

MCX/SEC/2263

August 11, 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:

<b>Sr. No</b>	<b>Investor/Analysts</b>	<b>Date</b>	<b>Time</b>	<b>Annexure</b>
1.	Tata AIA Life	August 04, 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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  
Meeting with  
Tata AIA Life  
August 04, 2023

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*Multi Commodity Exchange of India Limited  
August 04, 2023*



**MANAGEMENT:**      **MR. P.S. REDDY – MD & CEO**  
                                 **MR. SATYAJEET BOLAR – CFO**  
                                 **MR. DG PRAVEEN – CRIO**

**P. S. Reddy:** As I have explained in the earnings call also, as well as yesterday we have another call, I don't know whether that is in public domain or not?

**Participant:** Not yet, but recording got uploaded.

**P. S. Reddy:** So, it's a big disappointment for me that we couldn't do the migration as I have been emphatically telling and you know the whole eco system has been poised to do that and certain things acted as show stopper for us. So the one is the EOD and BOD not within the control time. Unlike equity is shut at 3.30 whole day is available for them to fix anything. For us market runs till 12 midnight and window available is may be for another 6 hours by 6 am have the system ready so that we will be able to start trading by 9 am. While it was happening on some days but on many days it didn't happen again because of certain processes getting delayed taking lot of time EOD and BOD processes. May be certain pre EOD processes build in the system and some of the checks were failing so obviously they fail and they step in and then fix them and then move forward, and so those things took lot of time. And other one is of course on few days may be 3-4 days, we had cancelled mock sessions or started very late in the evening 5'o clock or something like that. so that also dampened confidence level of some of the stake holders and obviously the auditor certification to that extent will not be forthcoming if they don't get that kind of resilience of the system. So these are the thing which had taken us aback and so obviously the board is also not comfortable going with this. And that is the reason we had to extend the contract. We again, I don't want to get into the specifications of that because it is not in the public domain, it's not proper. And so we had only a minimum two quarters given, take it or leave it again. so that is the reason why we have to do it. Now our desire is to, wind up as early as possible and we will inform the market participants when we will be starting a mock, should be definitely in this month only and then we will be going live. Since we have already done good number of mocks in the last so many months, like 30-35 and almost 380 - 390 members who all on a day-to-day basis, they have all participated tested the systems. So may be, we will give mocks this month, may be early September and then we should plan to roll out the systems subject to other compliances being in place. So that's the way we are looking at it.

**Participant:** So, Sir the problem of EOD and BOD, now since one month has passed in that exercise so how do we see it now?

**P. S. Reddy:** It is coming under control, EOD and BOD, we are getting the system, although we are not doing mock for the external world, internally every day the systems are up and running and we are starting by 6:30-7:00 we are getting systems.

**Participant:** So, isn't it dependent on when we have to run a mock and then the data that we get and then we run the EOD-BOD or we can do it on the live which is going on just parallel system to what we run?

- P. S. Reddy:** Mock is a separate system altogether; the mock system is nothing but the infrastructure the full-scale infrastructure that will be just converted into a trading system. So there we are using what is called as trade generator and we are pumping as many trades as currently we are having volumes, so there is no question of whether the system can take volumes and other things, so that is also being practiced at and parallelly done. So that is the way it is. We are pumping all that and those trades will be EOD-BOD done processed.
- Participant:** And do you require any enhancement from TCS or something internal?
- P. S. Reddy:** It is the job of the TCS, all those fine tunings those processes and why certain job steps are failing and fix those job steps.
- Participant:** Okay, can you quantify in the past one month, what is the improvement in the processing time we have seen in the EOD-BOD process?
- P. S. Reddy:** Like I said, nowadays we are getting the system by doing 6 to 7 most of the time, in most of the cases.
- Participant:** And the current 63 Moons system, by what time does the process get completed?
- P. S. Reddy:** Maybe by 5 O'clock or so we get it. By 6 is also good enough because trading starts at 9 O'clock. So it is not an issue for me. But the lesser the time, the system is ready in lesser the time, the more what is called free time available for us in the event of any problem that you encounter you can fix that.
- Participant:** So how much more optimizations would be envisaged before starting the mock sessions again?
- P. S. Reddy:** For the mock session there is no problem, we are testing internally some of the functionalities and some of the areas which are some of the regulatory compliances related also and once those are in place we will do that. As I said in the month of August itself we will be starting the mocks.
- Participant:** Sir, what are the related compliances that we are talking about that is not tested before?
- P. S. Reddy:** No, no, It is not that, it is not tested before, some of the reports and DWH reports and some of the penalties imposed for violations and other things, those are the ones which were earlier tested also. And see, the code, if you keep touching and tinkering with the code, then obviously it misbehaves, that's the problem. That's what the issue is.
- Participant:** How much time would be required to complete the regulatory audit process and data clearance from the SEBI?

