MCX/SEC/2404 August 02, 2024

BSE Limited
Department of Corporate Services
PJ Towers, Dalal Street,
Mumbai - 400 001.

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the "Earnings Conference Call" with investor(s)/analyst(s) on Q1 FY-2025 results.

Dear Sir,

Please find enclosed herewith transcript of the "Earnings Conference Call" with investor(s)/analyst(s) held on Monday, July 29, 2024 at 16.00 p.m. (IST) on Q1 FY-2025 results.

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

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: 2024.08.02 18:38:02 +05'30'

Manisha Thakur
Company Secretary

Encl.: As above

"Multi Commodity Exchange of India Limited

Q1 FY'24-'25 Earnings Conference Call"

July 29, 2024

MANAGEMENT: MR. MANOJ JAIN - CHIEF OPERATING OFFICER
MR. CHANDRESH SHAH - CHIEF FINANCIAL OFFICER
MR. PRAVEEN D G - CHIEF RISK OFFICER
MR. RISHI NATHANY - CHIEF BUSINESS OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q1 FY'24-'25 Earnings Conference Call. Joining us on the call are Mr. Manoj Jain, Chief Operating Officer, MCX; Mr. Chandresh Shah, Chief Financial Officer, MCX; Mr. Praveen DG, Chief Risk Officer, MCX; and Mr. Rishi Nathany, Chief Business Officer, MCX.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Jain, Chief Operating Officer, MCX. Thank you, and over to you, sir.

Manoj Jain: Thank you, Dorwin. Good evening to all of you. Welcome to the Earnings and Analyst Call of Q1 FY'25 of MCX. I'm happy to state that MCX has concluded this quarter on a highly positive note. MCX consolidated income increased by 27% to INR253 crores from INR199 crores over the sequential quarter ended March 31, 2024, while the operating income increased by 29% to INR234 crores from INR181 crores in the sequential quarter Q4 of last year.

Similarly, we had a great show on the volumes front also. Our Average Daily Turnover, the ADT of commodities futures, increased by 48% during this quarter to INR25,985 crores from INR17,558 crores in the sequential quarter Q4 of last year. MCX is proud to state that it has consolidated its market share in commodity futures during Q1 FY '25, and it stands at approximately 98% by the quarter end.

On the other hand, exchange also witnessed a significant increase in the notional ADT of options during this quarter increasing by almost 29% to INR1.47 lakh crores from INR1.14 lakh crores in Q4 sequentially. During Q1, FY '25, the combined ADT turnover of futures and options together increased by approx 32%, reaching a combined total of INR1.73 lakh crores. Comparing to the turnover in the previous quarter, it is up by approximate 32%.

Another milestone, MCX clocked its highest single day turnover of INR3.77 lakh crores on 15th May 2024. The total traded clients in F&O on the Exchange also saw a significant growth. On a quarter-on-quarter basis, 6.4% increase the current total is around 5.67 lakhs as on Q1 ending. Last year, for Q1, the total clients traded were recorded at 3.9 lakhs, almost a 40% increase, if you see year-on-year.

During April 2024, the exchange issued notification permitting subject to applicable regulations, FPI's, falling under the category of individuals, family offices and corporate to participate in the eligible commodity derivative contracts and indices. Similar to expansion of product lines, the enhancement of participation in the commodity derivatives market will also help to deepen the market and boost its attractiveness as a venue for risk management for all its stakeholders.

To provide wider choice to investors in additional products for risk management to potential hedgers, MCX introduced two new options contract in April 2024. Crude Oil mini options, which has Crude Oil mini futures of 10-barrel as underlying and Natural Gas mini options, which has Natural Gas mini futures of 250 MMBtu as underlying. We hope the new contracts are able to meet the risk management needs of the small stakeholders in India's Energy sector, we're particularly vulnerable to the persistent high volatility in energy prices.

In May 2024 to its credit, MCX, along with its technology partner, TCS, were awarded 'Best Financial Market Technology Implementation of the Year award' at the Asian Banker Financial Technology Innovation Awards 2024 in Hong Kong. The award was in recognition for implementation of an integrated commodity derivatives market platform encompassing trading, risk management, clearing and settlement end-to-end.

Recent changes in regulatory guidelines and commodity derivatives are likely to support MCXs endeavour at achieving expansion and enhanced participation. SEBI has revised the minimum duration of staggered delivery period of commodity derivative contracts to three working days from five working days. We are hopeful to bring this change in near future for all our participants.

RBI in its latest biannual financial stability report, which was released on 27th June 2024, again highlighted, commodity price risk as one of the five high sources of risks out of total of 25 such risks. And this was amongst the only global risk that continues to remain high from the previous November '23 report on systemic risk survey, which was undertaken by the Central Bank.

