

MCX/SEC/2322

December 01, 2023

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

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

Dear Sir/Madam,

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

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Group Investor Call hosted by HDFC Securities with HSBC MF and Sundaram Alternates	November 23, 2023	12:00 PM	<i>Annexure - A</i>

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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

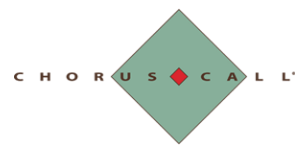
**Manisha Thakur**  
**Company Secretary**

*Encl: As above*



Multi Commodity Exchange of India Limited  
Group Investor Meeting facilitated by HDFC Securities.  
November 23, 2023

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**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED**  
**MR. PRAVEEN D G – CHIEF RISK OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED**  
**MR. NARESH BHUTA – DEPUTY CHIEF FINANCIAL OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

**P.S. Reddy:** Welcome to this Analyst Call gentlemen. I think you are all from Sundaram Alternatives and HSBC Mutual Fund. And of course, HDFC Securities has organized this meeting. And I think each one of you go ahead and fire the question.

**Analyst:** We have lot of questions but let's start with the most recent event of the new platform. How has been the overall experiences? Initially we saw little bit dip in the volume but now the volumes have normalized and started growing. So how has been the overall experience so far?

**P.S. Reddy:** Well, I think the migration is by and large considering that it is a big bang approach. It is to the satisfaction of the management. Yes, maybe first two days there were some hiccups. And as we went along and some not market wise but sporadic or member specific issues have been supported. And the ecosystem is pampered with various alternatives for meeting the same purpose. You get one feed via something else, another feed something else.

But then somebody tries to use one type of feed for meeting one request. And then somebody else uses two types for two different things. Although one can do the same thing. And as a result, different nuances have been seen for each one of them. I think they are all fixed. The latency has been improved also and we are also publishing on our website.

Those numbers are far better than what it was earlier in the system. In terms of latency numbers. And it is getting towards severity. I can't say that it is 100% stable. Still, we keep getting hearing from somebody as some file they missed it, or they have not got. Maybe 99 members have received one number.

You regenerate and then deliver to them. This kind of things are there but yes by and large it is a smooth transition. The second set of problems or the things that we have to still to put in place is the timelines. Many members expect the files to be given by 4 o'clock, 5 o'clock. Maybe we are taking at time 6 o'clock or 6.30. But anyway, usually the system is ready and then members login is done by 7, 7.30 in the morning. So, I think some more tweaking or fine tuning of various processes are required.

That center is always there. TCS team is also still here. They have been doing it. And we should be able to attain that kind of stability in the next month or so. We have

already completed one complete cycle of expiry of options, futures, deliveries. Because deliveries also takes place on this platform.

Now the second set is already started. We are already into-- I think crude is already expired. And from 25th, you will have – 26<sup>th</sup>, other metal contracts will start going for deliveries. Some expiries will also come.

**Analyst:** So, you mentioned some minor glitches from file perspective is there which is a continuous improvement in terms of file sending or expectation of timing. From trading perspective there are no glitches.

**P.S. Reddy:** Trading perspective, no. They are behind us.

**Analyst:** And the feedback loop that we had in terms of informing SEBI and receiving their feedback. Now that is entirely closed. Now SEBI is not...

**P.S. Reddy:** We keep sending it to SEBI. Someday, somebody will say something. For example, the other day, somewhere some hardware was slow. And writing to storage was slow. And with regard to one partition. As a result, it has put back pressure.

And as per the business rule if it is slow, all new orders will not be accepted. Old orders will be cancelled. They are called non-persistent. Persistent orders will continue to be in the system. Once that slowness is fixed.

Then those orders will be picked up. So, it happened for 10 minutes, 15 minutes or something like that. Now some members. Since it is an API based thing. Some members did not handle it. Other vendors rather. This particular concept. And so, some members said that the orders have been cancelled but still trades are taking place. But then they are persistent orders.

Persistent orders. Then we cut out all the notice. Whatever we have issued to the members. This is the way you have to handle it. We have already upfront informed you. This is the way it is. Similarly on the same day it happened in the night. Some gold price shot up to 61,900. No, no, something is wrong with the system. Nothing is wrong. Everything went on well. It is a genuine trade. Maybe a mistake by somebody. Instead of placing a limit order he placed a market order. So, the order book has been swept. And so again it has regained. And the lot of trades also have taken place. 61,600 and odd rupees also. Lot of trades. That is not a mistake. It is genuinely taken. 900 and 600 and odd. 300 little less. Then it has come down to 61,200, 300 whatever it is.

