MCX/SEC/2376 May 08, 2024

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.	Group Investor Call hosted by HDFC Securities including following participants: 1. Mirae MF 2. HSBC MF 3. ICICI Pru MF 4. HDFC MF	April 30, 2024	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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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: 2024.05.08 23:06:10 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

Annexure - A

Multi Commodity Exchange of India Limited

Meeting with

Group Investor Call hosted by HDFC Securities

April 30, 2024

PRAVEEN DG: **MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MCX**
MR. CHANDRESH SHAH – CHIEF FINANCIAL OFFICER – MCX
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER – MCX (OUTGOING)
MR. PRAVEEN D G – CHIEF RISK OFFICER – MCX
MR. NARESH BHUTA -- DEPUTY CHIEF FINANCIAL OFFICER – MCX

P.S. Reddy: Good evening to all of you. I think we have today five mutual funds, HSBC, ICICI Pru, HDFC, SBI and Mirae. Welcome to all of you for this Analyst Meet. And since you know the company, you have been staying invested in this company for long, I do not think I need to introduce anything about the company. I think you can straight away fire questions, whatever you have. Yes, HSBC, please.

Analyst: Maybe if we can start off with the transition that is happening on the software side to TCS. Now, what are the things that are pending and where have we reached?

P.S. Reddy: See, by and large, the piece, what is needed for trading for day-to-day operations is in place. So, it is going on, you know, more or less smoothly. We do not find any issues. The only thing that we kept for post-go-live, which is a regulatory piece, is the negative pricing. And negative pricing, you know, it is a black swan event and once in a blue moon it may happen. But nonetheless, we would like to implement it, you know, as early as possible. Certain schedules or the guidelines have been, or the dates have been submitted to SEBI. We would like to strictly go by that. And that is what we are urging TCS also to complete this as even as committed to SEBI. This is one part of it.

The second part of it is some operational ease of doing business, you know, in terms of technology. That is what is being done. So those like, for example, auto INSC approval. That means, when institutional trades are done, the custodian may be giving 50 crores limit, 100 crores limit. So those trades need not go to the custodian every time for acceptance, etc.

So, if a limit is given, up to that limit, it should be automatically approved and beyond that maybe it has to go to him. So that is some functionality. It is almost all tested and everything is in place. We should be able to introduce it shortly. Similarly, the API-based allocation, de-allocation. So, these are all operational issues, you know, where brokers understand what is the utility of it. And so, they are all in the process of getting released. But did it stop us doing business? My answer is no.

So, this is one part of it. But all the same, a new system is a new system, and we have, you know, replaced the engine of an aircraft, while we are flying at 30,000 feet. Any more further experimentation that we want to do it, we have to thoroughly test it. Even if it is a new contract, on the same pattern as we have currently, still we would like to test it thoroughly. So that is what is happening.

Some of the contract approvals we have received, like cotton seed, wash oil and we have got sunflower wash oil again, the gold 10-gram contract monthly. These are all the things we want to do. Similar contracts are there in the system, yet we wanted to introduce it in our UAT system, and then test it thoroughly, including for load, and then do it.

And I must acknowledge and happily share with you, post-migration, our volumes have almost doubled. You all must have noticed it. And the system has taken it in its stride. And hardly any capacity utilization is, hardly anything, despite such doubling of volumes. So, in that sense, we are really in a good, safe zone. And there's no need to, you know, embark on any expansion or any kind of capacity.

But there are guidelines when we should trigger what you call expansion. It's supposed to be 1.5 times of the peak expected load, is what the regulations say. And so, they're all looking into it, our IT, all that, those kinds of regulations. But yes, we are at this point in time, in a very safe zone.

Analyst: So, in the month of November, you mentioned that latency is around 380 microseconds for 80% of the trade, and around 540 to 580 for all the trades. How has that number been now?

P.S. Reddy: See, once in a while it is getting disturbed. Okay. Especially when, you know, when -- we have increased, when the volumes are, there's what is called a microburst. So, in a split of a second, a huge spike comes, then some packets are missing -- data packets, and maybe even some data feed vendors also complain. So, we increased the bandwidth for this tick-by-ticks, this one, to 300 Mbps.

