

MCX/SEC/2265

August 14, 2023

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

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

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

| Sr. No | Investor/Analysts | Date | Time | Annexure |
|---------------|--------------------------|-----------------|-------------|---------------------|
| 1. | Nippon India Mutual Fund | August 07, 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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
Nippon India Mutual Fund

August 7, 2023

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*Multi Commodity Exchange of India Limited
August 7, 2023*



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

Vrishit: Hi, good evening. First of all, thanks for taking your time. We have the entire team; Sailesh sir is on call. Sir.

PS Reddy: Good evening, Mr. Sailesh.

Sailesh: Hi, good evening. Thank you so much for your time and you know, obviously all of us have been through a fairly challenging journey, I am sure for you as well in the last few quarters and large events like you know, transitions like this are definitely not easy and challenging. We wanted to really get a sense on the comfort of your team and your processes, which are built around enabling this transition and what according to you, like you have mentioned on the call and all that by October you should be around to comfortable around that. But could you give us some granular understanding as to what are the things which are in your control which you are executing and we are very confident about by getting it done and are there some elements which are not totally in your control which you know which has been creating the problem in the last couple of times when you have attempted this. So, we just wanted to understand the technology piece behind this and get a sense from you. I thought I would start off with the most important question and I think this must be the thing which will be taking most of your time as well. So, happy to hear your response.

PS Reddy: Thank you, Mr. Sailesh. More than anybody else, I am the most disappointed for not being able to do the transition because I had been what you call, I have been positive about this transition happening and the last time I was there almost for 99.99% kind of thing. Yes, there were challenges, I know that, not that we are not aware of those challenges, but then we wanted to manage those challenges while trading is on but then certain things have not gone well with some of the stakeholders of the system like cancellation of some mocks on account of some technology issues, especially some databases crash for which it took time for us to restore. So, well we have the vendor support yet it took some time. So, that is that is one reason kind of thing. Secondly, we had to fine tune the EOD BOD processes, the window that is available for us is unlike equity market its just 6 hours. Yes, because our markets are open till 11:30-12 midnight and then again morning by 6:00 if you give it then obviously you will be there at 9:00 to start the trading. So, we couldn't do that number of days because the some of the batches were failing and they were fixing and then running it and then you know at the end it was going through, but then that is where the time is being consumed, so we could not obviously thought the trading by nine, but probably you could have started trading late if that was the choice that we were to make. So, these are the issues that had disturbed us, of course, some more functional issues were there. We were also saying that, Yes, we will see whether there is any work around and we can work with that. We are not in a mood to go for an extension. As I said again, such compliance was also in terms of audits etc. could not have been completed with a clean report in that sense. So, unless we get a clean report, obviously we will not be able to go forward. Yes, the kind of business tick sense is different from some few technology taking an approach to this kind of project. So, we couldn't move forward. So, now that we have more than a month into it, yes, many issues we have got control of it and that those are all got fixed now the EOD, BOD

reasonably good in the sense we have almost all able to do on most of the days by 6:30, 7, 7:30 maximum. So, the point I am making is that is this 7:30 is also good enough, no, we are still refining it. Some of the processes and some of the batch processing Wherever some are failing some of the checks are failing, they need to be found a permanent solution, TCS team is working on that. So, that the time lost in the EOD BOD will be reduced substantially, so that refinement is going on, although we have not declared mock to the members for participation but on a daily basis we are running the trading with full capacity. When I say full capacity, whatever is the current volumes that we have. We use a trade generator and then generate that much of trading volume so that you know system is withstanding the kind of load that is expected to. That includes variety of contracts and variety of instruments that we have. So, and again, even the mock system where we are running, it's nothing but the live trading system going to be till we go live we call it as mock trading system, but then once we go live then that itself it is the system so that the members need not find the data being inconsistent or the last minute we migrate data then they will find my UCC's are not there are some users are not there. So, in fact we have already done on maybe 4 or 5 occasions in the past also when we ran the mock session almost 30 plus but some of them sessions were with a almost all live data. Because we had Friday trading is done, then we copied that data OLTP they call it online trade processing data. That data we have migrated into the mock system because when we go live, actually that is what is going to happen the Friday evening or Thursday evening whatever is the time that the live position you have to transfer it to this new system and then start trading. So, we have given that members in the past. On Sundays we have started trading also and members were trading on Sunday so that they will also be able to verify whether all the online data has been properly transferred or not, whether all what you call the rights and whatever the privileges that are given to various users are properly populated or not and open interest is properly transferred to the respective client accounts etc. So, we will continue to do that. So, far we have done almost all 6-7 data migrations. We have created golden copies of that and we will continue to do that before we go live. We plan to do as many times as we can. While Saturday data may be while Friday data we may not be able to do it, may not be able to do it every time, at least somewhere in the middle of the week we can take that data and then this is as close as to the live data. We will give it to members for verification. So, we are working towards this one objective to go live at the earliest not withstanding the time that we have it, but we don't want to look at that time frame and it is important we store the confidence of all our stakeholders having what we call having not been able to achieve twice I would say.