So, this one is also attributed to something is wrong with the system. So we have been informing SEBI. I mean very transparently what happened and all that. And so what I wanted to say is this kind of things. I mean the other day you must have seen it on the TV channels. So, this kind of thing somebody will say no, no something is wrong with MCX. It is not wrong with MCX. It is wrong with you. You have not done a proper handling. So, these are the instances. Once in a while it happens. And I think there is still room for improving the latency also. Now the problem for us is it is a live system. So, if there are any changes have to be done. We have to do it on a Saturday, or Sunday. Not otherwise. And on a Saturday and Sunday although we know the issues what is to be fixed, we test them. But we cannot put all of them on one day and then release it. Because if there is a problem, we will not be able to figure out. So, we need so many Saturdays to bring the system to stability. That is why we are you know maybe stability is taking more time than what is expected. But whenever there is a holiday, whenever there is a Saturday, Sunday. We don't lose that opportunity. We simply do the fixes.

**Analyst:** Let me step back a little bit here and try to understand like the TCS contract. Because you are still doing some changes to the system and all that. So, what happened? It took a long period to be implemented right? So, was it still not complete when we migrated to TCS?

**P.S. Reddy:** No....

**Analyst:** Like the glitches that you are talking about.

**P.S. Reddy:** Come again.

**Analyst:** Like the glitches that you are talking about that could have been fixed?

**P.S. Reddy:** No, no. These are all what you call new system we launched. There will be some teething troubles. Because all scenarios may not have been thought through when the system was put to mock. And unfortunately, some of the members did not participate also during the mock with as much volume they ought to have. And the highest volume in the mock they have done is about 2 lakh trades or something like that. What is 2 lakhs and what is the kind of volume that we are having it? They should have pumped at that time. It's a different matter. We have used a trade generator and then pumped it. But all of a sudden, the trade generator is with all its attributes is a one-unit system. But you are 10 of the members. If you have pumped in 10 times, I mean whatever is the volume, you take the response, and we will know what are the nuances and what

are the kind of differences that the system is behaving. But nobody did that. But anyway, it will happen in any system like this. So, there are some functionalities which you have kept post-go live. So that we will be releasing it one by one.

**Analyst:** But that's not hampering the day to day?

**P.S. Reddy:** Of course, it is not.

**Analyst:** And once the system is fully finalized or fine-tuned, the volume growth which we expect, there will not be any issue from the IT side in terms of handling those volumes?

**P.S. Reddy:** There should not be even now also. There is no problem for the system to handle it. So, the system is not coming in the way of handling the volumes. Our volumes are not being lost today even now as we speak because of this system. That's behind us.

**Analyst:** Even scaling the system will not be an issue?

**P.S. Reddy:** Not at all.

**Analyst:** Just on this point itself, because of this new system and all, I am sure you will be educating the members and all, but are there any things like from a user-friendliness perspective, there are any glitches in that part which needs to be kind of ironed out? You just spoke about the timing issues or the latency issues. But generally, from a user experience perspective in terms of some additional elements which are required which were not there before, are those things also kind of pretty much addressed over here?

**P.S. Reddy:** See, if you ask me, it is too late in the day for people to get educated on the new platform. We have given almost a six-month mock sessions, we have done. And everybody has been, I mean, education also is done and on-boarded, they use the system, installations have taken place. So, they know how each feature works or does not work or what are the limitations. So, it is nothing to do with those features, nothing to do with these features.

**Analyst:** The platform does give us operating leverage, but also, I am trying to understand whether in terms of volume or other functionalities, is it equipped enough to handle all those new products we could launch in the future? Or like let's say if there is a doubling of volumes, I am just hypothetically bringing up the question, like the system can handle that, like this latency issue should not be...

- P.S. Reddy:** Yes, it can. It is the other way. Latency is much, I mean, in the sense of latency is very low. So, it is 380 microseconds or something like that at 80 percentile of the order as against 540 or 80 in the old system. So, the orders go so much faster and then get the response so much faster. And that is from gateway to gateway. That is before I get it, before your order comes into our system and then when it goes out.
- Analyst:** Sir, on the topic of owning the software and launch of the new features that you mentioned, now is it being done by the MCX IT team or is it still being done by the TCS team?
- P.S. Reddy:** IPR is with the TCS.
- Analyst:** And source code also with them?
- P.S. Reddy:** Obviously, IPR is there. We have a license to use it. Okay. We have the license. License, you pay AMC, as long as you pay AMC, that license is there for you. Now, even the AMC charges are also fixed forever.
- Analyst:** Forever?
- P.S. Reddy:** Forever, okay. Not only for next 5 years, okay, but also afterwards also the growth rate has been fixed.
- Analyst:** So, is that public information? Have you disclosed what is that?
- P.S. Reddy:** No, we have said that?
- Praveen DG:** AMC number, we have not...
- P.S. Reddy:** But it is fixed. So, I will not land in the kind of trouble that I landed in.
- Analyst:** Exactly, that is what I am trying to understand actually.
- P.S. Reddy:** Come again?
- Analyst:** That is what I am trying to understand, what is the learning from the previous team. But in terms of...
- P.S. Reddy:** And also, if you want to develop a new platform, now that you have so much time, you can parallelly also develop one more platform. You don't need to, there is no restriction on the part of TCS.



**Analyst:** Can we buy? Do we have an option to buy their platform from TCS? From TCS, can we buy their platform? Is there an option?