This calls for a dedicated attention and action on risk management by all our stakeholders who are exposed to commodity price risks by actively hedging on commodity derivatives exchanges. In another development, SEBI, vide circular dated July 1, 2024, directed MIIs to redesign the existing charge structure such that it should be uniform and equal for all its members instead of a slab-wise structure, which was dependent on volume or activity of the members. The circular will be effective in October 2024 and Exchange would be coming out with further direction in this regard.

Coming to the recent union budget presentation. As we all know, there was a sharp reduction in customs duty on Gold, this led to a record turnover of INR71,524 crores in Gold 1 kg options on that day, 23rd July 2024. This stands testimony for stakeholder's confidence in the Exchange's robust mechanism for effective price risk management.

With this, I conclude the opening remarks and look forward to discussing more details during the Q&A session. Once again, I thank all the shareholders for their continuous support and faith in the exchange, and we are confident that together, we should continue to enhance our company's value. Thank you, and over to you Dorwin, for initiating the Q&A.

Moderator: The first question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: My first question was you mentioned that we are going with the, slab-wise structure is going away in October. So how are we planning to charge, I remember because the range is from -- in the futures from like INR160 to INR280 per crore. So, the larger members if we switch to the blended pricing, then the larger numbers still have higher pricing, and it will benefit the smaller ones. So how we are looking at it in terms of the pricing if you're going for a single pricing.

And also, in terms of the clearing corporation also, there was a regulation to pass on the benefits of the interest to the members. So, what portion of the Clearing Corporation is from the funds that we have to pass on the benefit to the members, if you can clarify that? And also based on the SEBI regulations, you're saying that they're talking about increasing the lot size. So, if you can provide some more color in terms of what proportion of the futures volumes come from, order sizes, which are less than INR10 lakhs, I'm saying that in the options…what proportion of the volume comes from like order size, if it is less than INR8 lakhs to INR10 lakhs.

Manoj Jain: Yes, Amit. Our CBO, Rishi would be taking up the queries and we'll support. So, I'll hand over to Rishi.

Rishi Nathany: Yes, Amit, Rishi Nathany here. To answer your first part of your question is that, right now, the slab is between INR175 and INR260, not INR160 and INR280 and SEBI has mandated that it should be true to label and uniform across the board. We are still studying this, and we will come out at the appropriate time with the charge structure. But what we feel is this equitable charge structure will be fair to all market participants. In terms of the revenue for the Clearing Corporation when passing on the interest, I think that's still under discussion. However, you asked a pertinent question as to what is the percentage of revenue? I would request if Chandresh, our CFO, has those numbers. In case he has them, he will share them with you.

Chandresh Shah: Hi Amit, see at this moment, we don't have the exact number because the income includes a lot of income accruing from own funds and other funds. Based on what clarification SEBI comes out with in the final paper or letter, we'll be able to compute the impact.

Manoj Jain: Just to supplement to Chandresh, at this stage, it will be speculative to come out with any numbers and its implications because regulatory contours and directives will vary unless we see the final outcome. It will depend on underlying processes and what really is to be shared or not shared. But yes, I mean, overall, it would be an important area to handle for both Exchange and Clearing Corporation, not only us, all Exchanges and Clearing Corporations.

Rishi Nathany: In regards, the third part of your question regarding the increasing lot sizes, et cetera. We are still -- it's still again under discussion, so we don't have any clarity, so we do not want to speculate on that. As and when things come out, we will definitely let you know, because we don't know what is the size which is prescribed and whether it is for futures or for index futures or for individual commodity futures or stock futures. So as and when the norms come, we will definitely let the market know.

Amit Chandra: And sir, in terms of the product pipeline… it has been pending, in terms the markets series contract and the index options contract launches. So, if you can provide some light in terms of what pipelines we are seeing, because in the last call it was mentioned that we are ready with the Crude like monthly series contract to be launched. So, any clarity on that.

Rishi Nathany: So, we have certain approvals in place, and we are in the process of testing and launching from time to time, we keep seeking approvals. As and when we get it, we'll definitely issue the circular and let the market know when we are ready to launch which product.

Manoj Jain: Yes. Again, Amit, just to supplement, this is the previous info. So, Cotton Candy we did mention in our last quarter's call also that we are going to amend the contract. So that has been amended and the new season contract of November has been launched with the new contract specs, where one very key change was reducing the trading and delivery unit from 100 to 25 bales. So that has been launched already. I think the Crude and NG, mini options, that also it is rightly made known in the media about the launch and both are successful contracts.

Two other contracts in agri which were discussed earlier, Cotton seed wash Oil futures and Crude Sunflower Oil futures, and third was Gold 10 gram, which we have been continuously discussing in the call. So, all these three are to be launched, and we reiterate that testing was the reason, system testing, why they were delayed slightly. We are hopeful that you will get to know about their launch very soon.