Now, so we didn't find that, those hosts have adopted for that kind of thing. And so, whenever that happens, then this one will increase. Similarly, we have noticed when some security tools were deployed in databases, we were told that, that is also increased because it keeps scanning for some, what you call, hash values or IOCs, whatever they call it in technical terms. Don't expect me to know. I'm using it like a parrot, but then the meanings of it, I do not know. But essentially it checks for those characteristics of a malware. So, for which they keep polling it. So that will again eat up the resources consumed, so some of these activities we're doing it. So, they're moderating it. They are, what you call, optimizing it.

So, I think it's there. We are currently there at that 90%ile. But if it is beyond 90%ile, there is some increase in the latency.

Analyst: So, what is top 80% rate latency now if we exclude the burst? Has it reduced or has it remained the same or has it increased?

P.S. Reddy: It is around 300 and odd, 350. It remained there by and large. Volume has increased, no?

Analyst: Correct, correct. That's the reason.

P.S. Reddy: That's right.

Analyst: And then secondly is...

P.S. Reddy: And it will further come down because some more investments we are doing it in the segregation of storages. We are doing it, that is expected to further reduce the latency.

Analyst: And the second question is, what we are doing now to make sure that a Feb 13-like event doesn't happen again, where there was a delay in opening of the exchange?

P.S. Reddy: That has happened for a variety of reasons. To begin with, it was – there were some operational manual error. Some process was run before some other process got ended. And so, it has its own consequent impact. Then we need to restore it, etc., etc. Having said this, we also learned that we were generating two types of files. One is the XML; other one is the CSV files. 99% of the members are using CSV files. But XML files take some more time. On that day, when that system generated, CSV files were generated almost all by 9.30 to 10. But the other ones took time. Then it's again with hindsight we are talking.

And then we've done a survey of it with all the member brokers. Oddly half a dozen or 10 people are using it. We told them, migrate it to CSV. And so that we are discontinuing it from 1st May. We already issued a circular. So, no XML files will be generated, only CSV. We already issued a circular to the member brokers.

So, what I wanted to say is, we wanted to reduce the time. Unlike equity exchanges, where they are shut by 3.30, we are there till 12 midnight. Again, you have to be ready up for 9 o'clock, so that is what the challenge is. And the window is very small.

Analyst: Just on the TCS charges also, one clarification. So, where we are on the charges side, do you see these charges now being the way they are now in the coming quarters as well? Or would there be any significant change?

P.S. Reddy: When it comes to charges, I don't know whether there's any separation that is given in the charge structure. But as we have said, for 6 years it is locked in. There's no problem about it.

Analyst: Not even inflation or…?

P.S. Reddy: No, no inflation. We have provided for an 'x' rate of a single digit percentage growth is what we have provided. And first year is free and there's a warranty period and then whatever has to kick in, that will kick in post-October.

Analyst: Okay, single digit growth rate. Growth?

P.S. Reddy: Okay. Isn't it? Yes, that's what inflation is.

Analyst: Sure. Okay. Also, sir, in connection to what you were asking, so last quarter we had a cost of say, 24 crores in cost of support charges. That comes to around 100 crores. But at the call we said it was to be in the range of around 60 crores including depreciation. So, was it, are we taking the cost higher? So, this is higher or are we seeing this to come down?

P.S. Reddy: See, currently we are using a lot of premium services. Okay. Which I also said in the call, the Red Hat, DB2, IBM that is, and Dell, Adobe because we want everybody to be around. When there's a problem, they will fix it. Now that stability issues are there still, but then that may come in the night. So, we want them to be here. Once those premium services are brought down to the standard services, costs will also go down. That's point number one.

Number two, some of these costs which you are saying, maybe some manpower costs are also we are hiring from external sources, vendors. So, it will come down, when I say that 60, it is not exactly the 60, the upper limit or anything like that. But yes, you should take it as, you know, 10%, 15% up or down kind of thing. But I want more than anything else, irrespective of what number we say, you must give maybe another two quarters for the cost structure to become stable. Then they can, thereafter you can look at what it will be.

Analyst: 60 crores number is after the first-year warranty expires?

