. Reddy: 50-52% of what? What is the universe he is taking?

Participant: That is what I was trying to get to.

P. S. Reddy: What is the universe he is taking?

Participant: So, there are three, four drivers which you mentioned, right? One is obviously a short-term contract, second is your number of products which you can add, third is the FPI, and we give them the DMA facility.

P. S. Reddy: FPI and other, the AIFs also, and all that.

Participant: Of all these three, which you think would be a major driver of your volumes, I mean, which can trigger really a 3x, 4x, 5x kind of increase in volumes?

P. S. Reddy: So, I would not like to put any number on that.

Participant: Just the trend-wise, which can be potentially the largest?

P. S. Reddy: No, see, again, we have not done any market survey as to which product will fly and then which product will not. When we look at it, again, we look at the utility of the product to the market hedgers, especially the industry, whether you benefit or not. Other players like traders and other things, they will anyway come if there is adequate liquidity, etc., and so keeping that in view, whenever we introduce a new product, we look at what is beneficial in the market. That is the main thing, not the trader perspective, honestly not the trader perspective. The second is the entry of these new players, category II FPIs and other things, and I think it is too early for me to assess the impact of it and they are big numbers currently operating it. But more important for me is some of these Algo players who have not participated as yet on the exchange platform, they were waiting for the exchange transition to happen so that they can step in and then also, they don't need to develop twice the platforms, one for the old system and for the new system. So, some of them are looking at now, they have become members, but they have not started, now they will start playing games. So, that is another dimension of the distribution part of it.

Participant: At present, at the broker level, is there a fungibility for margin between equity and commodity very seamless? Do you see that being addressed?

P. S. Reddy: You see, fungibility will not happen because the way that we are looking at is, the suggestion that we have given and then we are asking is not approved or anything like that. The numbers have, out of 3:30 (pm), capital left in the other exchange, without physically moving that capital to the MCX, we are looking for some kind of fungibility where the NSE can block or BSE or any exchange, it blocks at an amount, to the extent that you need it. That can be confirmed to us. This member and these are the clients who have got an excess capital. Then if the member wanted to exercise that, use that, they should be allowed to use that. In the formal sense of fungibility, that is not what we are looking at, but the recommendation and suggestion of members also and the industry bodies also suggested… let's see.

Participant: Is there a resistance towards this one?

P. S. Reddy: No, resistance may be there from competition, but not from other...

Participant: So, third, on the contract pricing side, at least on the futures, prices have been very stable for last 6-7 years, around Rs. 20… do you see any room for increasing the pricing? Usually in the equities they change every 5-6 years, 6-7 years. what is our…?

P. S. Reddy: We have not thought of it, but the more important is, every pricing, it also impacts them because the trade will be profitable after meeting the expenses that are being paid in the form of taxes or cut off. So, to that extent, the debt may come down if you increase the pricing, liquidity maybe...

Participant: But it just may be a part of the overall cost, right?

P. S. Reddy: That is what you and I think. I wish that others also think that way so that we will get benefited.

Participant: But there is no internal pricing mechanism which we follow, let us say, as a discipline. Let us say every 6-7 years we take a 20% kind of increase or something like that?

P. S. Reddy: No, we have not done that... I don't think 6 years is...

Participant: No, generally any time for that matter?

P. S. Reddy: We have done it in 21.

Participant: I think the futures prices have been very similar right at 20 odd thousand crores….

Participant: They have gone Rs. 20, 0000 crores right, in the last 5-6 years. Only options have done very well, but that has been the biggest. So, there is no set mechanism, it is just we take a decision with the time.

P. S. Reddy: See, I have been asked the question, to impose on options the charges for a long time, unless it touched a minimum critical mass of 7000-8000, so they are not imposed and after that, I think we should allow that maturity to get in, then we can do that.

Participant: This question only, last 6 years futures…ADT…

P. S. Reddy: ADT no, he is asking charges.

Participant: But that is on ADT only? You charge on ADT only…

P. S. Reddy: I know, but charges, slab structure is not changing, irrespective of the...

Participant: Last 5-6 years, futures ADT has not gone anywhere?

