MCX/SEC/2258 August 04, 2023

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-2024 results.

Dear Sir,

Please find enclosed herewith transcript of the "Earnings Conference Call" with investor(s)/analyst(s) held on Monday, July 31, 2023 at 18.00 p.m. (IST) on Q1 FY-2024 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.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: 2023.08.04 19:46:09 +05'30'

Manisha Thakur
Company Secretary

Encl.: As above

"Multi Commodity Exchange of India Q1 FY24 Earnings Conference Call"

July 31, 2023

MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MULTI COMMODITY EXCHANGE OF INDIA
MR. MANOJ JAIN – CHIEF OPERATING OFFICER, MULTI COMMODITY EXCHANGE OF INDIA
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER, MULTI COMMODITY EXCHANGE OF INDIA
MR. PRAVEEN D. G. – CHIEF RISK OFFICER, MULTI COMMODITY EXCHANGE OF INDIA

Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Q1 FY24 Earnings Conference Call.

Joining us on the call are Mr. P.S. Reddy – Managing Director and Chief Executive Officer, MCX; Mr. Manoj Jain – Chief Operating Officer, MCX; Mr. Satyajeet Bolar – Chief Financial Officer, MCX and Mr. Praveen D.G. – Chief Risk 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would request all participants to keep all devices on silent. Thank you.

I now hand the conference over to Mr. P.S. Reddy, MD & CEO, MCX. Thank you and over to you, sir.

P.S. Reddy: Good evening, everybody. Thank you once again for assembling for this Investor Call this evening. On Saturday we had presented our Results. As you have seen, the top line, the operating income has increased substantially high. In fact, the kind of growth we have seen is one of the highest since the CTT was imposed in 2013 around that time. So, the topline has been doing very well, as a company. Our turnovers are increasing, option volumes have been increasing and the business is doing well. But unfortunately, it could not be trickled down to the bottomline due to hefty cost on technology.

Again, I must say that I am disappointed that we couldn't make the CDP project go live as we have been eagerly waiting for. Of course, there are a variety of reasons. One is that the necessary compliances could not be completed, including audits in a manner that is expected as per whatever extent guidelines and some stakeholders have desired some more time and unfortunately, while we are doing mock towards the end, some mock sessions were cancelled due to long time taken by the EOD-BOD processes. So, the trading could not be started the next day, the mock sessions, by 9 o'clock as it happens when we go live. So, some of these things have dampened the process of going live and nevertheless we are working on it. So, we should be able to make it live this time. Again, I am optimistic about going live. That is the reason I am making this statement. As I said, I am myself is disappointed for not being able to go live in the last quarter.

Having said this, the results if you have seen, the ADT has increased in options by 26% to Rs. 83,341 crores compared to the turnover in Q4. The traded clients in F&O side growth of 12%, almost all 3.9 lakhs during Q1 versus 3.52 lakh clients. So, these are all unique clients. When I say the clients, then they are all unique. So, that is something the EBITDA margins on consolidated also, 19% for Q1 as against 14% for the Q4 of the last year. But as I said, our technology costs have brought down, are nullified I would say, the efforts that we have made to the company to grow, and I think with these words, I will keep it open for question answers to the members, to the investors. Thank you so much.

Moderator: Thank you very much. We will now begin the question-answer session. Our first question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead with your question, sir.

Devesh Agarwal: Good evening, Sir, thank you for the opportunity. The first question is around CDP, if you could share more details, a bit upon broader things, but what exactly happened because we were doing a lot of mocks and we were pretty confident about the migration? So, is it something that came up in the mocks that has derailed the transition last time and over the last one month, we haven't done any more mocks. So, what was the status of the mocks and when are we going to restart the mocks, and the likely timelines to migrate to the new platform - would it wait till December, or our endeavor is to do it early?

