

MCX/SEC/2320

November 30, 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.	Unifi Capital	November 22, 2023	04:00 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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

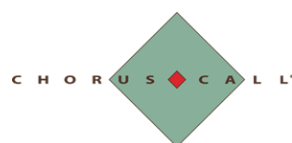
Manisha Thakur
Company Secretary

Encl: As above



Multi Commodity Exchange of India Limited
Meeting with
Unifi Capital facilitated by Share India Securities Ltd.
November 22, 2023

Disclaimer: This transcript is provided without express or implied warranties of any kind and should be read in conjunction with the accompanying materials published by the company. The information contained in the transcript is a textual representation of the company's event and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the event. The transcript has been edited wherever required for clarity, correctness of data or transcription error. This document may contain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "should" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.



**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**

Nagendra: ...And we have their Founder, Mr. Sharath Reddy and his team, and I will let Sharath's team talk more on what they do, but if I have to put it in simple terms, they are one of the largest PMS entities in India. As we speak, I think, you know, their AUM is close to INR21,000 or INR22,000 crores.

So, we have just started working with Mr. Sharath's team, and I personally know Mr. Sharath from 1995. So, we thought it would be a great opportunity if we try to have a discussion with you and understand what is the story behind MCX at this point of time and, you know, how these things will span out in the next couple of years. I think, you know, this is the context, but I will let Mr. Sharath and his team to take this discussion forward.

Thanks, Mr. Reddy, once again, for your time, really appreciate it. Yes, Mr. Sharath, all yours.

Sharath Reddy: Thank you, Nagendra. Good to meet you, Mr. Reddy. As Nagendra said, we are a portfolio manager, we have been in business since 2001. We manage mostly domestic capital. We have a small offer activity as well, and we have just received permission to work on mutual fund, I mean, principal option.

We invest in basically looking for growth businesses and today the highest growth seems to be happening in capital markets, the optimism in India has never been so high and we wanted to understand after having gone through the changes in your own journey over the last couple of years, MCX seems well positioned, and so we wanted to understand from you, how does the prospects for growth look organically, as well as from introduction of new products or segments, which can attract the large trading community that seems to be gaining scale in India?

P.S. Reddy: Okay, should I start, or you have anything else to ask...

Sharath Reddy: Could you kindly start, we may have one or two questions after.

P.S. Reddy: Sure...No, as you understand, the Indian commodity markets, in fact, do not have organized spot exchanges, maybe for electricity you have for some time, but otherwise we don't see organized spot exchanges, and without having that spot exchanges, which

is supposed to be the bedrock of these futures, we have built the derivatives markets, organized derivative markets.

Now, having done that, I think we find maybe a lot of spot markets are opaque, a lot of spot markets are, what you call, influenced, or controlled by few, be that consumer side or be that producer side, and maybe it's a natural monopoly, only few producers are there, although only few consumers are there, etcetera. So, I think, in this space, we have not as yet grown big, we have not as yet scratched the surface of the commodity markets in India.

That's what our perception is, and that's the reason why we are making a multi-product attempt to penetrate into this market and bring some kind of a sense of transparency into this market. When I say that a sense of transparency, because there are still lobbies which do not want the success of commodity markets, because they lose the opacity, and which they are thriving on.

Having said this, this market, at this point in time, we have the derivatives contracts, maybe about 11-12 products that we are dealing in.

The NCDEX has gotten most of the Agri-commodities, and we are not there, except for the cotton and mentha oil. And, but our primary market, our primary drivers, growth drivers are the crude, natural gas, bullion, that gold and silver, and the metal contracts, the five base metal contracts. And thanks to the problems that happened in the nickel contract, the nickel contract is almost all died. There is no trading, but we are trying to revive it, subject to some regulatory approvals.

And the second set of participation we are expecting, or rather the second ground rule that we want these markets to drive, is the participation of hedgers. Now, why I am saying hedgers, because we have not seen, many are treating the commodity markets not as the risk management tools. Unlike in equities, which is an investment market, commodity markets are primarily the risk management places, where hedgers will come in, and maybe speculators are needed to provide liquidity, but otherwise it is substantially for the hedgers to manage the risk.

And thanks to the RBI, which does not permit hedging of gold in international markets, and for other products, it is a by-choice, they have to come, if they want to come, and then trade. But otherwise, in the case of gold, it is happening in India, and a good amount of, maybe almost 75% of our open interest is hedged by the industry. And you name it, all, most of the top players are in it.