P. S. Reddy: No, it went up right up to 33,000. It has come down because of the peak margin that has been introduced. Upfront margining has been introduced…. Then brokers have not sustained, and it is imposed quarterly, 25% upfront margin, 50% upfront margin, 75%, 100%, with the 100% then they …. and margin being very high, then there is no...

Participant: I didn't see this, in fact in the equity exchange it is the same right, but in equity exchange we are still seeing futures ADTO move up not, but not to that extent it should have…?

P. S. Reddy: But equity markets futures is not big, options is big and that is index option.

Participant: That is true, but I'm saying, 83, you're saying from 33, 18, 20, whatever, went down but they are back to their level?

P. S. Reddy: No because people have shifted from the futures to options, that is so, while options is good, you want the futures also should now remain at this one.

Participant: I think it is almost a year now where the 2 years has been digested. I think it was September 22 where the 100% rule came and it got to 100% if I am not wrong. That is my opinion. It should have gone up but even this quarter, I am just trying to think about what is really happening on the futures side, where you have not seen this kind of traction, the way you have seen on options, and it's been great?

P. S. Reddy: Because the margins are also very high, no? Crude is 40%, NG is 30%, if this 40%-30% continues quite for some time, upfront margin of 40%-30% is not a small number as against equity markets so, you don't have this kind of margin.

Participant: Did you see lot sizes help or that also you have to go to the regulator**?**

P. S. Reddy: We have to go to the regulator, that is how we have introduced mini. Our mini's have picked up.

Participant: And I was just thinking, when you introduced short-term duration contracts, the premium on options as the percentage… will be reduced?

P. S. Reddy: Will be reduced.

Participant: … which drives volume?

P. S. Reddy: Volume, the shorter ones. Shorter options contracts…

Participant: Because the…

P. S. Reddy: Premium is small.

Participant: But does that mean from revenue per se?

Participant: Do you see today, I think it is 1.8%, right, on the notion premium, percentage of notion is around 1.8 to 2.4% whatever that range is now?

P. S. Reddy: It keeps varying.

Participant: Absolutely. So, when you introduce shorter duration, this 1.8 will go down, right?

P. S. Reddy: But you get...

Participant: That is okay, but sir, then you will also see volumes of longer duration actually it might not be that revenue accredited to you, the same what I am trying to get to and maybe you can correct me, if you are doing 100 of volumes, basically Rs. 100 of volumes over there, where you are making Rs. 2, on the shorter duration, you will make Re. 1, but the volumes have to be actually 200 or 2x to make the absolute amount.

P. S. Reddy: See the quantum of premium may be less for a weekly. Quantum of premium may be less, but our rate per lakh will remain at Rs. 40 and Rs. 50, two slabs are there, so slabs do not change, but this particular volume what you are talking about will reduce, but then you have four weeks, somebody which is four weeks, currently it is one monthly contract, 4 times, more than 4 times it will be because more greater participation will come in.

Participant: So, you are saying, despite the loss which we face from that 2 months going to 4 weeks, the volumes will increase so much actually that will be to…

P. S. Reddy: It will not be less than at least 4 weeks; 4 weeks is equal to 1 month. Even if you break it into smaller one, the sum of 4 weeks will be at least 1 month, but my expectation will be much more than the one month only, premium amount, because the better participation, yes.

Participant: Premium amount?

P. S. Reddy: Premium amount only we are adding.

Participant: At the regulator end, like the process of giving approval for new products, like is it very smooth, does it take time or like it takes time to, for the first time we will see so many innovations kind of, so initially will can it take more time and then?

P. S. Reddy: No, because of the tech migration we have not introduced this one, but now it should be faster, regulatory approvals. There should not be a problem in the rest.

Participant: The tech migration now, absolutely we are like, where we stand?

P. S. Reddy: Fairly stable, that is all I can say. Fairly stable, there are no problems.

Participant: Our arrangement with FT will parallelly continue for this financial?