Sailesh:

If feels all the controllables are now working in the sense if you had some challenges like you know selectively some vendor support problems like you mentioned or cancellation of mock, that is all behind us, those kinds of things are behind us. And there is good support and cooperation of all the vendors you require to make this happen.

PS Reddy:

There is no problem on that part of it. There is no problem. But obviously the most important vendor or a partner in this technology is TCS and they have to fix it when there are any problems online in a jiffy and that's the way at this point.

Rishit: Sir just one thing, right. When in terms of tech transitioning, is there a blessing or is there anything to do with 63Moons, so they could get involved and unless and until we get a go ahead, or unless and until you know some credible pieces they were to provide that is required in this transition or this is something that we can manage independently with TCS without 63Moons being entirely in the picture.

PS Reddy: Yes, it is an independent exercise. So, in that sense, data migration has been done for almost all 15-20 years of the old data into the data warehousing system and all that, without any involvement. We engaged an audit firm also to verify whether the data migrated is all in place or not and KPMG we engaged and they are verifying it so that we have done it successfully. So, it is between the MCX, TCS and the systems team. That's the way it is..

Rishit: Okay. Incrementally you talked about EOD BOD, is that sort of largely behind us now or that's still happening with some improved efficiency now? I mean so from here so as we speak right now, what are the issues that are still pending before you start pushing mocks to the member brokers?

PS Reddy: See the EOD-BOD as I said the batch failure happened, or some kind of what you call some updates not take place maybe so they have to be corrected and then move forward and yes, they are getting fixed. That is why we have put a tight scheduler and the scheduler runs it and we fix in sections, if something fails don't bypass that and then move forward. Make sure that is an important process that we have to run through, or it can be bypassed because it may not happen every day in situation certain activities happen only on certain days, so that kind of thing has to happen. That is the way that sections are, and similarly, certain processes need not be done sequentially and like some files generation can happen much, what are to be given to the members can be given much earlier than what they may have planned currently. So, they are being removed from the scheduler and then put as a separate process. I mean when I say loosely speaking scheduler what I mean is that can be run independent of the other EOD-BOD processes. So, that Members will have the files by 3:00 AM in the morning. So, some obligations have to come only after it has to be done sequentially, but trade and order files can go well soon after the closure of the market hours. So, like that, they have identified those things that are being done now and I think those that will further give some more time for us to you know, reduce the timeline. We would like to have complete these things as early as possible. So that, God forbid, if there is for any reason, one day we miss it, then we will have more time for us to fix it and then move forward. That's the way it is.

Rishit: So, essentially because these were the issues that were even at the end of the last month, right at the end of June, right now, we spent about a month already. I think it does not look like most of these issues were also there in the last month's itself as well, right. I mean, what has changed in this one month because all I am trying to understand is progress. Is there visible progress that we can see which gives us some guiding part towards September, October where we managed to get the transition or we still struggling in some form of shape.