Amit Chandra: Okay. And just like one last question from my side. In terms of the costing, obviously, we have given the product license costs around, separately this time. But in terms of the IT costs that we have reported. So, I mean, last call, you mentioned that the first year of the launch of the platform, there are some charges which are like premium charges and that premium charges or like premium services like those premium services will go away after one year of launch. So, if you can quantify out of this, around INR23 crores which is IT cost and what proportion of that will be likely premium cost.

Manoj Jain: So, Amit, again, see, last quarter also, it was made clear that we may not be able to disclose such breakups of services. And see these are not permanent services.

Obviously, it was critical for us, post go-live to ensure a strong support to the IT system. So, it's not that we don't want these premium services, yes, as long as those are required, we will definitely continue. Our quantification of such things would be difficult to predict or present here.

Moderator: The next question comes from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal: Sir, first question is basically again on that interest income on cash collateral, although you said it's difficult to quantify at this point in time. Could you just help us? What would have been the average cash collateral for whole of FY '24?

Chandresh Shah: Devesh, we will get back to you on that. The treasury income is something which includes this amount. We'll come back to you with the detailed breakup. For FY '24, you want, right?

Devesh Agarwal: For FY '24, the margin money, which was in the form of cash with the clearing corporations, not the income.

Chandresh Shah: Okay.

Devesh Agarwal: Sure, sir. And secondly, sir, if we see our notes to accounts, on the cost side, you have said that there is a INR10 crores voluntary SGF contribution that we have made. Any reason why we are making voluntary contribution to SGF?

Manoj Jain: So, Devesh, SGF is a critical component in our Exchange and Clearing ecosystem because it strengthens the overall risk management process. And the stronger our SGF, definitely, it will give us a good cushion and headroom to manage our margins across all our products. So overall, I think that was the underlying idea that as our volumes are growing, our open interest across deliverable commodities is increasing, so definitely, we need to pad up the SGF to handle such contingencies in future because Clearing Corporation is contributing and overall MCX last year also, if you have been tracking, there were one-time contributions in two specific quarters. So, management decided to pad up the SGF since we feel that it needs to be strengthened looking at our growth statistics.

Devesh Agarwal: So just to get it right, sir, there was no regulatory requirement based on that core SGF formula. This is more done to cushion for your margin requirements in your projects.

Manoj Jain: So, see underlying -- Devesh, the underlying formula is always there. Those are at like to quantify the mandatory requirements. If there is a mandatory requirement and shortfall, then yes, Exchange and CCs would chip in and top it up. However, in this particular instance, even if there is no additional requirement, we'll be cushioning it up on a quarterly basis for the time being, that is the idea.

Devesh Agarwal: Understood. And should we expect, sir, some voluntary contribution going forward on a quarterly basis? Will it be a more regular phenomenon?

Manoj Jain: Yes. As of now, that is the plan. It would be a regular phenomenon.

Devesh Agarwal: So INR10 crores per quarter is a number to work with, sir?

Manoj Jain: Yes, that's the voluntary contribution as on date.

Devesh Agarwal: And sir, you have also provided for these regulatory fees because of that change from premium to notional INR4.5 crores in the quarter. Would we be contesting this, or this is the charge that we have taken now, so we will not be contesting this.

Manoj Jain: So, Devesh, as of now, I won't be able to give you any concrete answer on the contesting part. But yes, the provisions have been made, and the same was made public also by actual costs and the interest on top of that.

Devesh Agarwal: Right, sir. And sir, in terms of your new product pipeline, you have … contract and some of the other, Gold, Silver, index options. Any progress that you can share or any timelines by when are we looking to launch these products?

Manoj Jain: So, Devesh just to repeat, we are kind of looking forward to launch some of our existing accrued contracts, that is gold 10-gram futures, which will be a monthly cycle. And yes, the two agri contracts on Crude Sunflower and Cotton wash seed oil and Cotton Candy, we have already amended. The other, which is the monthly rolling, those are all future planned products, including the index option, I think that is what you have been asking. No immediate timeline available to provide on the launch of those contracts. And another one was Electricity Futures, which again has been a topic of continued discussion. We are hopeful to make progress on that. We are actively in touch with the Ministry and Regulators for progress on that. So that's the current status.

Devesh Agarwal: And sir, one last question from my side. We've been seeing that within the options segment, the premium ratios have been continuously declining, I think for the month of July, it has come down to almost 1.4%. So, could you just give us some reasons as to what is leading to this decline in the premium ratios?

Manoj Jain: So, Devesh, if you are tracking other Exchanges also, I think it is a well-known fact that as volumes creep up in options the ARR, the realization rate gradually falls. And I think MCX is also witnessing almost a similar phenomenon. I'll request Praveen to supplement this.