P. S. Reddy: No, it is only for two quarters, no?

Participant: Remaining two quarters?

P. S. Reddy: No, till the end of December, current quarter only, nothing else. You want me to pay one more…?

Participant: No, we don't want. No, I know it means now, this is like, in December it will just come to end and is there like any compensation mechanism for the…, finally, can we get damages from the software provider, or any contract, any clause is there?

P. S. Reddy: As such, it was a one-sided contract when it was entered in 2014. So, obviously, if there is any clause, it will be in their favor, not in our favor.

Participant: Can you remind us, after you migrate to the, you already migrated to the TCS platform, software support charges goes down by how much, fixed fee you pay to them, to AMC?

Satyajeet Bolar: We pay AMC...

Participant: How much is that?

P. S. Reddy: We are not disclosing that, AMC charges.

Participant: It's a fixed AMC…Irrespective of what volumes you do…?

P.S. Reddy: Yes. It is based on the contract value rather than...

Satyajeet Bolar: We have fixed it for 5 years…

P. S. Reddy: Beyond five years also…

Participant: Will it be lower than technology expenses which we have been incurring in the range of Rs. 85 to Rs. 90 crores prior to the…. in FY22, I think the technology expenses was typically Rs. 85 to Rs. 90 crores?

Participant: In terms of the way AI and all are picking up, have you evaluated how much of the operating expense has caused in terms of getting better productivity, so how much more efficient can we be over there…

P. S. Reddy: I am not too sure whether we can reduce the expenses on the manpower and other things. In fact, it will keep some, incrementally there will be some rise because the regulatory compliance requirements are increasing day by day and so the bigger, we go, the expectation from MIIs is that you should be able to have complete control over the brokers also, so most of the time, to the extent...

Participant: You are responsible even if the brokers are not compliant?

P. S. Reddy: Compliant, so that is where our focus should be. So, you must ensure, and you sit there and kind of monitor or automate the processes and whatever is happening, you should be able to know all activities, that kind of expectations is there from MIIs. So, something of that kind, so obviously we need to increase, while automation is good, but beyond a point automation doesn't help.

Participant: Just on this SGF that we saw in this quarter, what is it really and is it a recurring, or it is linked to the volumes which we do on the exchange?

P. S. Reddy: It is linked to the stress test and scenarios that maybe… different scenarios I don't know how many more, maybe 100 or 90 or whatever. So, but also they take 15 year historical high-low prices for each product and then also they consider how two members going first and top 50% of the open interest members have positions going first and if you have to wind up those positions and all of them, what will be the loss, we will bring it after accounting for the margins that you have collected, that is what is you should be providing for in the form of...

Participant: But this is the recurring cost OI keeps on increasing?

P. S. Reddy: If OI keeps on increasing, then this will increase, vis-a-vis we have to increase the margins.

Participant: That sets up the requirements to be put?

P. S. Reddy: That is why we have not reduced crude oil and NG margins from 40 to 30. We are at 30 to 20 because of the SGF requirements. So, it is good to have a problem because as I said open interest is the one which brings more liquidity to the exchange, but this is….

Participant: This formula is based by the regulator or …. the formula is already known to you.

P. S. Reddy: Everybody.

Participant: … whenever there is what you call expiry?

P. S. Reddy: It can average for the whole month; open interest will have as I am speaking of open interest is Rs. 46,000 crores and whenever there is what you call expiry, the crude oil absorption will expire. Then it gets closed down. Then it will again build up. The futures will expire on the 20th of the month. Then again that will go down. Something else will be ticking in.

Participant: This is something, you can't increase margins, right? You increase margins first…

P. S. Reddy: We increase margins, but then again, then cost of trading will increase. So, the way that we have to look at is, particularly I don't mind you contributing more to the SGF, reduce margins, increase volume. What you earn on your funds is 7%-8%, whatever it is, that is by deploying funds there in the form of by reducing margins more trading volume goes up. The revenue will be much higher. You need to do the trade off all the time.

P. S. Reddy: So, it's done? Thank you. Thanks to all of you.