P.S. Reddy: See, our endeavor is to do it early. So, definitely early, there is no doubt about it. What has happened in the last, why it has been, what you call a derailed or whatever the reason that we couldn't go live and what we are doing it is, yes, we did find in the mocks some observations and that is why the EOD-BODs were taking more time and we need to start the trading obviously the next day by 9 o'clock in the live production and we have to continue till 11:30 or 12 in the night. So, the window available is, we have to get ready system by 6 o'clock in the morning. So, that we have not noticed consistently happening. So, that is very important for us that we see a good amount of stability out on that. If there is any problem in the EOD-BOD, obviously we have the systems to verify what is going wrong and then fix it. But that fixing is taking some time that is why this kind of things have taken some time. But what we have been doing for the last one month is while those are fixed, we are doing our internal mock, not that it is not being done. We are not exposed to the member brokers, and I think in the month of August, we will plan out the mocks for the member brokers. This is one part of it. The second part of it is certain audits have to be commenced only after certain tests are done. It is not a parallel activity. Earlier we planned it as a parallel activity, but now we are doing it sequentially. So, that sequential thing is also being done. So, that is another reason why we have not exposed the systems to the member brokers. Then as I said, we are not waiting for December to come. I think we should target to go early live. Thank you.

Devesh Agarwal: But just to understand sir, any timelines that you can share, given that SEBI has been very explicit that no contracts now would be allowed or approved post December, so they I think they did not allow the Jan series and incrementally nothing would be allowed, that is what my understanding is. So, would that put, basically are we targeting the customer or somewhere to migrate to the new platform?

P.S. Reddy: The way that I put it is, anyway, we are getting approvals and as and when we are getting approvals, we are issuing the new contract. That is one part of it. The second part of it is that we are not looking at December as I said. We would like to go early, early it could be even September, it could be even October, but I mean that is not our target at all. We want to do it as early as possible. As I said, we were almost all there at the end of last month. So, we shouldn't take much time for us to get a control of the situation. Thank you.

Devesh Agarwal: And sir, we saw that MCX Clearing Corporation had come with an RFP for some real-time spend margin calculation software. So, could you share some details around that and why is this not part of TCS platform and why are we raising a separate RFP for this?

P.S. Reddy: See, TCS has been working much of the same way current system is based on the span of a CME software and that is the integral part of the system anyway. But some of the exchanges are doing a faster risk management by reducing what you call, the turnaround time for the risk competition from whatever the milliseconds that they are having or microseconds, whatever that they are having it. So, some of the, what you call custom-made systems were there in India, I think they are going to maybe develop such kind of system where we can further reduce the latencies. And if you see, the span was used maybe in good old days online, but even CME itself doesn't use it is what I was told. It may be batch processing what it does, but not the online real time. So, it is tailor made for that kind of, designed for that kind of batch processing. But what we wanted to do is to, more online as our volumes increase, obviously risk has to be mitigated much faster than what it is today. So, there is no immediate requirement, it is a kind of a, what you call, developmental issue, that is what it is, thank you.

Devesh Agarwal: And last one from my side, what was the option segment revenues for the quarter?

Satyajeet Bolar: For the quarter, around 53% of our transaction charges were accrued from options, as compared to 49% in March quarter.

Devesh Agarwal: And sir, what are the total transaction charges in the quarter?

Satyajeet Bolar: Total transaction charges were Rs. 121 crores.

Moderator: Thank you. Our next question is from the line of Mr. Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just continuing on the question on the software transition. So, you mentioned that earlier you were thinking of doing the audits parallelly. Now it is going to be sequential. So, is this a change in the sense that now that we have more time, we want to do it or is it a statutory requirement that we have changed this and so, what is the exact reason for changing the methodology of doing this?

P.S. Reddy: Well, it is not a change in the methodology. Earlier given the time available, we wanted to do many activities simultaneously and I think even now we are almost all there, that is why we wanted to do it sequentially, so that we are able to expose the stable system to the auditor. That is the way it is.

Prayesh Jain: Could you outline some timelines in the sense that what should be the watching from MCX with regards to this transition, in the sense, what would be the stage, the first stage is mocks getting successful, 100% successful, what stage the audits would start. So, could you give some timelines for that so that we can be aware of these things and that gives us more confidence that the transition is on schedule?