- P. S. Reddy:** No, see, we need to carry out certain activities what you call sequentially that is another important thing. So once our internal regression is completed, regression testing is completed, then we will give it to the external mock, then we can simultaneously start our audits also.
- Participant:** But audits are subject to we starting mock?
- P. S. Reddy:** Not necessary because they can always do the background what you call, background preparations in terms of verifying, what are all the due diligence we have done and what are the processes we have done. In what is called the software lifecycle development of something that is there. So what are these one-two-three-four kind of things, whether you followed it or not, how many test cases you have done, where is the test results. All that they can verify it. So not necessary that they will not, means it will start only later. They can do this work, which we have already completed.
- Participant:** Is this done by the regulator, sir?
- P. S. Reddy:** No, we have to appoint an external auditor, who is CERT-IN certified and all that.
- Participant:** Where does the role of regulator comes in this whole tech transition, when does the auditor or regulator sort of monitors that?
- P. S. Reddy:** We have to submit the reports to the regulator after our board or SCT approval are taken. Look here is the report.
- Participant:** And given that there are delays in things, is there anything coming from regulator at the moment?
- P. S. Reddy:** So, as far as delay is concerned, regulator is very upset obviously on these things and the board is upset and so we have escalated these matters with the vendor at the highest level, all that is happening and yes we have to work together to make it happen that's the way it is at this point. Regulator is also very supportive of us to go live at the earliest.
- Participant:** Okay, for getting the regulatory clearance, we need to fill the positions of CTO and CRO beforehand or that was ..... thing.
- P. S. Reddy:** There is anyways CTO interviews are going on, already done and then shortlisting is done, all that is the process. But the point is even when we have taken an earlier sometime when we have taken the CTO and simultaneously taken a CDO also, so that it is a fallback for the CTO, both are technology guys only and so we have taken them as fallback to each other, we don't want to leave a wide hope there. So we are conscious of it that's how it has happen.
- Participant:** Is it a regulatory requirement that the positions needs to be filled before the transition happens?

- P. S. Reddy:** That is not a regulatory requirement but even if somebody is there, we have designated the current one as the interim CTO designate.
- Participant:** Moving to business, so currently, futures volumes have been declining and what we understand is that the current options contract are on futures. So the earlier understanding was that if the options value go up and since the options contracts gets devolved into futures that should also lead to improvement in futures volumes, so why is the mismatch currently. So we just want to understand.
- P. S. Reddy:** If you see that is the way the business framework should work and I am of that view only, continue to hold that view, but the margins happen to be very high in the underlying futures. And what is that majorly accounts for, it's the energy contracts and the gold, and gold we have 10%, we have a 2% initial margin. So 12% is the margin. So is in silver also, is that correct?
- Praveen DG:** Number precisely I may not confirm, but yes approx.
- P. S. Reddy:** But in the case of NG we have imposed, not NG, what Crude Oil we have imposed 10% initial margin almost 40% overall approx. margin. So these are all taking positions into underlying future contract expense. Probably if we reduce those margins, we should be able to build that also equally well, is my understanding.
- Participant:** Deciding the margin is in our hand or ...?
- P. S. Reddy:** It is in our hand. What the regulator decides is the minimum margin.
- Participant:** What could be the regulatory defined margins?
- P. S. Reddy:** There is something called as minimum margin, the second level is the VAR based margin. This two where minimum is minimum and then VAR based margin is day based on the price volatility that kicks in, it is system determined. The third one is additional margin. We impose additional margin because the SGF cover will increase if we don't have additional margin. So this is the problem that we have at this point in time facing, like I said. It is important for us to balance between this SGF v/s margin. If you have more SGF cover, probably less margin we can levy. We don't need to impose, less margin means, definitely not less than what the initial margin and the VAR margin that anyway, so you don't need to impose margin. And at this point in time, if we don't impose this 10% margin because the volumes are increasing in this NG products, so is in gold the open interest is basically important, we end up contributing from our balance sheet to SGF and we can't take that from SGF, that is the rule. So we have asked for a dynamic contribution point of view, which I earlier also mentioned on various calls, whenever there is a reduction in the requirement I should be able to take it back, whenever there is increase I should be able to contribute, because what I earn interest is x%, but if I earn in the for form of transaction fees more, probably that makes sense to us.