Praveen DG: Yes, Devesh. There are multiple factors that will influence your ratio-- what kind of ratio you get versus the premium to the turnover, notional turnover. Like generally, the volatility is one factor. But like what Manoj has said, if the volumes are going to be increased, one reason could be like the depth and the volumes is going to be increased in the far month or it could be in the deep out-of-the-money kind of contracts. So automatically, that can lead to some kind of reduction in the overall ratio.

It also depends on the tendency of the people, whether they will be trading when the contracts are very far to their expiry or near to their expiry. So, there are many multiple factors what is going to determine your particular ratio.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, can you give the transaction income breakup into futures and options, which you typically do every quarter?

Chandresh Shah: Sure. So, futures income is INR71 crores and options is INR127 crores.

Sanketh Godha: INR127 crores, okay. And sir, as you said in futures, the slab pricing INR175 to INR260 per crore. Can you tell the similar number for options? You know the average realization...?

Manoj Jain: No. Slab rate.

Chandresh Shah: The slab rate...

Praveen DG: Slab rate for options is INR40 to INR50, like INR40 per lakh of premium to INR50 per lakh of premium. It is in that range.

Sanketh Godha: This is per -- INR40 per premium.

Praveen DG: Per lakh of premium turnover.

Sanketh Godha: Per lakh of premium turnover. Perfect. Perfect. Just wondering if slab-based pricing, if you stop at the -- means if you can give an indication because your average realization is in futures is around INR207 per crore, which is somewhere between INR175, INR260. So, if you want to make it revenue-neutral, is it fair to assume that when a single price will be decided that will be closer to that our realization, or it could from a regulation point of view, it could be even below that number? I know you said that you are still discussing. But if you can give a broader color where it will stop, will be very useful.

Rishi Nathany: So Sanketh, the SEBI circular clearly mentions that to begin with it should be around what is being charged. So that should -- that speaks for itself.

Sanketh Godha: No, my worry was that whether it would be at the lower end of the slab rather than being somewhere in middle. So that's the reason I was asking.

Praveen DG: So, we won't be able to make a comment on that one right now. As per the circular, it is definitely, we have to look at what is the current realization, basis that we have to examine internally and accordingly, we'll take it up with our Board. And once it is decided, we will be announcing it to the market.

Sanketh Godha: Perfect, sir. And lastly, just one more thing. Your SGF cost, which is -- I mean as you said INR10 crores is voluntary. But if you can give me, means, if I do, as a percentage of your transaction cost, it comes to closer to 7 percentage, what you provided for SGF in the current quarter. Just, whether this number will grow as a percentage of variable or is INR10 crores what you said per quarter, because I believe that open interest will keep on increasing as exchange will grow, which means that your SGF contribution will also grow in line with the open interest, right? And therefore, is it safe assume that 7 percentage of your transaction income will be the SGF cost every quarter, which is in the current contract.

Rishi Nathany: So, Sanketh, there is nothing written in stone. The point being that as we envisage the business growth, as Manoj earlier also said, that the volume OI growth, as we envisage that we want to bolster our SGF and make sure that we don't have to make any ad hoc or sudden contributions to SGF. That is why we are trying to pre-plan and make sure as business grows, we stay up to speed.

Sanketh Godha: Got it. Okay, sir. Fine. And lastly, I think we have last year's numbers with us. The interest income earned on margin money last year, if I'm not wrong, it was somewhere between INR85 crores to INR86 crores. So that INR85 crores to INR86 crores, probably one will be naturally the upstreamed money, which was over and above collected by the brokers or members and second will be the natural margin money. So as per the regulation, what I understand is that the extra upstreamed money is what we need to return it back. I just wanted to -- if you can give the color of the INR85 crores, INR86 crores what you made last year, how much was largely because of the upstreamed money and the regular interest income that you would have earned on margin?

Chandresh Shah: So Sanketh, see that breakup currently we do not have because the money that was invested is including everything, all the surplus that we have. So that breakup cannot be calculated so easily because it varies per day, how much the money was invested, whether it was withdrawn next day, of which day. So, it's a very detailed and lengthy calculation. But just to answer to the question which Devesh had asked, the margin money which was available with CCL on 31st March 2024 was around INR917 crores.

Sanketh Godha: Okay. This is outstanding figure, right, not the expected one?

Manoj Jain: Yes, this was as on 31st March.

Moderator: The next question is from the line of Shreyansh Jain from Electrum Capital.

Shreyansh Jain: Most of my questions have been answered. Can you just provide the breakup of float income and the other income from the remaining income? And are there any plans to increase prices in the options segment?