P.S. Reddy: Again, I'm saying, don't go by the 60 number. You wait for the cost structure to be stable and then by that time, you know, the warranty period also will come to an end.

Analyst: Sir, one rather simplistic question. You mentioned that you allow for a single digit percentage increase in the business.

P.S. Reddy: Linked to CPI.

Analyst: Got it. So, sir, when you do your annual budgeting exercises, etc, when you build in a certain revenue growth or a certain business growth, what kind of thought process, you know, how should we think of growth in futures and options going ahead? What is your thought process when you do your own budgeting exercises for the year?

P.S. Reddy: Well, we can explain. The polynomial distribution is what is taken into consideration as a curve. He has prepared it and presented to the board. This is how we will grow in options. This is how we will grow in futures. This is the way that he has presented it. And the targets are high, steep for us, but that is for us to deliver and that's what it is. That's what we look at. But it's not a linear curve.

Analyst: It's based on some probability distribution.

P.S. Reddy: He doesn't want to disclose it, but I think it's not fair.

Analyst: No, I just want to know the thought process.

P.S. Reddy: It is well established in that sense.

Analyst: So, what about the new contracts that we could introduce on the gold and silver side, non-delivery based?

P.S. Reddy: Non-delivery means cash-settled contracts. But there is no cash-settled contracts in this.

Analyst: So, are we planning to introduce?

P.S. Reddy: We won't get any permission on non-delivery. Because these are all from day one, they are all delivery-based contracts. Why do you need cash-settled contracts if these contracts are doing well, is the question that they will ask. We will have no answer. So, you can expect in index products, some new products to be brought out, like currently we have a BULLDEX doing well, cash settled product on that we can look at options. But again, we will design it and then send it to SEBI, and then we'll take the approval.

Analyst: So, in the past one, two years where we've seen this kind of growth, can you talk about three, four initiatives from your side which would have helped? So, some would have definitely been in the market coming up, but what would have been your successful initiatives which have helped the volume grow?

P.S. Reddy: One is this, a lot of Algo players have joined this, you know, HFT and other things. The number is increasing. That is something which has substantially picked up. And yes, options contract is another one. While we have introduced it and then left it, but then subsequently we have given a lot of fillip to these option contracts. The other one is the mini contracts, which has also helped us to add more volume to this. And the retail participation has started increasing substantially. Earlier that was not there. Now it has gone up.

I think this year we had got almost 9 lakh and odd. UCC is actively traded, as against 6 lakh. So that's a big number, big jump. Well, having said this, I caution you and I temper your expectations vis-a-vis the equity exchanges, because we are not like you can enter into a market with a INR10 or a INR100 investment or INR1000 investment. The contract value itself is maybe INR3 lakhs, INR5 lakhs, INR10 lakhs, whatever it is. So, so much of investment is needed as an upfront margin. So, so many small investors will not come. That's where you have to be careful.

Analyst: Which is good in a way.

P.S. Reddy: I don't know good or not, but then if it is good for it, then it should be good for the other exchange also. Why is it not so?

Analyst: Any kind of concern that you have heard from the regulator's side in terms of this good increase in volumes? Have they sounded anything which they have?

P.S. Reddy: It's the other way. They have not expressed any concern or anything, so far. They expect us to make sure that the markets are clean, run, and adequate supervision, surveillance is there, and everybody is doing their bid and making, I mean, playing a fair play is being seen.

But having said that, the concern should be, if at all there should be, that why your markets are not growing as much as it has to be. That is the way it is. Because at this point in time, our market is not big. It's very small as compared to many international markets. And as compared to the size of the equity markets, it's very small. Now when I'm saying small, it's not the number of participants. It is the number of the physical market that is there in this country. How much of the physical market is integrated into the commodity markets? Hardly anything.

So that is what the area that we must focus on. That's something which we are not able to do it while we keep making attempts. And that is something which there is a lot of scope for. Physical market plays are not fully onto our platform. And there is a huge scope for it.

Analyst: Sir, on that backdrop, have we done any analysis ever as to what is the color of these traders in terms of, say, city-wise presence, Tier 1, Tier 2, Tier 3, or how many make profit, how many make loss? The way it was disclosed in equity some time back, some 90% apparently make.