- Participant:** you requested the regulator to?
- P. S. Reddy:** Obviously, everybody has to, there is regulatory committee is there, within SEBI risk management committee they have to decide.
- Participant:** Do you see MCX contribution going up, in annual basis going forward because of options volume?
- P. S. Reddy:** If it has to go, it will go, that is the way it is. We have contributed some, we are yet to, this July month was very good, you must have seen our volumes and the open interest. So if it is required for us, then 25% we have to contribute. 75% MCX-CCL contributes, to meet the minimum required corpus and we already how much, 460-470 crores other than the penalties which is another 120-130 crores.
- Participant:** So coming back to the tech transition, the current code or the current software that TCS is building for us, is the understand correct that the code is not owned by us and it would be owned by TCS.
- P. S. Reddy:** That's right ! because T7 belongs to the Deutsche Bourse and Bancs belongs to TCS. But we will have a continuous perpetual license. So you keep paying the AMCs and then you go ahead and AMC charges is also upfront fixed. So you don't have any problem.
- Participant:** So this current agreement is for say 5 or 10 years, how does it work?
- P. S. Reddy:** The agreement signed is for 6 years. Then thereafter every two years you renew it, pay them, fees which are decided now. AMC fees that are decided now.
- Participant:** That AMC fees are not contingent to our vision that time. Say after six month.
- P. S. Reddy:** No, it is already embedded now.
- Participant:** But there is an option, hypothetical, that if TCS cannot continue after six years. Its just a hypothetical question.
- P. S. Reddy:** The way that it is what it is, that we keep paying it, then you can continue to use it. You may not take their services, only for patching a code, you need to take the services, otherwise not required. You can take the feed out using the APIs which they have given several APIs and then you build your, whatever enhancement that you want to do it. But for me it is an institution in that sense, it is not a problem for me, the way we are facing.
- Participant:** Do other Exchanges own the source code or they have separate agreement with the vendor?
- P. S. Reddy:** Other exchange's means?



- Participant:** NSE.
- P. S. Reddy:** NSE, its own software. IEX bought at that time itself. At that time, our Board entered a 10-year contract and that's the whole problem.
- Participant:** So what is the advantage of current system versus owning the source code? Why do we go for the second option?
- P. S. Reddy:** Of course, we have asked for it. TCS, NASDAQ, whosoever bided at that time, Everybody said, I am sorry, I will not give you source code.
- Participant:** The licensed agreement is for 6 years and ...?
- P. S. Reddy:** No, Not licensed.
- Participant:** It's AMC, so Licensed validity is for?
- P. S. Reddy:** Keep paying the AMC fees, whatever that has been fixed, then it will keep on going.
- Participant:** And what is the license component?
- P. S. Reddy:** That we can't disclose it because total cost itself is not disclosed it.
- Participant:** Is it dependent on volume or something?
- P. S. Reddy:** It is not dependent on transaction or anything, it is just fixed, that is it.
- Participant:** Sometime back NSE has done analysis on Equity derivatives market and they quoted that 10% of the investors lose money, in commodity segment have we done any analysis of such kind?
- P. S. Reddy:** We must keep in mind what are the barriers to entry into the commodity derivatives markets, First and foremost thing is the entry barrier is the value of the contract itself as against Rs. 1000-2000 whatever it is, the small contract value that are there in equity market. In this market, if you take gold option, how much, 50 lakh for 1 kg contract value.
- P. S. Reddy:** On that you pay the margin, some of this one, so the guy who is buying it they will pay the premium, premium happen to be 2%, 1.5% or something, that itself is not a small amount. Okay, and if they pay premium then it is gone kind of thing. But many would like to write the option, writer of the option has to pay full margin amount. That is 12%. Take crude oil, again writer has to pay 40%. So the entry barriers are high, so not everybody will come, that point no.1. That is what 6.5 lakhs, 2 lakhs is what is unique traded against few crores, that is point no.1. Point no.2, the penetration is not as much as it is there in the other one. And our honest desire is, you should bring in more and more hedgers to come to the platform whether it is MSME or Processors of

the value chain participants, is more we are looking at it. One dimension you must look at for the growth of the market, security of the market is open interest. If you see the option interest is increasing consistently that means they are staying put. Who will take open interest, either they are financial hedgers or financial players or somebody actually who have a stake in the physical market. So these are the players, so it has been increasing consistently. So that is something which makes us feel that we are on a firm footing, and without open interest you may have a huge turnover, but then they are fly by night kind of investors and I don't see that kind of activity.

**Participant:** Currently FII volumes have strong surge in the last few months, so just wanted to understand, what is the motive of an FII doing a commodity derivatives transaction? Is there an arbitrage between NYMEX and MCX?