- PS Reddy:** As I said today, as we are speaking, we are able to get the system by 6:30, 7:00 kind of thing. So, that was not the step here. We had about 9:00, 9:30. Sometimes to tell the members system is available from 11:00 onwards where we used to declare mock itself at 11:00, so that is not there.
- Rishit:** OK. So, that's one of the progress that we would have done in the past month.
- PS Reddy:** It is very important, very important for us, because for us to start the market at 9 o'clock that's very important.
- Rishit:** Okay, now incrementally from here on like you, I think you mentioned on the call that September, October could be one of the deadlines. Again, it is I think it is a non-committed deadline, but I am just trying to understand is there a view that this thing were to run the way they are that looks realistic or that still looks like a little bit of a fetch, believe you have not started mocks with member brokers as yet?
- PS Reddy:** No, I mean we are planning definitely this month only, the mocks for the member broker. We have not announced the date. But we will be announcing.
- Rishit:** And on September, October deadline, does that sort of sound realistic now or do you think?
- PS Reddy:** We should, as I said that last time itself we plan to go live then why not this time? That's the way it is.
- Rishit:** Let me just check if my colleague has a question on this one.
- Amar:** Good afternoon, Sir. Thank you. Thank you for this interaction. Am I audible?
- PS Reddy:** Hey, good afternoon, Mr Amar. You're audible.
- Amar:** Thank you, Sir. Thank you for some of these points that you have shared with us. Sir I have just one question and please pardon us for sort of asking this, but this was sort of a key point. Rishit and Sailesh briefly touched this, but I still wanted to get some clarity. For the transition to complete or successfully conclude do you need cooperation of 63Moons in any way for any part of it?
- PS Reddy:** The answer is No.
- Amar:** Thank you sir. Got it, Sir. Thank you.
- Rishit:** The other thing is on the transition right. For that, I think sir we have seen in the past two, at least one or two instances you had to you know your CTO's had to sort of leave because some of the other reasons, right. Is the new hire you talked about obviously that the new hire is done

and you are waiting is there a timeline and that is from a process perspective, is that timeline new CTO and when would the new CRO be sort of inducted into the organization? Is there a clarity on the timeline? Because I think that will be the key events from the transition perspective for us to monitor as well.

PS Reddy: Okay on the CTO. I must say that the board way back in maybe 2021 itself taken when we were hiring or 2022 maybe I don't remember but when we were hiring new one they said that you please hire two. So, that one will remain as a backup to the other. That is how the current interim CTO, who is acting as CTO, Mr. Rajendran, was hired also at that point in. So, the project should not suffer that is the whole spirit behind it. Similarly for the current session also all the interviews and short listing all that been done. We will soon close that also which is already done kind of. Technology Committee has also finalized. On the CRO, I think once the CRO joins then only we can announce to the market. Obviously, he/ she is currently working somewhere. So, we can't harm that's the way it is.

Rishit: Sir is there a timeline because the way I understand or the way we understand this is that look CTO would be critical from the tech perspective or CRO would be critical from an audit perspective, right in terms of checks and balances with respect to what SEBI requirements are, etc, right. So, for us those two important events which helps us track their induction into the organization and they will obviously take their own time to get things sorted out, right? So, is their timeline where they will get sort of inducted or if you are not looking to disclose the name, I am just trying to understand the timelines on when they will be with us.

PS Reddy: I think both of them will be requiring about a three months' time to give a notice and all that kind of thing. So, that is the way it is. I am sure we should be able to on board the CRO by then by October, not by October, by November should be able to and also say this current CRO is also there. It is not that they themselves were heads of departments for a long time in this organization. So, they are very much aware of compliance requirements etc, not that they are not aware of. So, Yes, I think that is the requirement which we have to fulfill. That is why we are fulfilling it.

Rishit: Because is there a risk there coming by November, you could just also end up I mean December is coming to close so is there a risk or you guys can manage it and this is not a concern?

PS Reddy: Managing it and. I don't see any risk out there for me. It is not a risk.

Rishit: Okay then maybe would it not be best to just elevate the existing guys to become CTOs and CROs when I mean they can take care of the transition themselves.

PS Reddy: well I know that attempt was made, but there are certain issues, so I cannot speak up now and that is why we couldn't do that.