Rishi Nathany: I'll answer your second question first, and then you can give the breakups. So pricing is something which normally aren't revised frequently. However, as we earlier said that this current SEBI circular on uniform pricing mandates, to revisit that. And when we revisit it, we will take a steady decision and tell the market what is the pricing going to be.

Shreyansh Jain: But sir, I have a follow-up on this. So according to SEBI, you have to keep the price somewhere work around your current realization. So, can you increase the prices in tandem with that? Or would it be a separate exercise after that has happened?

Rishi Nathany: I mean as I said, the SEBI circular is very clear that the -- to begin with the pricing should be around what is being charged, right? So, I don't think there's much scope for interpretation there.

Shreyansh Jain: Got it.

Chandresh Shah: Yes, breakups. So, see that float or other income is around INR20 crores for this quarter.

Shreyansh Jain: Okay. And what was the yield on that? Can you -- do you have a ready figure.

Chandresh Shah: No, that figure is not available right now.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: So, I was just observing the client member's numbers and which we quarterly publish, if I look at the numbers, we have been seeing the member number count has been declining to 544 now. It has been consistently or tracking a little down every quarter, then authorized person data point also, if we look at a couple of years back, it used to be 50,000 is now at 35,000 odd. So, if you can help us understand what is happening there? And secondly, on the FPIs, Cat II, Cat III, if you can give us -- provide some update on how the traction or what are our conversations with them is happening and as they started hedging or trading with the Exchange.

Rishi Nathany: So, thank you, Chintan. The first point being that the number of members or the APs you are seeing declining, but that's an industry-wide trend of consolidation. So, if you see as long as our overall participation is increasing, both in terms of clients traded our overall turnover is increasing. So, on all parameters, you're seeing that there is a growth. Now across the industry, across Exchanges, there is a consolidation trend where the smaller brokers due to various factors are finding it difficult to continue in many cases. So that is the same situation at MCX also. So, in one way, it is leading to more consolidation, more business growth, and we are seeing that as we are progressing, all the parameters are pretty healthy. So that's my answer to your first part of your question. And what was your second question?

Chintan Sheth: Second was on the Cat II, Cat III.

Rishi Nathany: So, we have around 100 FPIs actively trading, participating on MCX at present with around 90 Cat I and 10 Cat II - approximate numbers. And quite a lot of interest from FPIs, however, having said that, there are only two commodities in which they're allowed to trade at present, which is Crude Oil and Natural Gas. So as and when the list is enhanced and as and when -- see, it's early days yet because it's just been a few months since FPIs have actively started trading on MCX and this was still when we allowed Cat II. So, we are seeing very healthy traction. And hopefully, as we go ahead, we will see much more participation from all these participants.

Chintan Sheth: And the custom duty cut on Gold, does it have any implication on our drive over volumes here? Is there any way, any impact for business?

Rishi Nathany: No, so it's a very neutral impact, whatever happens. It's just a customs duty cut, right? So, it doesn't have much impact on our contracts.

Manoj Jain: So Chintan, exchange is a price discovery platform. So, price goes up, down, duty goes up and down. We are transparent and that's the beauty of the platform to provide a neutral service to all our hedgers as well as the entire member community.

Chintan Sheth: Correct. Okay. And lastly, on the SGF part, you mentioned that INR10 crores, you want to make it more linear or more frequent in terms of provisioning rather than an ad-hoc, which used to be the case earlier. Are you fixing the quantum of INR10 crores or is there a mechanism or a percentage which should one consider going forward?

Manoj Jain: So Chintan, as of now, you may consider this as a number for medium term. Obviously, it's a voluntary contribution. So, I would not like to commit that this is a permanent arrangement, as I mentioned earlier. So, Management, Board and both the organizations, jointly would continuously watch what is in the best interest of both the companies.

Chintan Sheth: And lastly, on the cash on books, what is the figure as of June. And anything, any -- now the capex part is largely over, the heavy lifting has been done, if you can throw some light on the utilization of this one?

Chandresh Shah: As on June, the available balance for the investment is INR955 crores. And as on March, it was INR848 crores.

Chintan Sheth: And anything on the distribution or the utilization of the same?

Chandresh Shah: So, Board will take that decision. So anyways, the dividend has been declared for FY '24.

Moderator: The next question is from the line of Amal Nath from Ministry of Finance of Oman.

Amal Nath: Just two set of questions. First of all, in this recent quarter, we can see there is an improvement in the futures as well. Previously, where the options was going high, futures were quite muted. This quarter, we can see the futures volumes are also quite high, INR25,985 crores. What was the reason? Or is this the new trend we can see from -- actually, it is from FY '22 continuous it is going down, average 26 and 23, then last year, it was averaged 19. But this quarter, it came up to INR25,985 crores. What was the reason? And do you think this is going to continue the trend in this way?