**P. S. Reddy:** Well, there are two aspects of it. One is that, near month and far month there will be arbitrage opportunity, so they can put the money, take the benefit of it. So that is one reason why they can come. The second thing is, if at all they are doing any arbitrage, that they can do it, and the books can be made fungible. And they are not allowed in delivery based contracts as yet. But if they are allowed in delivery based contracts also probably those contracts will also, will deepen in terms of the participation. And those contracts, in delivery based contracts, where the price determination happens in India because they are delivery based contracts, it's not elsewhere. Whereas in the case of energy contracts, it is based on the CME, WTI prices, but not in the case of gold, gold is the domestic demand-supply and import/export whatever that is happening is determining it. So they have an interest in it.

**Participant:** And is the participation getting widened, with the FIIs volume, because it is disclosed that participation is less than 10, over the past few months.

**P. S. Reddy:** Registrations are increasing, and one ask that they have and which we have not at addressed as yet, is the DMA, the Direct Market Access. I think we will take some time, let us handle tech transition. Once it is done, everything is behind us, as there is no looking back, we will do all this.

**Participant:** You also mentioned that, target entry is the large value trade, so there is no option that we can reduce the value of trade as and when we can, post tech transition.

**P. S. Reddy:** No, see, usually, again it is also the desire, I don't know whether there is any written rule or anything, but the desire of the regulator is also and so are we. We don't want a small players to come and then lose money. So there must be somebody who is in the range of Rs. 3 to 5 lakh of contract is what we are. So some of the mini contracts that we have introduced are in this range. And the second reason why some of the contracts are very big is, the trading lot and delivery unit should be identical, that's another business rule. So for example, cotton, we have earlier used to be at 25 units bales as trading unit and 100 bales as the delivery unit. So 100 bales for a truck is ok for those who wants to take the delivery, but for a trading purposes it is a smaller

unit. But because of these the contract size has become 100 bales and it is almost of Rs. 30 lakhs, 10% margin on it.

- Participant:** As a market deepens further, do we intend to launch weekly contracts as well.
- P. S. Reddy:** In fact to deepen the market, we would like to launch it and so that's the way it is. So it will take some time as I said that, let the tech transition be over, that is the foremost on my mind.
- Participant:** Is there any regulatory requirement to launch the weekly contract based on certain volume?
- P. S. Reddy:** For the new contracts you don't need to, but you must, even weekly option have to be on underlying futures only. So maybe you will have concurrently 4 options contracts, monthly option. We issue one month before, but then each week one-one contract will devolve into the underlying futures contract.
- Participant:** Why is that the options contract structured in this way, that they are written on futures contract or could be directly on spot price?
- P. S. Reddy:** Options on goods is also available but that was not successful. On expiry of options if there is an open interest that should result in delivery of the goods. So BSE, NSE tried that in gold and it didn't happen much. But we have been consistently following this, that's why it is.
- Participant:** And within the options segment, crude oil contract has done well, what is the reason for it?
- P. S. Reddy:** For any contract to be vibrant, volatility is the key driver and you see energy contracts are more volatile than any other contracts. If volatility comes, they used to be in 2021-2022, silver was volatile. You found lot of silver trades happening.
- Participant:** Within energy as well, natural gas has been very volatile, but we haven't seen that much pick up of volumes as compared to crude oil.
- P. S. Reddy:** I can't map one to one like that because crude oil has been there for a long time and maybe the understanding of the crude oil contract is much deeper.
- Praveen DG:** Globally crude oil is much popular as compared to natural gas., there is no comparison. That is why India also is very much looked into the crude oil price.
- P. S. Reddy:** But again if you see the natural gas pricing, there is a huge divergence in terms of domestic natural gas v/s international, whatever we are trading. Whereas if you look at crude oil, although it is WTI, somebody brent, somebody Dubai crude all that, they generally follow some trend, which is if things are going up, everything is also going up, it is going down. But it doesn't happen in the case of natural gas.