P.S. Reddy: See, I don't think we will be able to give out the plan that we have of course presented to the board as well as to the others, regulators also we have given, but then I don't think this is proper for me to disclose it, when we have not disclosed to anybody. Thank you.

Prayesh Jain: Sir, coming to the volumes now. So, do you think that the FPIs which were allowed now to trade, earlier we were saying that the software transition would be a key to onboarding FPIs, does that kind of derail this further and FPIs will wait another 6 months to onboard or there is an increased traction of FPIs onboarding right now?

P.S. Reddy: FPIs have already started trading on the exchange platform and volumes month after month are increasing. That is what our observation is.

Prayesh Jain: Could you share some statistics as to what are the number of FPIs and what is the volumes coming in from them?

P.S. Reddy: Well, in comparison to whatever the number of options traded or futures, it maybe not so much significant. But I think we will hit that kind of number, whatever one is looking forward to. But I will not disclose it. We are not disclosing it publically. That is what it is.

Prayesh Jain: No problem. And last question from my side. Now, in spite of the launch of many contracts, we have not seen any major jump in our, major volumes coming on the futures side. How should we kind of see the futures volume panning out from there?

P.S. Reddy: See, almost all maybe in all these mini contracts on the whole, maybe there were 2 lakh investors are there, in various context of course that number varies from one mini contract to another mini contract. They all have to again get onboarded. That is one important thing. So, it is happening. There is a growth in the numbers, but all of them have not come back as yet. That is for sure, and that is where our efforts are growing in at this point in time and to make this mini contracts vibrant, maybe it should again come back to contributing about 20%-25% of the total volume of that particular product.

Prayesh Jain: Let me squeeze in one more, last one. What are the number of UCCs that we had in the quarter and at the end of the quarter in terms of retail investors?

P.S. Reddy: We had 3.93 lakhs during Q1, this quarter ending now, as against 3.52 of the last quarter, traded.

Moderator: Thank you. Our next question is from the line of Samit Shah from Dinero Capserve. Please go ahead, sir.

Samit Shah: So, my first question is regarding options turnover. So, what are your expectations for options turnover in FY24? What number do you think we will end the year at?

P.S. Reddy: I think it is forward looking statement kind of thing. I don't think it is appropriate for me to make any such, this one. All that I can say is that the trend is increasing. That is the way anybody can make an analysis of and once our migration is completed, probably we look forward to introducing other option contracts as well. So, we would like that portfolio to grow, and we expect doing a reasonable growth in that. Thank you.

Samit Shah: Sir, second question. For how long can we continue to see the cannibalization of futures turnover, as we have seen that options turnover have grown significantly but some of the futures turnover has gotten cannibalized. So, how long can we see this trend continuing?

P.S. Reddy: You call it as cannibalization, but I have not been accepting this. The simple reason that the futures hedgers also require, or the option guy whosoever are option writers need also futures contract to protect their exposure. But having said that, I must also say that if we introduce more and more futures contract also in other products, the turnovers will increase. Secondly, a lot of retail investors are interested in the options because the margins are less. In futures for example, crude oil futures, it will be almost all 30%-40%. Now it is not a small number and that is why they are deserting maybe these counters. That doesn't mean that the genuine one is not there.

Samit Shah: Sir, then what would be the reason for turnover degrowth in the last 3 years in the futures side?

P.S. Reddy: I think we are, I would say heterogeneous time periods we are comparing while you said that continuous three years, different regulatory changes have caused different ways of this one. Peak margin is one reason why the last, maybe a year '19 or '20-21 had impacted badly. Subsequently, our options contract picked up, of course, that is maybe offshoot of peak margin regulatory regime. So, options are compensating us. From the revenue point of view, I think we are not worse-off. As long as the option contracts grow much faster than the loss in futures in terms of contribution to the revenue, I think that should be welcomed. Of course, I am not saying for a moment we should lose our futures, but yes that is the way trend is happening at this point in time.