**P.S. Reddy:** No, no. We have asked in the beginning itself.

**Analyst:** They said no.

**P.S. Reddy:** T7 is the proprietary of Deutsche Bourse. And so, they have not sold. License they are giving.

**Analyst:** But anybody can go and take that license. Yes, they can.

**Analyst:** Sir, there was a recent announcement two days ago, TCS got some approval or license to work with Australian Stock Exchange.

**P.S. Reddy:** Clearing and settlement system of Australian Stock Exchange. They got a contract.

**Analyst:** Is there similarity with ours?

**P.S. Reddy:** They have only sourcing for a clearing and settlement with the TCS Bancs. It is already their product. Okay.

**Analyst:** Recently, NSE launched multiple futures and options contracts. Like in commodities. I know we have a significant market share. In the past few years, we have actually gained the market share in commodities. I can clearly understand. What we have seen in the global markets is, commodities are usually part of broader commodities business, like part of equities, fixed income, and commodities would be just part of the entire exchange business.

That's what we have seen. What I am trying to understand is, from a customer perspective, from a trader's perspective, they can use the same margin they have with NSE or BSE, trade in commodities also. I am just trying to understand, these advantages are there, can it become a threat to us in terms of volumes?

**P.S. Reddy:** Okay. A -- the exchange volumes, I mean, margins have to be kept separately for each of the segments. Okay. But if there is an excess margin in one segment, you can transfer it to another segment. Maybe that is one selling point they were using to tell members. But simultaneously, we have also approached the SEBI, and then members also have insisted on what we call industry standards forum.

There they said, after 3.30 markets are shut, there is a lot of excess capital lying there, and they should be allowed to transfer it to the fungible. Transfer in the sense, it is only a lien gets created. If the broker says that, please give this margin to MCX, they should be able to say, I am marking lien in favor of MCX, then we will give the exposure based on that. So, that is as good as interoperability of the margins. So, we have asked them for that. I am sure that should be able to be facilitated.

Now, having said that, is there any turnover? These are the statistics that I have. Every day we get it. We are keeping a watch on it. WTI, yesterday, turnover in NSE was INR3 crores. This is futures. And open interest is 37 contracts. And NSE cash, futures natural gas, turnover is INR3.7 crores, and open interest is 87 contracts. Then options, NSE WTI crude, turnover was INR49 crores, premium to turnover is INR1 crore, and open interest is 124 contracts. And NSE options, and natural gas, zero. Nothing else. This is what the statistics.

**Analyst:**

Let us step back over here. I am understanding slightly the larger picture over here. We are talking about a lot of new products that are getting introduced. We also run the options market as well. And probably that helps us a lot in terms of increasing the participation in the market. Typically we are talking about the institutional business and we are probably breaking down the retail business as well.

When we look at institutions, there is a lot of opportunity that the Indian guys have to typically trade in the LME markets for maybe hedging purposes and all. A lot of them do it because they get the benefit of either the currency as well. When you look at that opportunity, how do you assess that part? To our understanding, what we believe is that even institutions are a large opportunity. How do you capture that? When we talk to a lot of Indian corporates, many of them do say that we do trade in MCX as well.

Or we do probably hedge in MCX. When it comes to making full use of the opportunity, how can MCX fit in over here? Because many of them always end up saying that there is a volume challenge and there is a volume level of -- how do we address those issues? If you could probably speak a little bit on that larger opportunity. Both- on the institutional side, the same on the retail side, if you could also make us understand the extent of options that you have put up, also newer contracts over there.

How do you get to do that? Because when I compare it with the global indices, we are at about 1% compared to probably what 10% happens globally in terms of commodity derivatives. I don't think there is anything wrong in terms of any data statistics, but this

is what we have understood. How do we increase that participation? If you could just speak a little bit more?

**P.S. Reddy:**

Sure. One thing is, I have been telling in the call also and then otherwise, with the occasions I have said, let's not have a tendency to compare equity versus commodities. Because that is an investment market. This is a risk management. Risk management means by and large, exposure to the underlying commodities is supposed to be making them. I mean risk management.

Now, having said this, the speculation is needed for any market. The liquidity is provided by them, whether it is retail or otherwise. And unfortunately, in this market, the lot sizes are equivalent to the delivery units as much as the delivery units. So, it happens to be a very big contract. The margin itself is substantially high. Like you take a crude oil, it's about 6 to 7 lakh contracts and about 2,50,000, 40%, so 2,50,000 is the margin.

So obviously, when only few can afford to come into this market, not everybody. Having said that, the issue that you have said is that liquidity is less or maybe you are not able to hedge the foreign exchange risk also. That's what institutional market.

So how will they be, I mean, what is there for them to come into this market? You are absolutely right. But at the same time, if you look at the spectrum of the consumers or producers of various commodities, you have small, medium, large, etcetera, etcetera. Not everybody has a foreign exchange exposure. So, some of them are only operating in India. For them, what matters is the rupee trade.

Now, they are also not able to hedge in the international market. I think our approach is to build the market from the bottom, pick up these smaller guys, MSMEs, and show them the way forward using the exchange platform and risk management. We go to these big ones. They say, no, we are doing it on LME. I mean, they give 101 reasons why they cannot do it on MCX. I know that. And we have been doing it.