Rishi Nathany: See, so the point being Mr. Amal Nath, is that we continuously keep reaching out to various market participants, including all the hedging community and the industry. While you saw that initially over last, like you rightly said, for the last couple of years, you've been seeing a secular trend of growth in options, which took away to a certain extent from futures. However, having said that, the options are based on futures and in futures also, there is an increased traction because of more participation from the entire participant base, including the industry.

And also, because there has been quite a lot of interest in various segments like Bullion or Energy or Base Metals. We have seen growth in all of them. It's not that it has been confined to any specific sector per se. So, it has been a secular all-around growth in futures, and which is a very healthy sign as we also see. And hopefully, going forward, we would like this to continue also. But end of the day, we are just a platform, and it is up to the market to decide what they want to trade.

Amal Nath: So, nothing happens special on this quarter, right, because it is -- why I'm saying because, if you look at the trend in the last two, three quarters, it was '19, '21 and even last quarter of '17. And suddenly, in this quarter, there was a jump to '25. That's what I'm trying to understand, is this something one-off happened in this particular quarter? Or can we take it, this is a growing trend now?

Rishi Nathany: So, there is always a tipping point to everything. So, when something happens and then the trend was down, hopefully, it is early days yet, but hopefully, this will be an arrest to the falling trend of futures. But to answer your question, there's nothing specific which comes to mind as to why this has suddenly changed. Of course, the efforts always on to ensure that there is widespread in all round participation across product segments as well as across futures and options.

Amal Nath: Okay. And can you give some update with respect to your Gas Exchange kind of part of the business, what's happening there?

Manoj Jain: So, Gas Exchange is not under MCX. Are you referring to IEX's Exchange and their Gas Exchange? MCX doesn't have any subsidiary or associate on Natural Gas, Amal Nath.

Amal Nath: Okay, maybe. Okay. And that, the second part of this now, we are hearing from different calls with respect to this launch of this new product, including the 10-gram gold as well. The last many quarters, we are seeing and every time we are hearing from the management that it will be launched very soon and I'm hearing the same thing even in this call. Now just trying to understand, why are you getting stuck and why it's not getting launched, even after it is so many quarters we're discussing about it.

Manoj Jain: Yes, we appreciate your concern, and we too are equally concerned in tracking the launch. Last year, as you know, there was a huge event of our go-live with the new platform. So naturally, there was a delay in new products. And this year, yes, we are really hopeful. Post our go-live and subsequent technology stabilization, we wanted to thoroughly test all our new products because all these are now on the new platform. So, I think in our earlier calls also we did mention about some of the products, and sequentially, we are progressing in the launch. So, I believe now the next one is obviously gold 10-gram and the 2 agri contracts, which we discussed a little while ago. So, we should be announcing their launches very soon.

Amal Nath: And the last part of my question, after this BSE and NSE got that their license for this Commodity Exchange as well. Previously, there was a thought that there would be a lot of volumes in respect to that side as well. Where do you see the trend from the market shares perspective, I can really see the market share with MCX remains intact, is that the new approval given to them, are they able to catch up the volumes from the MCX?

Rishi Nathany: So, other Exchanges were allowed in 2018 October to come into commodities, and it's been almost 6 years. While we cannot comment about other Exchanges, all we can say is MCX has and hopefully will continue to remain a venue of choice for people to trade Commodities in India.

Amal Nath: And while you are doing so good with respect to Metals and Gold and other parts where you are always having a high market share, what is stopping us in increasing our market share in the agri commodity part, why MCX share is always miniscule in that part of the commodity?

Rishi Nathany: So, you would appreciate that we did not have a very large agri basket and our flagship contract, Crude Palm Oil contract was suspended with other contracts and other Exchanges. So, we were left with very few contracts to trade. And agri is a complicated product segment anyways, so, we have to manage all the stakeholders while trading and we definitely make every effort to trade, which not like there is more focus on any one segment or the other. Sometimes some segment does well and other times, other segments do well. So, our focus remains entirely in all our product baskets.

Amal Nath: And all your Management changed themselves or will it take to this Management is changing from top Management. Is this all is done and dusted or still something to be done?

Rishi Nathany: I do not understand what you mean by Management change.

Amal Nath: Say for example, the change in the CFO, change in the CEO, certain other key Management personnel changes, which has happened in the last few quarters and the years. Just trying to understand now the management sets which we have at the moment, is there anything also the key Management personnel changes on the card?

Rishi Nathany: So, there has been no special top management change in MCX. People coming and going as part of a process in every organization, and it is similar for MCX. Having said that, we are awaiting the appointment of a new MD CEO. And as and when that comes, the market will definitely come to know about it.

Moderator: We have the next question from the line of Sanjaya Satapathy from Ampersand Capital.