P.S. Reddy: That is, SEBI has conducted some, or organized some study to be conducted.

Analyst: For commodities also?

P.S. Reddy: No, for equity markets that was. But that may hold good here as well. May hold good. But the point I am making is, see, it is the speculators who take your risk. It is the hedgers who hedge their risk. So, there is somebody who is needed to take that risk.

So, not that everybody will not make money. Now in the case of the commodities, the point we are making is, the hedgers think this is also a market which they can play using their physical resources. Or if they make loss here, they think it is really a loss without realizing that the physical book they have made profit.

Hedgers, obviously, one side they sell it, then the other side they buy, position will be there. It will have a countervailing effect, isn't it? So, net-net there is a zero loss, zero profit kind of thing. But they don't consider that. If they lose money here, they really think that they have lost money.

Analyst: Just to continue on hedging, we have seen a very sharp crash in currency derivatives market. Suppose that, how do you see that hedging for the commodity will shape up? Especially from foreign participants?

P.S. Reddy: I don't know when currency market, any foreign participants are there or why they are there. Okay. But we are introducing, we have introduced others, mini options, contracts. One of the intentions is to address the alternative avenues for the people who are participating in the currency markets. That is point number one.

Number two, that if currency markets have to function only purely for hedging purpose, I don't think anywhere in the world any market will work only purely for hedging purpose. Because both sides will not have the same requirement at the same time. So, obviously, the number of participants will be far and few in between. So, I mean, you need speculators, you need financers.

Analyst: Sir, when you think about new products, like you mentioned some of the agri products are in pipeline and one of the gold contracts is also in pipeline. What is the thought process behind introducing new products? How do you kind of prioritize and select which sort of new products?

P.S. Reddy: I'm sorry, I missed it. Something else was crossing my mind. Yes.

Analyst: No worries. What I'm saying is that when you introduce new products, what is the thought process behind selecting those new products and then prioritizing which products you want to introduce faster to the market?

P.S. Reddy: How do we select we look at both buy side and sell side. There should be adequate number of participants. If it is kind of oligopolist or monopolist kinds of thing then things will not work. So, both sides you need adequate. And whether there are imports, exports are there in this market -- in that product also we look at it.

So, we also look at the regions where it is grown or where it is consumed, et cetera, because that is where we need to set up the delivery centers. That's important for us. For example, here aluminium we made the Raipur as the main center. Earlier, we had Thane, we made Raipur because most of the industry factories are located in the Eastern region and later on it picked up like anything Raipur because whosoever wants to consume, they all go to that side and then bring it.

So, if you have Raipur as the delivery center it helped for many people who are in this industry. The other thing is we look at the volatility also whether there is any price controls or whether there is a free market is there, whether adequate volatility is there. If there is no volatility, then there will be no trading hardly any trading. So, these are the factors which I can think of. Anything you would like to add one or two additionally you can add.

Praveen DG: We look at the physical market and if at all there are any reference products that are traded globally.

P.S. Reddy: Yes, that’s important.

Praveen DG: More importantly, what kind of how much the spot market is there, spot prices are very important because whatever your prices are dependent on spot prices, as it is a derivative product. The more efficient the market we can able to get it. So, one is availability of the price, second is how volatile it is, because if at all it is not volatile there is no need of anything.

Analyst: So, what is currently top 5 or top 10 brokers share to your overall options volume?

P.S. Reddy: It’s about 55% or 60% was the order.

Praveen DG: There is no significant change.

P.S. Reddy: What is the number?

Praveen DG: Top 10 is 63%.

P.S. Reddy: 63

Analyst: This is in options only or total.

Praveen DG: This is total...

Analyst: Out of these, how many are high frequency?

Praveen DG: You can look at the algo numbers. It is 52%.

P.S. Reddy: Not 52% of 63, it is total.

Analyst: And sir, you mentioned that right now there is a huge disconnect between the physical and the exchange market. Wouldn't this also be a hindrance to, let's say, having a larger FPI participation in future, because that is something that has been talked about. But we don't know how liquidity or depth will be built for them to participate meaningfully.