Samit Shah: And one last question if I can put in, so I just wanted to understand how revenues come in from options premium, so if you can just explain in a little bit detail, how revenue slowing from option premiums, so does it change for at-the-money, out-of-the money strikes or how exactly does it work here?

P.S. Reddy: We have what you call only 2 slabs options. Up to 5 crores premium, it is Rs. 50 and more than 5 crores premium, it is Rs. 40, only 2 slabs. Now the premium itself is a market determined variable and whether if it is at-the-money or in-the-money, maybe in-the-money premium will be more and if it is at-the-money, maybe relatively less and if it is out-of-the-money, it will be still less. So, it all depends on where it is getting traded. But my sense is that many of the contracts are either getting traded at-the-money or maybe in-the-money. That is the way it is. And the options turnover is, as I said is, please explain.

Satyajeet Bolar: Options turnover for the quarter was 61,433 which is a 35% increase over the previous quarter. The premium is Rs. 1,213 crores as against Rs. 989 crores in the March quarter.

Samit Shah: Sir, just wanted to understand that revenue as a percent of premium like, how does that move with respect to, if the number of contracts of out-of-the money increased. So, how has that changed? How does that percentage change?

P.S. Reddy: Well, if more contracts are traded out-of-the-money, the premium will be less, accordingly the revenue will be less.

Samit Shah: The revenue would also be less, right?

P.S. Reddy: Yes.

Moderator: Thank you. Our next question is from the line of Chintan Sheth from Girik Capital. Please go ahead with your question.

Chintan Sheth: Two questions. First on the tech transfer again. How much CAPEX we have spent so far till January and following up on that, given the delays, are there any cost overrun versus what we have planned earlier. You have not disclosed the total cost you are going to spend on this migration, but are there incrementally any cost overrun because of these delays, if you can say, payout to TCS?

P.S. Reddy: Payout to TCS will be as per the contract, whatever, so there is no increase or anything. And because of the delays, the cost that will go up is the licensing cost of the third-party licenses, maybe that is the application, some of them, we use it. So, that we have to renew it, isn't it, because we are running mocks and other things. So, that may be the external cost that will be incurring.

Chintan Sheth: Are we capitalizing those licensing costs currently, right?

Satyajeet Bolar: Currently, till we go live, it would be capitalized. Once we go live, it will be taken to the revenue.

Chintan Sheth: And how much we have spent so far between March to June?

P.S. Reddy: I think that is not a public number I suppose, that is not appropriate.

Chintan Sheth: Sir, given that the shareholders have been waiting for this transition for quite some time now and there has been recurring delays, it should be very prudent and transparent from the management front that, you know, to provide some clarity on the cost company would like to incur, because on the OpEx side, we already will start bleeding out from next quarter, from 80 to 125 odd crores quarterly, transparency should be there at least, given the patience we as shareholders are keeping.

P.S. Reddy: I understand, I appreciate that point. What we can do is, maybe next quarter we can add it in our disclosures, that is better.

Chintan Sheth: And second question I had was on the, any optionality we still have on buying out 63 Moons software as a plan B if this doesn't work out, the way we are planning currently.

P.S. Reddy: See, I do not want to delve on things which are not in my control, and we have to make it happen, that is the way it is. That is what the determination is. Unfortunately, again I myself is dissatisfied for why we couldn't go live. But I don't think we are looking at any other option other than going live. That is where it is.

Chintan Sheth: Just a couple of bookkeeping... The depreciation rate was sequentially lower and if I do that math on the other operating income as a percentage of transaction revenue, that also sequentially declined from 25% to 20%. So, anything to call out for?

Satyajeet Bolar: See, on the depreciation, I would like to clarify that in the last quarter we had bought certain equipment which as per the existing policy is less than 1 lakh. So, what we did is we capitalized it and we fully depreciated it, so that if we don't depreciate it, then it will be charged directly to the P&L, then it gets disallowed in the tax audit. To get a benefit of that, so we capitalized it and then fully depreciated. That is why there is a variance from March to this June.

Chintan Sheth: And on the other operating income, as a proportion of transaction revenue seems to decline from 25% to 20%?