Sanjaya Satapathy: This is Sanjaya from Ampersand Capital. Sir, my question is that from participants, I can sense that there is a huge amount of regulatory uncertainties ahead and also the company may see some sort of management change fairly soon and that the company has its plan, but we want to hear kind of a summarized fashion as to how the company will navigate all these regulatory challenges and what all new product and opportunity, et cetera are there, which will help it sustain the kind of growth that we have seen in recent times.

Rishi Nathany: See, as you are seeing regulatory challenges, we live in a highly regulated environment and any sort of regulation is good because that instance stated in the market participants if there was not proper regulation, most people would not come and trade on any Exchange. So, regulation should not be seen as an obstruction rather it should be seen an enabler to allow the market to function in an orderly manner.

And whatever changes there are, and we've seen in over history that people might have said that maybe this regulation or that regulation is tough. But eventually, the markets have grown, and they've grown from strength to strength. So, I do not see why there should be headwinds?

And secondly, when you're saying Management change or anything, I mean our MD CEO's term of 5 years ended and we are awaiting a new MD CEO. So that is, again, I would say, a natural process, which was not sudden or anything, everyone knew about it that his term was for 5 years, it has ended. And once we get a new MD CEO that will be told to the market. So, I do not -- I would not paint that kind of picture that we are seeing a lot of regulatory uncertainty or Management uncertainty.

Sanjaya Satapathy: Fantastic answer, sir. My last question is that you mentioned that you are making this provision of INR10-odd crores in our SGF… in anticipation of your business growth whereas earlier you used to kind of react to kind of expansion. And then on the advice of SEBI of something you used to make those provisions as a requirement after it was raised on, whereas now you are taking some kind of a pre-emptive action. And while you are not articulating exact number, but is this something because of the kind of volatility, the exchange has seen in the past, some kind of a change in attitude in terms of risk management. And can one see this as some kind of a negative for your overall profitability that can happen in the future, or it is more of an improving the business quality.

Rishi Nathany: See, while short term you might see it as an impact on the P&L, but please understand this is an enabler. This is an investment into our overall capacity. And as you rightly said that instead of being reactive, we are trying to be proactive. Now it all depends on the business requirements and the perception, and this is that the management, the Board will -- and along with our Clearing Corporation, we discuss this and take a call accordingly.

Sanjaya Satapathy: And sir, can I just ask last question that, while you have shared your thoughts on the possibility of option contract side changes, so how do you really see it, I mean, whether it will actuate depending on the market and should Commodity Exchange be seen differently from Equity Market where the fear is of excessive retail usage. Can you just give it from the perspective of how deep the retail participation is in MCX and accordingly what kind of discussions are happening to curb excessive speculation?

Praveen DG: See the way you have to look at it is basically why the commodities contracts or commodity derivatives have come into existence. Basic major purpose for commodity derivatives is price risk management. So that is the principal objective of that one behind that one again you require because while somebody wanted to transfer the risk, we require other people also to be there. So that is the reason you require a complete ecosystem to be present. But if you look at it is not comparable to that of equity market. These are different from each other.

Rishi Nathany: And just to add, see please understand that in equity markets, you have investors, traders, speculators and issuers. In Commodity markets, you have a whole lot of more participants. You have primary producers whether it's the farmer or the primary manufacturer. You have all the intermediaries, you have importers, exporters, end consumers, intermediate industries who use those products. So, you have a whole gamut of physical market participants also. So, the commodity markets, in that sense, if you cannot do an apple-to-apple comparison of commodity markets with equity markets. So, in that sense, we have a much wider participant base as compared to equity markets.

Sanjaya Satapathy: Understood. And possibly that will be a major concern, a major factor which will be considered while implementing the new rule.

Rishi Nathany: Yes.

Moderator: The next question is from the line of Shaleen Kumar from UBS.

Shaleen Kumar: So, sir, first one is just a remark, I appreciate the summary. I would see the provision increase is SGF is more of a positive because that implies that you see a lot of growth in the business, right, then I should see it as a negative. Let's say that management is ready to see more and more volume growth coming in. Is that right? Is that also the right way to think about it?

Rishi Nathany: See, it's -- I'll give you an example. If a manufacturing company does some capacity expansion, what does that signify?

Shaleen Kumar: That's my question.

Moderator: Sorry to interrupt, but there is a disturbance in your line when you're speaking. May I request you to please change your device mode?

Shaleen Kumar: So yes, that's what I wanted to understand from you. So, I think it's a positive thing. Second thing, there is something, there's a INR10 crores provision, which is made subsidiary. Can you please clarify that?

Chandresh Shah: So, it's a voluntary contribution to SGF. Sorry, it's not a subsidiary, it's an associate in GIFT IFSC. You're talking about the investment that we have -- the Board has approved in India International, right.

Shaleen Kumar: No, there is a INR100 million provision. I think this was related to the late start of the exchange.