P.S. Reddy: Look, currently FPIs are allowed only in cash-settled. So, it requires some more journey before they are allowed into the other products. Okay. Before FPIs are allowed, we want mutual funds to be allowed at least in the metals, which are non-perishable commodity. Even there it is not allowed because, allowed in the sense, the holding period is 30 days. In 30 days, how will anybody be able to trade?

And unlike in gold where they have increased it to 180 days. But it is worth 30 days. We have been representing it. And good that I am speaking to the industry only. We have also recently met the… CEOs of industry. We have given three, four letters to SEBI requesting them. These are the one, two, three things that we want the industry to pursue it. And it is not that MCX ask, it should be the industry's ask. But unfortunately, industry itself is not showing so much of interest. That is what we got it.

So, we have requested them to pursue that. We have given that. For example, you are supposed to hold only LBMA gold. Why LBMA? On the one hand, you say the, in India, good deliveries should be permitted. But the SEBI regulation of the circular says LBMA gold. So, obviously, when I'm giving delivery on the exchange platform, we can't guarantee that you will only get LBMA bar. You may get some other domestic bar also.

Analyst: Any exchange has been integrated to the broker how long with the separate?

P.S. Reddy: I didn't understand.

Analyst: Exchange has to participate with the trading.

P.S. Reddy: Exchange has to participate with the trading?

Analyst: It has to be live on a trading…

P.S. Reddy: But if any trading member has to be onboarded? It is just plug and play. You have CTCL vendors. You keep your system steady and then test it. You have a testing environment is available. You test it. MAT is the one, member, not admin… It's a testing bed. You test it. And then if you are okay, then next day you connect it. And before that, if you want to do small volumes, then you can use the internet, not even leased line. If leased line may take some time. Feasibility etc. has to be checked. Using the internet, you can trade.

Analyst: On premium to notional, basically, that trajectory is declining. And that is how it should be. As notional volume picks up, the premium to notional ratio should fall also. But in March month, it was like fairly steep… it at came at only 1.5% around. So that is expected to continue, or you expect there was some one-off in it or something. Because the notional volume has continued to go up. If we see April MTD also, it is fairly high.

P.S. Reddy: See, while historically what is happening elsewhere, that is what is to be replicated here. You're right. It's supposed to come down. But this capricious behaviour of this relationship, we have not as yet got a full handle on it, why it is behaving this way. But you're right. Even when the volumes were right, it was 2% also sometime, in one of the months…it has come down to 1.6%. So, we are still doing our own…

Analyst: I believe it's 1.8% now.

Management: No. April number is not out yet.

Analyst: Some understanding on how you projected revenue, that would be really helpful, sir, whatever exercise you did, if you can, whatever in your limited...?

P.S. Reddy: We will do it on a conservative basis only, we do that. Okay, so much I can say. What is that number or how do we project it, we will not be able to.

Analyst: Not the number exactly but follow up to his question on how to think about future option, what all parameters, probability, will be helpful.

P.S. Reddy: But as we have said in the past also, I think it's how much 1 is to 3 ratio or something we have given it, isn't it? If we have future equivalent, so they should go by that, because there is an underlying number. Okay, underlying number is 1.5 or 6.

Praveen DG: But what I'm saying to that ratio is there – your premium turnover depends like on volatility – and also what is the duration of that existing turnover, okay such happen to be very near to that – then automatically the ratio can come down, because automatically near, very near to the expiry and people also prefer to trade in out of the money – so automatically the ratio – but if you still have lot of days to expire – volatility also needed…

There are several factors ….to look at it – and it is very difficult to really get some idea as to what could be that ratio – if the volumes have grown more and more – slowly the numbers will come down. Because automatically overall the growth is extremely match with the amount of growth would have taken place that means – the overall pie is itself would have gone up – so ratio will slowly… That is a different – altogether it is a different game, because …

Analyst: This number will further come down …

Praveen DG: … Weekly definitely because of duration of the contract is going to be automatically…

Praveen DG: But that should be adequately compensated by the volume, otherwise you will have a problem.

Analyst: Sir, what are the contingent liabilities on your exchange, like yours?

P.S. Reddy: Contingent liability, the income tax, what you have been giving? But we have been giving also. Please explain what is that you...?