Satyajeet Bolar: That is because your base has increased. Operating income transaction charges has increased while the others are more or less constant.

Chintan Sheth: But nothing anything to call out for, it is just a normal base increasing impact. Ok. Thank you.

Moderator: Thank you. Our next question is from the line of Lavanya Tottala from UBS. Please go ahead with your question.

Lavanya Tottala: So, just wanted to check on the RFP which was released by Clearing Corporation. So, wouldn't we have an option to add any additional requirements such as based with the TCS project which is going on?

P.S. Reddy: See, at this point in time, our focus is only to work with the existing functionality requirements that are required for go-live. We don't want to give them additional work and then try to manage another component as well. So, that is one part of it. The second, the CCL being a separate entity and they would have to manage… independently, and this comes under their, what you call risk management module and they would like to have this separate module and then interest is with the TCS system, so that the risk is computed, the margins are computed much faster than what it is provided for and then secure the markets accordingly.

Lavanya Tottala: So, going ahead, for any additional feature that we or Clearing Corporation would want, so would we be asking TCS to add or we will be floating an RFP for each of the new feature or any addition that we want to do the existing feature, how would that go?

P.S. Reddy: If it is a core engine or core system, then obviously we have to go to them. But if it is a module which can be separately developed then that can be done separately. But the way that we have designed it, that using APIs we can extract the data and then manage the requirements as we needed. So, probably if unless it is touching their core engine, core engine means not just matching, but then core components of the TCS system, we would like to develop it ourselves.

Lavanya Tottala: You mean in-house or…?

P.S. Reddy: Yes, in-house or maybe hiring the resources and then develop it, that is the way it was thought of at that time.

Lavanya Tottala: And on the option contracts, sir, I think we have launched few new options on bullion related to the mini contracts also which was helping bullion volume for options. So, this is the one which has reduced the premium for bullion products on options, so this is the same scenario that we wanted to address through bimonthly contracts on bullion, right? So, do we expect more traction in these options once those new products are launched or how do you see that?

P.S. Reddy: Well, options are not available on all bullion contracts, although there are futures in a smaller denomination, but options are not available on every contract. But as you have seen in the equity markets, weekly options is popular and maybe fortnightly we can look at it. That is the way we are looking them. One is the value of the contract itself will go down. Second, the tenure of the contract is also reduced. So, both ways it will be reducing the cost to the investors. That is how it is.

Lavanya Tottala: One last question from my side. So, on the software thing, last month when we tried the audit process, you mentioned that audit will take somewhere around 2-3 weeks. So, now we are planning to do it sequentially but the audit process most likely should take the same amount of time, right?

P.S. Reddy: Yes, it should take about 3 weeks.

Lavanya Tottala: So, why was it we were not sure about the audit procedure earlier and how was it different now?

P.S. Reddy: It was not sure about it. I mean, we didn't expect so many problems to crop up especially EOD-BOD issues and obviously auditor would like to audit a system which is free of all those issues. So, that is the issue.

Lavanya Tottala: So, any specific EOD-BOD issues like in creating the, making it ready or can you help us understand what were the specific EOD-BOD issues?

P.S. Reddy: EOD-BOD calculate several files, I mean calculate several obligations, margins, maybe some file processing and then gives to the members what their obligations are. Next day morning, it will prepare the system. So, there are so many batch processes which some are parallel, which are sequential. Now there are pre-EOD checks that we have kept. So, unless those pre-EOD checks are all satisfied, the system doesn't move. So, if there is a problem in the pre-EOD check if didn't match, then they have to step in and verify and then fix that and then move on. So, these are the, not just one activity, there is a huge scheduler which does all these kind of activities. So, that is taking some time. That time is being processing time, file generation time, they are all getting reduced now. And we want the system to be available for the member brokers to next day morning by 6-6.30, then we are sure of going live, going starting the trading by 9. So, that is where the time taken for processing is the worry.

Lavanya Tottala: Okay, in last one month could we reduce the time with our internal testing and all because mock testing was not happening but the internal testing, does that come down?