And that is true even in equity markets when we approach them. I mean, this is my experience because I was in BSE also for almost 18 years. When we used to approach the big brokers or a big clients, boss, there is no liquidity. How can I do it? Liquidity doesn't come. I can't create liquidity. So, the best thing is to pick up the smaller ones, make them work.

For them, the liquidity is enough, adequate. So, like that, from the bottom up approach is adopted, the liquidity pool will keep on increasing. Then automatically the bigger players will come into the markets. That is the perfectly approach we are adopting here. We want MSMEs to come and start taking the exposure here. And that's happening. Thanks to gold, in the case of RBI or whatever it is. And whatever exposure that we have, almost 75% of the open interest is by the domestic hedgers. Now, that's a great number.

Now, we have seen that kind of participation in other contracts also. But having said this, the mindset and the mentality also has to change. What is risk management? What is hedging? It is not making profit on the commodity exchange. It is just, if you take a physical book or a financial book, there is no loss, no gain. If one loses, the other one gains, or vice versa. But they don't look at that, some of them. That narrow-mindedness - oh, we have lost on MCX, so we stop the trading on MCX. But the physical market has gained. The contra position they have to take, the open interest, the inventory that they have, or the order that they have. But instead of doing that, they say that, no, I have lost my, something. So that education is something which has become very fundamental here.

**Analyst:** Is there any market in terms of size you track over here, that these are the corporates who are there, who probably are in the MSME space, who are probably doing this, who probably want to do hedging, and what is the market you want to track?

**P.S. Reddy:** Of course, we have been, no, we have been going, no, we don't have that numbers, I said, but we have been engaging with the industry associations many a times. Some of the banks have got their customers, we are engaging with those customers, okay, where they extend their loans. And the listed universe also, we scan it, and in fact, listing agreements we have seen, as for the listing agreement, annual report they should say, whether they are hedging, not hedging, etcetera.

So, we pick up those, those companies also, write to them, engage them actively. And, yes, it's not a one-day effort. Maybe we should constantly at them, so that one fine morning they will decide to do it, then they will start doing it.

**Analyst:** Do we segregate the volume with, how much is institutional, how much is retail, do we do that way?

**P.S. Reddy:** How much by the hedged value chain participant, how much by the almost, how much is by the... Okay, that's something we can share. That's right.

**Analyst:** Alluding to the same point, I mean, like, getting the new products, you do talk about, steel TMT contracts, like, so that is going to be used by builders and other supply chain participants in the real estate and other infrastructure, that is my first question. And what kind of market you can see there?

And what other products, like cotton futures or options or like a, or any other materials which are in a huge market, like let's say, nickel, could be the...

**P.S. Reddy:** See, we have applied for the, what we call, aluminum alloy, that again, .... base many of the companies, the automobile industry uses aluminum alloy. So, that's one we have been waiting for approval. And that's also at a different level of discussion. And that is one part of it.

The second one is, of course, steel TMT bars. We should be able to launch at the earliest because their approval has come, but then because of this migration, I think we held it back, and I think when again we have written to SEBI, look, we would like to launch it. I think once that comes, we will go ahead. And the third is electricity derivatives is another one.

Again, it's a regulatory issue. Although I have been talking about electricity futures, I am not able to, we are not able to launch because of the regulatory, approvals have not come. I think this has to be decided by the CERC and SEBI together on this product. I think at this point in time, we are looking at this. There may be some more, but I think we are not as yet announced or informed you. We will get...

**Analyst:** But any market, I say, especially for steel TMT, because that is something we could launch in the next few months or what else. Who are the participants actually looking for this contract, your point of view?

**P.S. Reddy:** We have already engaged actively for this contract with the industry. As I said, the construction industry is one which is major. And there is a lot of participation from the consumer side. The other side is, the producer side is the mini steel plants, okay. Integrated steel plants are only a few. Whether we will be, they will be interested or not, we do not know.

But if they are able to join and then dispose of their metal, it's fine. But here again, we have seen some kind of resistance from some of the people who build a brand around their products and then command premiums. And that will be shaken up in that sense.

Because for me, whether you call it whatever by name, ABC or 123, as long as the material meets the quality, whatever specifications that we have given it, then it's okay. And the customer also is fine. And that is something which some of the big players may not be happy with.

**Analyst:** In crude and natural gas, if your premium comes down in futures, is there a direct correlation with options volume coming down though that will be insulated?

**P.S. Reddy:** See, premium depends on two, three factors. One is that, whether it is in the money or at the money or far away, given the volatility. But if volatility is also adding to this kind of thing, then even the far away contracts also may have a higher premium and will get attracted. So...

**Analyst:** And what about margin requirement in crude and natural gas in futures if that is reduced?

**P.S. Reddy:** If I reduce it, then again, we have to contribute to the SGF. That's what we have been facing this challenge. That's why there is some other level of the risk management, the regulatory dispensation is needed. As I said, the stress test results is what determines the contribution. And that is where the issues are coming up. And in addition to these margins, there is also pre-expiry margins in cash settled contracts.