Satyajeet Bolar: We have a few cases basically which pertains to -- there was a special audit done by PWC, prior management, prior to 2011, which the income tax department in 2017 picked up for reassessment. That we challenged in the High Court and even in the Supreme Court, the department had gone, but we won at the Supreme Court. So over that, we have shown a contingent liability for 140 crores.

Analyst: Thank you. But my question, if we have won the case, wouldn't that be released?

Satyajeet Bolar: I mean, the department has gone and appealed.

P.S. Reddy: In the High Court, we won. Then they went to Supreme Court asking for a special audit once again. Supreme Court said nothing doing, it's enough of it. So, they have to now satisfy themselves with whatever data they have.

Satyajeet Bolar: No special audit, nothing.

Analyst: My question was a little different actually with respect to the operations. In case a fraud is detected, will there be any liability on the exchange, that's one? Or if there are outages actually beyond the reasonable limit, are there liabilities arising out of these circumstances?

P.S. Reddy: We have -- yes, do you have anything…? We don't have any such instance where we have to do a contingent liability at this point in time. And there is no fraud detected so far… there is no fraud. Let me be clarified. And you have an insurance cover for cyber-attacks etc.

Satyajeet Bolar: So, we have adequate insurance policy.

Analyst: For outages also? Let's say there was one recent incident.

P.S. Reddy: You have?

Analyst: There are liabilities on account of those things also.

Satyajeet Bolar: It depends on whom the liability is on, isn't it? So, there is a carve-out from the DNO policy also. The CTO and all is covered under that. And the company is also covered under that. There is a carve-out from the DNO policy for that.

Analyst: So, I do not understand fully. So, is it unlimited?

Satyajeet Bolar: No, it won't be unlimited.

P.S. Reddy: But even that also is not unlimited. It won't be unlimited.

Analyst: Ideally, whenever there is an outage beyond a specific point of time, we get penalized by the regulator. This time we did not get any penalty from the regulator because of this. We were beyond 45 minutes.

P.S. Reddy: No, it's beyond 45 minutes. But then here, our submission is that trading is not started at all. Okay. If your trading is started, there will be an open interest created and then people will have they could not exit, all that kind of thing. Whatever open interest is there, that is the previous day's open interest anyway. So much is the risk is anyway you have taken. If there is a holiday also, you will take the risk. But there is no, you know, intraday risk that has been, anybody has been exposed to… trading is not started.

Analyst: With that exercise which you mentioned that was done for the board where you projected volumes, etc. Just your thought process in understanding the underlying parameters which will lead to the growth.

P.S. Reddy: I don't know whether I will be able to give you those numbers or those parameters. Because, again, I may, I will land in trouble with the regulators or somebody else, which I don't want to get into it as a listed company. But I think you are all good at doing that modelling. So, I think you should be able to project it. In fact, if three of you do it and then publish it, probably we will be able to learn what is that best suited model.

Analyst: Another thing is the way regulators have been saying, not directly, but now there is a duopoly, the way equity derivatives have grown. Do you think there can be a duopoly if you continue to grow like this in options which you have? There will be you can say in a way, forced duopoly from the other commodity exchange also?

P.S. Reddy: Where is duopoly? I just want to know.

Analyst: No, right now, you have the highest market share.

P.S. Reddy: That is monopoly, at this point.

Analyst: I am talking about referencing it to equity derivatives. Equity derivatives, now it has started from an exchange which was 0% to now 17% market sharing…

P.S. Reddy: My view is that is also monopoly because what is traded on NSE is not traded on BSE. Nifty is nifty and Sensex is Sensex. So, from that point of view, it is a monopolistic situation they are in. But ACC is traded at both the places, ACC is traded, then that is duopoly in that sense.

Analyst: In terms of operating leverage, I wanted to understand, if our volumes grow, what is the kind of employee expenses or other expenses, growth that we can expect?

P.S. Reddy: As I said, you give us two more quarters, I am sure all this will be settled. As I said, there will be some excess, you may have taken some consultants, for a specific cost. The job is done, you have been given a one-month contract, a one quarter contract, contract is over, now it is done. So, you will not see that.