In other products also happening, but as I said, it is by choice. This is another dimension to this market. And one more thing I want to tell is, when I said it is a hedgers market, but not for any retail investors will come in, because the lot size, unlike in equities, you buy one share of reliance, one share of Infosys, but then if here you buy one lot, the one lot happens to be INR7 lakhs, INR10 lakhs, or in the case of copper, it may be as high as INR30 lakhs. And the margins, even if it is at least 10%, that is that many lakhs or thousand, it comes. Maybe in the case of copper, it is INR3 lakhs, and less. In the case of crude oil, it is 2.5 lakhs, although the contract size is around INR6 to INR7 lakhs of rupees. And why margins are high? This is a different reason; different historical movement of the prices and various stress-test scenarios are taken into consideration when we provide for the margins and SGF covers.

The third dimension which is equally important is that the regulatory enablement for some of the success of some of these contracts is equally needed. And what is that regulatory enablement means? For example, the GST is coming in the way of rapid growth of our market. When I said GST is coming in the way, it is not the percentage or anything. In fact, we have no problem about whether it is 10%, 15%, 18%, or 28%. We are not asking for that. But because we are spread pan India, our delivery centres are across India, and the buyers do not know where they get delivery. If somebody wants to participate on the exchange platform, they have to register at all the locations or in all the states where the GST is, where the delivery centres are located. So, this is causing a big concern for the participants, and that is where some of the people who want to take delivery, they shun the market. They say, I'm sorry, although I'm interested to take delivery on your market, but I'm not able to take it because I'm not too sure where I will get the delivery. And that is because it is a seller's choice market, where seller has an option to deliver wherever they want to deliver. So, if we make it buyer, then seller will not have an option. So, no metal will come, or no material will come. This is another dimension to this.

In the case of our only the NG and crude oil, we have a tie-up with WTI, that is CME. And the closing prices of WTI are used for settlement of these contracts. So, in that sense, there's no room for any kind of cash-settled contract being manipulated or any kind of room for doubting the genuineness of that. But in the case of other contracts, SEBI, thoughtfully and rightly so, has pegged it to the spot prices, so that when the contract is coming to closure or expiry, the spot prices as well as the future prices will converge. And accordingly, the markets remain pegged to the ground. So as a result, some of these, the lack of what you call transparency in the spot markets at times causes

concerns for us also. And maybe getting the spot prices from, spot polling prices from different physical market players is a challenge. And we are trying to overcome that by empanelling as the new spot polling players as we can to get maximum reach before we arrive at the spot prices.

I think I'll stop here. Probably you can ask me some more clarificatory questions or anything more that you want to know about it.

Sharath Reddy: For example, on the equity markets, the derivatives segment has settlements which are shorter. And that seems to be helping them grow, as we have seen in the BSE also recently. Is that possible in the derivative on commodities?

P.S. Reddy: Well, the people often cite that weekly settlements is one option to do that. I think in the case of weekly settlements, the contract cannot be weekly because the SECC regulations or act itself says that anything which is more than 11 days only can be a derivative contract, but anything less than that is a spot contract. So it can be that multiple monthly contracts expiring every week can lead to a weekly option expiry contract.

That means you launch from 7th of last month to 7th of next month or this month to next month, and 15th of this month to again expiring in the 15th of next month. Overlapping contracts are called serial contracts. You introduce them and that will lead to a weekly expiry, but the underlying remains the same. The underlying happens to be only one futures contract. So, which may expire at the end of the month. So that is how these weekly expiries -- but we have not approached SEBI as yet, but then this is under discussion and if something happens there, maybe we can try that. It may work for the good of the market.

Nagendra: Sir, this innovation and expiry, are you discussing across all commodities or is it only on cash settle commodities, sir?

P.S. Reddy: Well, this can only happen in cash settled contracts, but then even other, so we can try, but then to begin with, it is better to have a cash settled contract.

Nagendra: Cash settle contract. Perfect, sir. Thank you.

Sharath Reddy: That would mean only crude and natural gas, right?

P.S. Reddy: Crude and natural gas.

Sharath Reddy: Okay. Crude and natural gas. And, Mr. Reddy, the growth that we have seen in NSE and BSE, the community of new traders seems to be expanding quite significantly. Do you see the age and the maturity of, maybe, since I am an old man, I believe that youngsters are less mature, may or may not be the case. But one can't help but wonder if the rapid growth in the number of young traders poses a risk to themselves and to some extent to the system, given just the ratio of trades outstanding and positions outstanding to the underlying. And there doesn't seem to be anything to stop this from expanding even further. Do you see any challenges to this growth?

P.S. Reddy: There are two things or rather three things. One is that, well, we consider that youngsters are maybe more immature and as we grow older, we become mature. Maybe... that may be true. But nowadays youngsters are more tech savvy. So, to that extent that becomes a strength for them. And maybe that may give them a lead over our hair, which is turning grey. So, that may not be the case all the time.