So, when the contract is about to enter an expiry period, that is four days, five days, then additional 5% is imposed. In addition to these high margins, I mean, it is double whammy. That's what the problem is. That's why the contracts are not doing well in terms of futures.

**Analyst:** And in options, what led to almost 80% of your options is right now driven by crude. The rest is largely natural gas. As per that...

**P.S. Reddy:** What are these natural gas...

**Analyst:** Options?

**P.S. Reddy:** Crude oil.

**Analyst:** Crude is the major and then whatever is the balance, the last part of that is natural gas?

**P.S. Reddy:** Natural gas, yes. Some of them are now it is seen in the -- gold is picking up.

**Analyst:** Correct. So, initially, why the other products did not fire for you and now it is doing well?

**P.S. Reddy:** See, one is that there is a push factor in the case of crude and natural gas because of the high margins in the underlying futures. And maybe having got used to dabbling in those options contracts, well, maybe they are trying their hand in the other gold and other contracts.

That's why the volumes are picking up. But I don't see there is so much of a, so much of a high margin in other contracts, in other futures. Gold, we have 2% extra.

**Analyst:** Just on the same point, I am not sure if you are able to kind of capture that or not, but typically when you see option participation increasing significantly and like you said, if you are basically trying to push it because it is a far lower margin compared to probably the underlying or the futures. Are you able to kind of track that newer people entering into this play as well, newer customers or probably members seeing more amount of...

**P.S. Reddy:** .... the new investors.

Because what I am asking that is, when you see in terms of equity participation, I know they are not comparable. We do see that whenever we saw the same thing happen in BSE as well. When the options were introduced, we saw a sudden surge over there. Similarly, in case of NSE also when it happened, we saw a sudden surge as soon as options were open. So, just trying to understand over here that, what will be the percentage of newer guys coming in it? Is there any way to kind of track that?

**P.S. Reddy:** We do track, but that is not the...

**Praveen DG:** We do track it but what we have given in the report only like compared to the last year like FY '21-'22, the number for options was 1.72 lakh. That increased to 4.03 lakhs in FY '22-'23. That itself you can be able to guess that I think most of them should be new participants who have started participating.

**Analyst:** But at the same time, your futures would have also come down?

- Praveen DG:** Overall, I am telling if you look at even together like futures and options, that number also I will give it to you. FY '21-'22, it was 4.7 lakhs compared to 6.21 lakhs in FY '22-'23. So, that is significant increase. Primarily, it was contributed by options, but definitely I can say that many of them happen with the new participants...
- Analyst:** But how many are only futures?
- Praveen DG:** Only, we have that one also. It was around 3.89 lakhs futures.
- Analyst:** Okay. And the rest?
- Praveen DG:** 3.6 lakhs. This is the annual average.
- Analyst:** Okay.
- Analyst:** So, do you track the new accounts opened in the last few years? How exactly because there is intermediary broker also within the end user and yourself?
- P.S. Reddy:** This is all by UCC based. This is a PAN based.
- Analyst:** Okay, PAN based. Unique PAN based.
- P.S. Reddy:** It is a unique PAN. It is a PAN based.
- Analyst:** So, on the related thing actually, sir, you mentioned somewhere in the beginning actually that about 75% to 80% is for hedging purpose, this kind of contracts?
- P.S. Reddy:** It is in there, in the gold.
- Analyst:** Only in the gold. But for others, it is less?
- P.S. Reddy:** It is less. Others it is less. And we have seen good amount of participation, hedgers in crude palm oil. But then unfortunately it is banned. Okay. Good amount of participation.
- Analyst:** But bulk of the contract is actually in the oil segment, crude segment. So, are those more speculative in nature?
- P.S. Reddy:** In terms of degree, yes, maybe more. I would not say speculative. Where is the could be financial players also. That is a calendar spread, is what they take advantage. If there is a difference between the two, then they step in and then take advantage. But yes, there is a speculation element also.



**Analyst:** You also mentioned a number of large players do want to trade on the bigger exchanges like others. Is there any arbitrage opportunity available and do people do some arbitrage between two exchanges?

**P.S. Reddy:** I am not too sure about those people doing arbitrage opportunity, whether they do it or not. Because it is not easy and there is a currency also involved in it. So, they have to hedge currency as well as, the underlying price when they come to India. But within the exchange also there are arbitrage opportunities. As I said, calendar spread arbitrage opportunities are there. Similarly, the spot and the futures, there also they get arbitrage opportunity.

We have seen sometimes the MCX metal contracts are offering a better rate than the spot. Then people, I mean some of these big players, they simply dump the material on the exchange platform. They just sell it.

**Analyst:** I am just trying to think of ways and means like how the volume can increase. So, apart from the example that you already gave, are there other ways or other products that you are looking at to increase in volume?

**P.S. Reddy:** No, products we are looking at, as I told you, I have already explained the products that we are looking at it. But some of the players, big algo players who were earlier not playing, they are waiting for the migration to complete so that they can dovetail the system with the new platform. So, they will also start trading on the exchange platform.