Analyst: So, that is settling part. I am asking more about after it settles, what kind of growth is needed to maintain the, if there are incremental volumes, say X, do we need to increase?

P.S. Reddy: My personal view is, over the last five years, the manpower cost did not go up because the volumes are increasing. There is no need. Maybe the regulatory front, the requirements may be increasing it.

You need to have a greater supervision of the member brokers or whatever that is happening in the marketplace, you need to regulate. Or on the cyber security point of view, additional requirements may come. For which reason, we have invested a good amount of money in the last two years on cyber security. Several measures have been taken. So, we need to see that, that kind of expenses may come, but not otherwise.

Maybe at the consolidated level, you should not find an SGF can be an issue at all. Why I am saying is, if a contribution is gone to SGF, interest will continue to earn in SGF and SGF is something which is helpful for the, for this growth of the business. Why? Because the margins are kept very high, because the SGF fund is low.

If the more, more fund is, I mean, more is, money is put in SGF, then your margins can be brought down. And we did that. Recently, we have removed 7% additional margin in crude oil and in, in, in natural gas and maybe 1.5% or 2% in gold, silver. We brought it down, no? Silver, silver. Brought it down, silver. So, as a result of it, the open interest increases, then SGF requirement increases. In fact, we would like to contribute more and more to SGF, okay, so that these volumes will increase, while money is not lost anywhere, because, say, we have also come out with another regulation. Whenever the SGF requirement goes down, you can withdraw also from SGF, okay?

So, in a, in a sense, it is, you can take it back, okay? So, we have never resorted to it, that's a different matter. So, you can reduce the margins and then increase the, earn extra revenue. Even if the, increase in, even if the volumes go up, to the extent that the margin is reduced, so that without brokers putting additional margin, only the same margin is put in the same business, okay, whatever it is doing, you will see good amount of growth.

Analyst: Sir, there is a…

P.S. Reddy: That was, that was earlier, but it is about six months or so, there is a circular also, SEBI. Yes. Done? Anything else? Tell me….

Why are you anxious to have interoperability? That may harm, harm exchange interest, you know? It happened in the case of BSE, NSE. Why I am saying is, what we are asking for at this point in time, and that is almost all we ask, unanimous ask of the member brokers also, is that as far as collateral is concerned, you don't give me collateral. If something is lying with NSE, be that so, but at the end of 3:30, if member says that so much lien be imposed in favor of, kept for, for MCX or CCL, then so much they will communicate to the MCXCCL, then we will allot that, use it here, member brokers will use it. Then, again, next day morning, whatever is left out or there is some unutilized amount, again give it back to them. So, that itself is good enough interoperability, though, more than enough.

We will be able to utilize optimally the resources without taking, you know, keeping one set of money here, another set there, third set in somewhere else. That is good enough. That is what my expectation and, and the, it improves the efficiency of capital that is deployed in the capital market. So, the brokers are all for it.

Analyst: Just one question is, practically, under what scenario will MCX think to change the pricing of the contracts, both in futures and options?

P.S. Reddy: Under what scenarios you would like us to change it? See, the regulator always expects us to be making profits, not profiteering. That is what the way they say. So, if you are really under stress, you can understand. So, frequent changes are not expected... If we introduce one more slab to increase volumes, a lower slab, maybe that may be encouraged, but definitely not increased in the... So, keeping that in view, we have discussed it in our member advisory committee meeting, the tariff structure also, and where the members are part of that. So, a small group will be constituted, and who will actually discuss the tariff structure.

And we did place before them, do not expect lowering it. We will not raise it. But it is important to keep in mind that we need to expand, we need to, what you call, we do not know when the co-lo requirement will come, and we do not know when the new projects like coal spot exchange will, you know, we have been thinking, we have been talking, but then nothing happened on this front, because we need to get regulatory permissions that have not been received.

So, all these things, they require more funds, probably we need to have it. And recently we have spent, okay, recently we spent money, I mean, on this new technology platform also. So, there is no room for reduction is what we have communicated. And so, they will look into it, the revised tariff structure.

P.S. Reddy: Great. Thank you. Thanks to all of you. Thank you. I enjoyed the interactions with you over the last many years…