And being that as it may be, the other part of it is the risk management system across the exchanges has been strengthened substantially. Now, yes, as far as the industry is concerned, as far as the trader is concerned, he may go bust, he or she. No doubt about it. That is not in our control. But as an exchange, are they bringing risk to the system? Probably we have much better secured than what it was, maybe a few years ago. That is something which I think I can acknowledge that. The third element is, even SEBI has put up a research paper saying that 90% of the investors are losing money in the derivatives, and but still, cigarette smoking is injurious, but still 90% still smoke or maybe 10% may drop out. So, it's like that. Although they are losing money, they still keep trying. Maybe sometimes they made money. That's the reason, why they keep retaining that hope of making money. But yes, you're right. It may not sustain in the long run.

Sharath Reddy: And in terms of other than crude, natural gas and bullion, do you see any other category or commodity emerging as a significant number three?

P.S. Reddy: We have the silver is another one which is trading very actively. And so is NG, Natural Gas. And I think those two products are also doing very well. They are picking up, rather galloping.

Sharath Reddy: In terms of any infrastructure requirements that are required for efficient settlement on the back-end, is there anything that you see as requirements which are under

development which will come and support this system efficiency? Or is the system already adequately provided for?

P.S. Reddy:

Well, if you ask me, in the name of efficiency, many activities which brokers does it, they are all pushed on to the exchange platform. So, now we are doubling up ourselves as the back-office members. Even if one client, even if the brokers trading system fails, then still investors can go to some other place and then square off. There is one IRR they have inaugurated yesterday or day before yesterday where investors can square off their position. And we have what we call a real time, what is, the margin that a client has deposited. So, many times allocation, deallocation is taking place. So, a lot of activity is taking place. Maybe it is overkill as far as the systems are concerned. But that is the way it is, at this point in time.

I don't think any more changes to the exchange systems are needed at this point in time. I think we should, even brokers also have to change. Every time when exchanges change the system, brokers also invest. And that is also causing a lot of concern. So, I think it should stabilize now.

Sharath Reddy:

Is there any statistics that MCX releases that establishes the share of business between hedgers and traders on the MCX?

P.S. Reddy:

I think it is there, what are the value chain participants are. We disclose it on the website.

Praveen DG:

Yes, we disclose it on a daily basis. What is the open interest, against the open interest, what kind of participants have taken the positions. So, that category-wise we publish it on a daily basis. But not on the volume side. It will be against the open interest.

Sharath Reddy:

Okay. In this context, is there any logical case for foreign hedgers to come and hedge in India? Or it will be only foreign HFT traders who come and trade in India?

P.S. Reddy:

The FPIs are allowed and there are some international brokerage houses who have taken membership on the exchange also. So, they have local offices like they are already members on NSE, BSE. And I am sure they have taken membership of us. And they were waiting to start --tech migration to complete. Now it is done. So, we expect them to trade on the exchange platform.

Nagendra:

Mr. Reddy, Nagendra here, just one question. So, first I think we should congratulate you and your team for the successful upgrade. I think it is a fabulous job and everything went seamless. At least everything is well if it ends well. And I think it has actually

ended well. Sir, my question is, will exchange at any point of time consider coming up with its own co-location infrastructure? Or is it anything linked with the regulatory framework?

P.S. Reddy: See, it is the regulatory framework which has to be enabled. And of course, we need lead time to enable it. And that has been the ask and then regulators considered. As and when they decide to permit co-location in commodities, they will give a lead time. So, then we will provide for where that co-location will be.

Nagendra: And sir, another point is with respect to on-boarding of FPIs, you rightly said that your team was waiting for the upgrade of systems to happen, which is now complete. And our understanding, I think, we will also stand corrected. So, both the categories of FPIs will be on-boarded, right? Because earlier it was only Category I FPIs that MCX was allowing and not Category II vis-a-vis the other exchanges where both categories of FPIs were on-boarded. Any thoughts on this, sir or, is that the stand?

P.S. Reddy: FPI II will be launched. And also, DMA facility also we will be giving them. It will be there in place.

Nagendra: Perfect. Thank you, sir.

Sharath Reddy: Nagendra, we have got a good understanding. Thank you very much, Mr. Reddy. Thank you very much.

P.S. Reddy: Thank you. Thank you, Mr. Sharath ji. And your colleague, what is his name?

Aejas: Sir, my name is Aejas. Thank you so much for your time. We look forward to future interactions. Thank you.

P.S. Reddy: Welcome, Mr. Aejas. Okay, Mr. Nagendra. Thank you so much.

Nagendra: Thank you so much. Kind of you, sir. Thank you, Mr. Praveen. Thank you all.