**Analyst:** You say algo players or you are referring to international players?

**P.S. Reddy:** Yes, they all are international. They have domestic offices; they are already participating in equity. So, just they held back participation in this.

**Analyst:** What kind of fund size it would be like demand?

**P.S. Reddy:** They are algo players or proprietary basically. They are big internationally across the world they participate. For example, Citadel. They are there on NSE, BSE. And they have become recently our members. So, we expect them to participate.

**Analyst:** Just on the point of when you said that increase volumes in the market, if you look at it today, a lot of the volumes are driven by options because options are introduced. Obviously, we are pushing more now. That's the paradigm to make that more increasing retail participation. Because the point of when you said that you are probably trying to

help the smaller corporates, the smaller MSMEs and all that, they would ideally do future contracts. That's the paradigm to make. But for them also, the value or the margin seems to be too high for them.

**P.S. Reddy:** So, margin seems to be too high for them.

**Analyst:** So, you are saying that even the smaller MSMEs would prefer the option route rather than going through the future?

**P.S. Reddy:** See, as long as their purpose is served, how does it matter whether they do it.

**Analyst:** I just want to understand that because they are relatively larger, I understand the margin part is there. But I am presuming that in future, your liquidity would be better as compared to options based on stand?

**P.S. Reddy:** I understand. But even if they participate in options, if they have to take delivery or give delivery at the end of the option because they tender it devolves into the underlying, maybe the cost can be saved by holding it only for five days in futures but the rest of the period in options. In options, the margin requirements are less. The moment it is devolved into futures, the margin requirement increases. Then, as a -- that margin requirement, they have to give it only for four days, five days.

**Analyst:** So, the last part of the growth project you talked about, the volume project you talked about, you see only options improving. Would you say that it is retail participation plus MSME participation as well?

**P.S. Reddy:** The options are primarily in this, what you call, in crude and...

**Analyst:** In crude, exactly.

**P.S. Reddy:** So, there, I do not say that they are the major dominator. But in other contracts is what we are promoting or what we are trying to deepen the market.

**Analyst:** Which you are referring to the mini contracts.

**P.S. Reddy:** And mini contracts in the smaller players coming in and taking deliveries, etcetera.

**Analyst:** The discount brokers and new age brokers have started enabling commodity derivatives for users in their platform. So, is there any like a new like push from our side to increase the retail participation side, like either with the new age platforms or like ...?

- P.S. Reddy:** They are already offering. In fact, if you see the number of investors registered as almost INR1.5 crores.
- Analyst:** Okay.
- P.S. Reddy:** On the exchange front. But that is not the material thing. Only when they become active, then it matters.
- Analyst:** I understand that, but I am trying to understand if we are having any conscious support to increase that kind of participation?
- P.S. Reddy:** That's what I am saying it. There -- whomever they are onboarding in equities, so by the same stroke they are onboarding them on the exchange also. But it is up to them to engage a focused team within the brokerages. So, that is another dimension that we have been pursuing with the members. They must dedicate team to engage -- with their clients to trade on, to trade in the sense, give them the guidance how to trade on commodities as well.
- Analyst:** As you mentioned, open interest in gold is actually really good. A lot of participation is there, like in actual hedging. A lot of participation is there in actual hedging. What kind of participants are actually doing the hedging? What are the supply chain participants that to be come and do that?
- P.S. Reddy:** All big jewellery participants, big jewelers are participating. And in addition to that, the refiners have already admitted four, five refiners, domestic refiners to deliver gold on the exchange platform. Even they are participating in delivering gold on the exchange platform. Almost like a ton plus they have delivered on the exchange.
- Analyst:** So, there is a lot more to exploit on the opportunity there?
- P.S. Reddy:** There is an opportunity, no doubt. There is on the -- currently, we have how much? 15 metric tons of open interest in the gold as of now, as I am speaking. So, that's all 15 metric tons is not a small sum.
- Analyst:** Since we are running a little short on time, I have a few questions on financials. Firstly, on TCS contract. Now, post-December, once the payment or the penalty charges or the annual charges, sorry, for the 63 Moons goes off, how will our software support charges as a steady state quarter-on-quarter look like? Earlier, it used to be INR12, INR14, INR15 CR.