Rishit: Okay. I think that is all I had on the tech. I will just check if anyone has anything on tech transition. Otherwise, we just have a couple of very basic questions from a business perspective and I think that is pretty much it. So, I will go in terms of the business now in terms of from a business perspective, right? I think there have been 2-3 orders where SEBI has said that look post Jan 2024 some contracts would not been allowed just if you could help us elaborate on what, what did they sort of indicate and is there any risk that you would see because of this?

PS Reddy: See the contracts that are required for, whatever contracts that are needed and which are active in the market, they have already been launched and they are already there and we should be able to implement it anyway much earlier and we should be able to launch other contracts also as we move forward, even if we launch them, they are all illiquid only you have seen that only first two contracts are active. So, there is no impending danger for me at this point in time.

Rishit: Okay the other thing on gold options, right, because that's I think one of the contracts that we were expected to launch after the tech transition, right, is that correct gold Mini. So, just on that from a view and this is just primarily your view on how you think about it? When I look at futures, obviously gold is like a 50-60% of the volume, right. How optimistic would you be on that particular contract from a growth volume perspective? Would you be equally optimistic as the way you see in crude options are picking up or is there a different angle to it that we should know from a business product perspective that you can highlight us.

PS Reddy: See in the case of crude, the options are much more actively traded than the underlying because the margins on the underlying are very high and almost all of 40% of the margins. So, that's a very, that is not a small sum. Although the contract size is not very big, in the case of crude, okay. Now when it comes to the gold, that's why in crude the options are very, very actively getting traded when it comes to the gold. At this point in time monthly options are not available. Options are on bimonthly, the underlying contract futures itself is also a bimonthly although the margins are about 12%, the contract value is almost 55 lakhs, one lot is 1 kg of gold so 55 lakhs or 60 lakhs whatever it is depending on the value. So, that is a pretty big and bi-monthly options means the premium will be to that extent tenure being longer, longer it will be expensive. So, my view is although the margins are not high because the contract value itself is very high, the options may pick up is my understanding monthly options may pick up.

Rishit: So, you know that make sense. So, then to that extent, I think this will be one of the kickers once the tech transition starts, I think there is a fair way to think of it. The other thing that I wanted to understand is of the index derivatives, right Index options possibility. Index derivatives from a future perspective have not picked up. Because that was one of the more promising contracts for us as well, right? Is there a reason why from a product perspective that has not picked up anything else that you can highlight what can change, or options is the key piece there and which ones you launch is where things can pick up from that perspective.

- PS Reddy:** Yes, currently we have only index Futures and we launched all the three and then they were doing well, thanks to the nickel contract debacle. So, the entire metal index has gone, almost 200 crores to 300 crores ADT we were clocking in that METLDEX and collectively, what you call BULLDEX is, what is doing again, about 40 to 50 crores maybe sometimes 70-80 crores of ADT seeing it. Yes, it is a disappointment for us also at this point we have not focused much on it. I think whenever there is a what you call a dampener that came in the form of nickel and other thing people have withdrawn from almost all those contracts. I think we will -relaunch these things once we, index is reconstructed. We have already done that METLDEX we were to remove nickel. We have done that has already been removed.
- Praveen DG:** Nickel has been already been removed and but more than that it is like we are awaiting for this transition to take place.
- PS Reddy:** Transition to take place then thereafter we will relaunch the contract.
- Praveen DG:** Index options also can be considered.
- PS Reddy:** But we need 1000 crores turnover. So, turnover that's not the requirement, Okay for index it is not. Okay. We can look at that at that time but let me migrate safely to a new technology platform then all these things will come to our mind and at this point in time, our focus is only this technology, technology, technology, nothing else.
- Rishit:** Yes I think that has been the case I think for a fairly long time. I know you have been struggling through that, I think, but hopefully we will get there sooner. Just couple of last questions. Premium to notional turnover in general, right that come down in the last I think two or three odd quarters, right? Can you just help us understand this? I mean, what sort of impacts this ratio because it obviously helps us swing revenues in a fair bit of pace, right? Can you just help us understand what typically impacts and I mean what is the key factor to sort of remember here?
- PS Reddy:** Yes, please go ahead.
- Praveen DG:** So, generally multiple factors impact this premium to turnover ratio. Okay. You can look at like if market is growing larger and larger, then you can expect that, liquidity also will spread over multiple strikes and even into the deeper into the deeper out of the money kind of contracts. So, you can see that as the markets go bigger and other thing somewhere it can stabilize. OK, initially because the contract stated could have been only limited to in the money and deep in the money some kind of contract. So, during that time, naturally you will be getting a better premium to turnover ratio. But as the markets progress, you can see that there could be but again it is too premature to come out or arrive at any given number as because the market just it started emerging the options just last 2-3 years, I think we have to wait and we have to see it.