Chandresh Shah: The SGF contribution?

Shaleen Kumar: There are two things, right? One is your SGF contribution, which is around -- and then there is another comment in your P&L, which was around INR100 million of provision towards which you have made because of, I think, some disruption on the Stock Exchange in February. So, the provision is made in it.

Chandresh Shah: It's INR10 million, not INR100 million. So that's -- some events which have taken place in February in the subsequent Clearing Corporation.

Shaleen Kumar: Okay. Understood. And yes, the second thing which you're talking about is the investment you have made in the associate that's your Gold Spot Exchange.

Chandresh Shah: That's the approval which we have received from the Board and the investment will be done now.

Shaleen Kumar: So, sir, can we understand like what is the – like, the opportunity size here?

Rishi Nathany: See, already the investment is made in GIFT City in IIBH and which is, we have a 20% stake and which is growing on its own. So IIBH business plan and everything will be there. We are, along with other Exchanges and other MIIs, as an investor in that.

Shaleen Kumar: Sir, what's the size of this right now in terms of the revenue?

Manoj Jain: Last financial year, they were in loss only. So, there is no net accretion on the P&L side so far. Our current quarter and Q4 of last financial year, they have shown promising results, and there has been a positive traction. In the current quarter, we have accretion of INR2 crores plus into our P&L for this quarter from IIBH. Our share, which is 20% of that would be INR42.7 lakh. The INR2.13 crores is the total net for the IIBH. We being 20% shareholders, that's how our share is INR42 lakh plus.

Shaleen Kumar: And the growth, what kind of growth are you envisaging? I assume pretty high because of the low base.

Manoj Jain: So, see, we are not making any comment or forecast or guidance there, but these are Market Infrastructure Institution and not like a localized or small-time institution. So again, in the past, we have mentioned that they represent our entire economy, and these are like international finance centres. So, support definitely is there, and we would like to look forward to progress in this area.

Shaleen Kumar: Sure, sir. A last bit and I'm sorry for asking you to repeat, can you again just tell us the products which you will be launching in the next three to six months, right? I know you have said that, but just again to summarize.

Manoj Jain: Sure. So, there are two agri contracts, which we are planning to launch in the near future. One is the Cotton seed wash oil, and the other is Crude Sunflower oil. Our Cotton Candy already we have launched with the new season that is in November. So obviously, trading would pick up there closer to the new season. Then the fourth one is the gold 10-gram monthly future. So, these are immediate deliverables while there are a few more in the pipeline. Electricity, we said it's depending on the regulatory approvals, but we would be keen to launch as soon as we get approvals.

Moderator: Ladies and gentlemen, we will now take the last question from the line of Amit Chandra from HDFC Securities.

Amit Chandra: I just want your thoughts on how do you see index options as a category in terms of the contribution going ahead, because if you see the other Exchanges, index is a very, very large category, in fact and almost all the volumes happen on index. And in MCX, like despite of having index it does not seeing any traction. So not from a short-term point of view, but just your thoughts on whether index can become a big category and how the regulator sees index as a category, especially in commodity.

Praveen DG: Amit, the regulatory guidelines have already come**.** Exchange can come out with commodity index options. So today, the product that we have is index futures. BULLDEX futures is the most active index futures. Coming to the prospects, I won't be able to give you any number to it, and it is not comparable to the equity options. But…, what you can be able to see that it is going to give another avenue. At the same time, it is expected to be a very good product from our side.

Amit Chandra: So, why I am asking this is because…. options we are seeing good volumes in Crude and Natural Gas, which is a cash-settled contract. But in commodities the bottleneck is the underlying that we -- in terms of the underlying in terms of physical delivery. So that can be offset by having a cash-settled Bullion index options contract. So, is it the right way to think and I'd like your views on that. If it comes down, the gold can pick up in index?

Praveen DG: Yes. Like I said, if you look at it design wise, it is a very good product, but it has certain limitation. We cannot have more, multiple commodities as part of a single index. So that kind of challenges are there. But of course, it does have some advantages like it can be a cash-settled contract. Bullion are delivery-based contract. So, it's definitely has certain kind of advantages. But definitely, you'll see that since the regulation is already in place, we're looking to that particular thing. As and when our systems are tested, we will be going ahead with, after getting the regulatory approvals.

Moderator: I would now like to hand the conference over to Mr. Manoj Jain, Chief Operating Officer at MCX for closing comments. Over to you, sir.

Manoj Jain: Thank you, Dorwin. Thank you all for joining the analyst call. We really appreciate your participation and continued support. We reiterate that MCX is committed to provide the transparent and efficient platform for all our stakeholders, and we look forward to your continued support and faith in us. Thank you.

Moderator: On behalf of Multi Commodity Exchange of India Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.