- P.S. Reddy:** See, there is no, what to call, revenue linked to that. But then, as we have said, you will also see from this quarter, current quarter, you will have two effects. One is the capitalization of the, whatever capital work in progress has been now, start depreciating in this quarter only. And then you will have INR124 CR by impact also will be there. But next quarter onwards, only you will have the depreciation impact, because for next one year, this is under warranty. So, there is no AMC. Then the next AMC will kick in from October onwards, next year October.
- Analyst:** So, will the software support charges line item like really come down in single digit then? Because there will be very nominal cost for you to run the platform for one year?
- P.S. Reddy:** Should be.
- Analyst:** And depreciation will go high?
- P.S. Reddy:** Will be high.
- Analyst:** How much will be the depreciation?
- P.S. Reddy:** As we have said already, maybe -- it may not much deviate from what we have currently in terms of, whatever we are paying to 63 Moons also. In that range only, both will be. Not only the depreciation plus this ...
- Analyst:** Yes, it will be similar to what?
- P.S. Reddy:** It will be similar to what we have been saying it. That's what it is. While volumes may go up, that thing is not impacted.
- Analyst:** And from a premium turnover perspective on options right now. So, premium as a percentage of turnover has been going down. We have seen that with cash exchanges also.
- P.S. Reddy:** It varies, because I was told that this month, and it is almost for 2.4% to the notional turnover...
- Praveen DG:** It's options for premium?
- P.S. Reddy:** And last month it is almost 1.8% or something like that. I was told. It's varying.
- Analyst:** Understood. So, we will have to keep on tracking every month-on-month. Anyway, we get it on a monthly basis so we can have that idea. But if I remove the cost that we are

paying to 63 Moons, on a normalized level, now the company is more or less making a INR100 crores of profit. That will sustain and continue plus the growth, whatever we will be seeing options going forward. Is it the right way?

**P.S. Reddy:** I don't know want to comment on it because it is not proper to speak on, give some kind of...

**Analyst:** No, not the guidance part. We are currently at an INR100 crores profit. That is true, right?

**P.S. Reddy:** See, if you remove the impact of the 63 Moons, then you will see how we have done. Or if you may -- if you have -- have you had the INR50 crores, INR60 crores as IT expense, then you can see how would have been the bottom line.

**Analyst:** Only the difference in that is understanding the tax implication. So, that is where I am a little bit confused. Because when's you are paying a little bit higher, we also saw tax, absolute tax amount and the tax rate also very volatile since last few quarters. So, once everything is removed, how will that look like? Then only I can get to a normalized PAT.

**P.S. Reddy:** You can answer anything on that?

**Naresh Bhuta:** So usually, if you will see, the tax is an effective tax rate...

**P.S. Reddy:** This is our deputy CFO, who joined recently.

**Naresh Bhuta:** So, it is an effective tax rate. So, the average tax rate will be the tax rate for the quarter, will be on par with the annual tax impact. So, that...

**P.S. Reddy:** It is over 24% or something.

**Naresh Bhuta:** Yes. 25.17% is there. So, that will be a tentative, maybe because of past current few ups and downs, because of deferred tax and provision for tax. Otherwise, total tax for the company will be 25.17

**Analyst:** 25.17.

**Analyst:** Just justification on this so, when you said that your new cost, which you will be paying will be software plus depreciation, will be equal to the software cost which you are paying earlier. And when you also said that there will be no AMC for the next one year -- next quarter, you will obviously get the impact of the 63 Moons.

- P.S. Reddy:** Not next quarter, this quarter.
- Analyst:** When I mean next quarter, sorry. My mistake. And then after that, you will not have any other cost of...
- P.S. Reddy:** Should not.
- Analyst:** And you will also not have any other cost for next three quarters of TCS as well, because...
- Analyst:** Sir, like how, in equities we see like index are options and futures actually make a big volume. Do we see like similar products, that could come up? Like is there any big traction what that?
- P.S. Reddy:** Index options is some... A new product that we can look at introducing. But first, we would like index futures themselves to be vibrant. We had METLDEX doing well. Almost all 200, in the course, ADT. Thanks to nickel debacle and that has gone now we are reconstructing. We will now launch a new contract after reconstruction. It is already done reconstruction.
- Now, METLDEX will have only four, four this one. And we also applied to SEBI for mini contracts of copper as well as nickel. So, if nickel mini also comes, that is also good enough for us. At least one contract will be there to deal with it. So, first index, the underlying being even for any of these options or any of the underlying being the features, that we need to bring up to certain reasonable degree. So, then only we would like to launch.
- Analyst:** We are looking for some regulatory enablement's for, like a big fund house to trade in commodities. What kind of regulatory enablement's have that has to happen to fund houses to enter? Like what kind of participant are not able to do?
- P.S. Reddy:** Are fund houses interested in trading in commodities? That is the big question. The reason why I am asking is, I am honest in telling you this. I have been breaking my head with so many fund houses, including with the association. And there seems to be very little interest in it except for two or three funds who are interested in doing it. They are anyway doing it. Nippon is one who does it. So, it is the Tata Mutual Fund. But rest seems to be okay. They are in their cozy shell. And they don't want to do anything about it.