- PS Reddy:** Currently I think it is about around 1.5% - 1.9% is the premium to the turnover. That's right and 1.9 it may keep going down also, but then as far as our market, our turnover is concerned, it cannot go down below Rs 40 per 1 lakh that's the way our tariff is. So, when we are not intended to create any more.
- Rishit:** Sir ideally 1.9 then in that case 1.96 should have been in the bottom know or you think?
- PS Reddy:** As he said, it all depends on where the volume is coming from. If it is out of the money option contracts then it will still go down. If it is in the money, it will be more. It's like that.
- Rishit:** Okay. The other thing is from just one last question from a product perspective, is it a thought on weekly options because that is something in equity and there is volumes for equities. Is there a thought on or something that you will have to wait after the tech transition and then you want to launch something in that category or you can't really do it for the product categories that we work with.
- PS Reddy:** Wait for the tech transition to happen thereafter only all these things will happen and our job is to protect the existing products and make sure that they grow and I think we will look at new ones as we go along, once this is behind us, but weekly options are a possibility, no doubt about it.
- Rishit:** Just one last question from a participation perspective typically, let's say what portion of the volume will be from the top 10 out of 20 members. Is there a number because what I am trying to understand is that how increasing participation is coming from retail because that's one of the sort of opportunities that we can play with, right, because for us, the participation is really small. UCC, like you mentioned, is really small. All right and let them grow multifold over the next 3 to 5 years, right? From a participation perspective, any data that you can share will be useful for us to ensure depth.
- PS Reddy:** Well, in terms of revenues, I do not think I will be able to contribute because when you look at the top 10 members, how much they are contributing to the turnover, I can say out of which some will be of retail brokers also, not all of them are algo players. So, top 10 accounts for about 60% of how much it is, 54-56.
- Praveen DG:** I don't have the right number right now, but that is what we have been telling earlier.
- PS Reddy:** How much?
- Praveeb DG:** Around 60.
- PS Reddy:** It is there in the public domain, also. So, top ten accounts for 63%.
- Rishit:** OK, 63% of the volume is it.

- PS Reddy And this is obviously some of them include your members who are catering to the retail investors.
- Rishit:** Perfect and in general, from a UCC perspective, at least the numbers seen a decent amount of uptick in the last year and year and half right it is essentially because retail participation has increased well and you think this is broadly as a trend that can continue and just your views on what are we doing incrementally so, right.
- PS Reddy:** So my expectation in this retail participation should continue and will continue. I think smaller contracts is key for their greater degree of participation after they introduce some of these mini contracts, some of them did come back but then it will take time for us to bring back all of them and there are, like your nickel and copper still there are no smaller contracts introduced. In fact Copper was doing well at that point in time so was the nickel and our request for smaller contracts in this is also pending with the regulator for their consideration.
- Rishit:** Okay, perfect. I think let me just check if any of my team members have a question, otherwise I am good. Perfect. Thank you so much for your time. I think that is all we had but absolutely, we hope. We hope this transition gets behind us and at least we get to focus on the business because I know there are couple of good things that you can do around the contracts that you have mentioned about, but all of the energy is sort of getting wasted in doing where we are spending right now. So, let us hope we get there soon, Yes. Thank you.
- PS Reddy:** Thank you.