- Participant:** So this Rs. 40 & 50 pricing is in our hand, if we can reduce the price to increase the volume in the market or you think?
- P. S. Reddy:** We have not seen that kind of price elasticity? If you keep experimenting, once you reduce it will be challenge to increase it. So we have to do very careful about that and I am wary of that kind of experiment. We have seen what others are charging in equity market. That's how we have arrived at Rs. 50 and Rs. 40. We have not kept too many slabs also and that is it.
- Participant:** You don't have to go to regulator for asking to reduce or increase the price?
- P. S. Reddy:** It is not required, board has to approve.
- Participant:** Currently, we see there is a surge in option volume post evening hours. Just wanted to understand is it arbitrage that people are playing between NYMEX and MCX?
- P. S. Reddy:** obviously, those markets are open in the evening. That's why the people have a greater visibility as to what is happening in those market.
- Praveen DG:** Generally also, evening hours are more active as it is aligned with global market. That is a very reason or essence of having the evening hours for trading in commodity.
- Participant:** Do you have any estimate on how much our earnings will be from arbitrage fees?
- P. S. Reddy:** We will not know.
- Participant:** Coming to Revenue side, ....., what are the total members that have participated?
- P. S. Reddy:** Registered are about 500 odd members, but there is no, many of them are inactive. So usually on the day-to-day basis 360 – 370 are participating.
- Participant:** And all of them have participated in the mock conducted.
- P. S. Reddy:** Yes, that we have ensured and we will see to it that they participate in the coming mocks too.
- Participant:** Was there any constructive feedback we received from participating members, that wanted to incorporate in the current system?
- P. S. Reddy:** See, there are, the problem is, sometimes, I am used to a particular way of working, watching particular screen, they would like to have the same screen, nothing more. But this is slightly different and some of them have given a positive feedback also that certain things have come in this, which is good, it is very fast and some people want, TWS, and the TWS (Trader Work Station) should have as many features as others have it but NSE has discontinued Trader Work Station. I am sorry, there are vendors who take TWS whichever way you want to customize it

and take it and using the API's. So we are giving the API's also. So many vendors are there who are using that, many brokers are using, connecting themselves through using API's. But trader work station is what should say when the initial markets were to be developed and the eco system require to be developed, so exchange itself started offering TWS. And as the vendors have come into this field and other things then exchanges have to move out and ask competition to grow and give variety to the user. Exchange cannot keep on servicing that. So anyway because it is a legacy system some people are using this particular TWS also, we have given it and we will see going forward what we should do.

- Participant:** So, Members of MCX will also be members of NSE?
- P. S. Reddy:** There are many.
- Participant:** Overlap would be many?
- P. S. Reddy:** I mean many big brokers have got either in the same name or commodity brokerage name, they are.
- Participant:** Now, NSE is also started commodity segment, so how do we ....?
- Management** They have started and they have an identical energy contract also. Identical because they signed up with CME and their volumes are also in the public domain and so they are only of course what you call, they don't have an option, they only futures because for option you need a minimum average turnover of 1000 crores over a period of one year, so that has not happened as yet, it will take time. But yes, it is.
- Participant:** So, for a mock test, user testing agency is TCS or we have empaneled independent software testing agency?
- P. S. Reddy:** They also have a testing team and then they deploy it. And we have our own testing team. Other than the internal and we have taken vendors, testers and we are testing it under our supervision.
- Participant:** Regulatory requires us to have, only independent auditor, not a testing agency.
- P. S. Reddy:** Not for testing agency, but they have issued a circular on testing framework, what all test and that kind of things. There is a testing framework circular that has to be complied with.
- Participant:** You mentioned in the con call that this time you probably you will transition before December, so first step is to start the mock and ...
- P. S. Reddy:** That is what I said, we should.

- Participant:** And then again one month is the minimum timeline for mock we conducted. During June also we conducted every day mock?
- P. S. Reddy:** We will conduct everyday but not necessarily one month. As I said we have already, there is no change for them as far as numbers are concerned. Their API structure have been given long time before, file format remain the same. You just have to download it and then test it in your back office. That is the only thing and which they have been doing it over the last many months. So we have not got any problems or information on that, I mean from Member brokers.
- Participant:** Anything other than EOD-BOD issues that you faced, that is prolonging.
- P. S. Reddy:** As I said there are certain pre validation checks, okay, that some of them were failing. Those one's have to be physically corrected and then move forward. And data migration is one of course major issue and data migration also we have practiced so many times. Live data we take it and put it and then we put it in the new system, it should go into the respective pocket and then do the sanity check, verify whether you have 1000 clients and all 1000 clients are gone into the respective ..... or not. All that kind of thing.
- Participant:** Are we comfortable that data migration passes other validation checks.
- P. S. Reddy:** I think we have reasonable comfort on that part of it, we have seen so many times, and done that. So many mocks we have done it by taking a Friday live data, migrated in Saturday and then we have done mock test on Sunday just to make sure that everybody got their own this.
- Participant:** So finally can we say that there will be no requirement for another extension.
- P. S. Reddy:** Should not be. As I said that I myself was what you call disappointed for not going live but can't afford to delay any further on that.
- Participant:** Thank you, sir.
- Management** Thank you so much. All the best.