- Analyst:** Sir, you already made one very important statement and that resonated with me. You mentioned that equity is for investment purpose. This is predominantly for the hedging purpose. So, we have taken steps to create this mindset among people that come to the equities for investment. Now, one has to go and then redefine oneself for hedging. So, that is a different segment altogether. I know why actually...
- P.S. Reddy:** I understand. But then you can launch ETFs also, no?
- Analyst:** Yes.
- P.S. Reddy:** But that is also not being done.
- Analyst:** So, we are actually planning something like multi-asset production sequence, right?
- P.S. Reddy:** Yes. That's right.
- Analyst:** So, in those multi-assets, there would be ETFs and there would be some elements also.
- P.S. Reddy:** We have written so many letters to SEBI telling them, look, you have given even 180 days they allowed for gold. But for other metals and other things, only 30 days you can hold the metal. Tell me, my contract itself takes a duration of 30 days. That means you buy it and then you dispose of it immediately. How can it happen? If there is a calendar aspect benefit, you want to take it. You buy it in this contract, hold it for the next two to three months, then you have to hold that metal in the warehouse for that many months. But then regulations do not permit. So, you will not look at that. Similarly, you have fixation for LBMA gold, but not any other gold. Now, that may be prescribed in the rules for whatever it is. But domestic gold is not permitted to be taken.
- Analyst:** Just one question, I mean, this is, I think, a very good asking. Equity participation, obviously, you see a lot of equity participation happening. But at the same point, regulators are being very strict as well. So, they are okay with equity participation driving, so they promote, but they are also strict. Same thing, you have probably kind of seen this over here. And I also want to ask, if you want to kind of check any particular market globally, where the adoption happened in terms of, let's say, taking the risk measure as an important measure for the country. Are there any particular exchanges which we can probably look at, with existing products?
- P.S. Reddy:** Well, you see, the number of equity exchanges that you find across the world are far many as against the commodity part of it. So, obviously, only few can become leaders

in these commodities. Now, you have China and you have LBMA and LME and then ICEX then CME. There's nobody else except.

**Analyst:** Chicago. Chicago is one of them.

**P.S. Reddy:** That's for Agri-commodities. Yes, that's right. Chicago Board of Trade. And so, what I wanted to say is there are not too many in this specializing. So, we can be really in the regional hub in this region. We can be a very good leader providing hedging for many of the countries in this region. I mean, Singapore is also not good. Even WTI is traded on two or three other exchanges also. But we are the largest. Nowhere else this kind of volume is there. Neither in Singapore nor in Moscow nor in Dubai. Is about WTI contract is seated there also. We are the largest. Now, NSE has also taken license.

**Analyst:** But for that, you have to offer the contract in dollar terms.

**P.S. Reddy:** Yes.

**Analyst:** To attract the regional partners, regional countries, you have to offer the contract in dollar terms?

**P.S. Reddy:** No, understand...

**Analyst:** Can we do that?

**P.S. Reddy:** No, we are not. We are not. The point I wanted to say is, we are allowing our people to go on and trade in dollars elsewhere. But then we don't allow others to come and trade in dollars in India.

**Analyst:** Just on this part, because you said gold was one part which at least...

**Analyst:** It's happened leasing and all those things sometimes it's happened to now, let's say even the largest of the players, I mean, we do hear about Titan also talking about we do hedge in MCX and all. What would their volumes have shifted over the last, let's say, I am not asking how much they hedge, we are just trying to understand if it was X, how much it has kind of become over a period of time. Because I think natural growth as well is happening?

**P.S. Reddy:** I mean, all of them are doing, I mean, those who are prudential financial management, they hedge maybe 95% to 100%.



- Analyst:** That is right. What I am asking is, in your exchange, when it started to today, how many people...
- P.S. Reddy:** I have not seen.
- Analyst:** You have not seen.
- P.S. Reddy:** I have not done the analysis of that.
- Analyst:** Sir, in the interest of time, my last question from me. There have been some key managerial exits in the recent past. Also, sir, your tenure is also up to next year.
- P.S. Reddy:** Who is the key managerial person?
- Analyst:** CTO, I guess?
- P.S. Reddy:** Who is the CTO? It's been happening anyway. Managing the project is a big challenge.
- Analyst:** That is also an important...
- P.S. Reddy:** For which reason they may have left. Why don't you see that?
- Analyst:** That is there. That is true.
- Analyst:** But from outside this perspective, what is the succession planning and what's the planning for that?
- P.S. Reddy:** Well, you see, as far as the SEBI is concerned, the rules are very clear. Five years. An MD in an exchange in an MII, can spend only 10 years' time. Whether you break it into three years, three years, three contracts, five years, two contracts, whichever way it is, maximum 10 years. I will be completing in the next May, five years. So, I think the process will be on. I am sure, look at, we have launched this process six months before. And the NRC sees of this matter. They are working on it.
- Analyst:** What is NRC?
- P.S. Reddy:** NRC, Nomination and Remuneration Committee of the Exchange. Because it is their role to fill the gap. That's what it is.
- Analyst:** So, you think five years you will be completing next year?
- P.S. Reddy:** In this company.

- Analyst:** You will be applying, means applying for an extension actually.
- P.S. Reddy:** There is nothing called extension. Actually, if I apply, then I will be, along with the others, I have to compete. And they decide and then send two, three names to SEBI. And then SEBI will pick up one and then give.
- Analyst:** Same like bank, what we see.
- P.S. Reddy:** Same like banks. Everywhere.
- Analyst:** That is all. Excellent. That is all from me, sir. Thank you very much. Thank you so much.
- P.S. Reddy:** Welcome. Thank you. Thanks to all of you.