P.S. Reddy: Yes, it has, it did rather. It did.

Moderator: Thank you. Our next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Just a few data keeping questions. One is on what was the margin money income earned in the quarter? And second is, how much is cash on the books and if you can give the split of that into where it has been invested and likely yield basically?

Satyajeet Bolar: These margins are collected by Clearing Corporation are invested as per SEBI guidelines. They can only invest in overnight liquid schemes or…

Sanketh Godha: Sir, I was referring to first of all the interest income on the merging money for the quarter and second, your own cash, treasury cash which is sitting on the books, how it has been split and what is the yields we are earning there?

Satyajeet Bolar: So, the margin money as on 31st March was 1000 crore and the Clearing Corporation has earned Rs. 14.67 crores on it at a yield of 6.81%. And our corpus for the quarter was around Rs. 900 crores and the yield was 7.82% and around Rs. 700 crores of it is parked in long-term instruments which is amortized or even if the interest rate goes up or goes down, we will keep earning 7.72%. And for the quarter, the yield was around 7.82%. Yes, that is it.

Sanketh Godha: And the next question is basically to understand on the future optionalities, one is the electricity derivative and the second is that till we do not go live on TCS, all the incremental approvals that is our plan to launch the bimonthly, the gold contracts, will get delayed. Sir, is that a right understanding and just wanted to understand on how it is happening with respect to electricity derivative, when it can go live?

P.S. Reddy: Well, there is no movement on that electricity derivatives contract as yet from the approvals point of view and that is something which we have been asking for, that is one part of it. The second part of it is we would like to launch new contracts only in the new system, that is what we are very clear on that and so that migration will be easier for us and that is the way it is. Yes, you are right because of this delay, some of this launch of new contracts has got delayed and that is something which is not anticipated by us, yes.

Sanketh Godha: Got it sir. And last one, on base metals. I think you had alluded to that point, but just wanted to understand that at some point in time, the mini contracts were meaningfully around 7%-8% of the total future volumes and even the Nickel contract was at one point of time 7%-8% of the total future volumes. Honestly, these two have not picked up, Nickel is almost zero today and the mini contracts have not contributed to the extent what many people have anticipated before the ban was introduced. Sir, just wanted to understand how we can revive both the things, mini and Nickel and so the futures could see traction?

P.S. Reddy: The Nickel contract that it got lost in terms of liquidity because of what has happened on LME and some of the players may have deserted this counter and so that is why I think we lost liquidity. Second, the way to revive as we understand is to introduce a mini contract rather than a bigger contract and currently it is 1500 Kg contract it was, so we would like it to be a smaller contract, maybe smaller itself is good enough rather than going for a main contract, that is one part of it. But the only issue is that trading lot and delivery lot has to be identical, is the requirement of the regulation and that is something which we are waiting for some decision on that. So is the case of Copper, that was also doing well, the mini contract of Copper was doing well. So, we have not introduced mini contract in Copper as of now because the trading unit and delivery unit has to be identical is the requirement. So, having said this, these two are also contributing at that time good amount of volumes. Now coming back to the other, the Zinc mini or the Lead mini or the Aluminum, I think if I am not mistaken Aluminum is doing well and the Zinc was also doing, definitely not as much as we wanted it to be as it was contributing in the past, almost 20%-25%, and that day we have not seen as I have clarified also some time ago that all the investors who had traded in this contract have not come back as yet, while our effort is to reach out to them, I mean through the member brokers and tell them that here is the mini contract and this will help in hedging in smaller players, and we are also reaching out to the MSMEs, that is very important segment and we are engaging with them to show that they can hedge their risk using these mini contracts. That is the way it is at this point in time. Thank you.

Moderator: Thank you. Our next question is from the line of Amit Chandra from HDFC Securities. Please go ahead, sir.

Amit Chandra: My question is, in terms of the tech transition, so in terms of the mock tradings that we have done, so for how many hours we have tested this software in the full ready state, maybe in the month of June and is there any kind of a benchmark where you can guide us that how many hours of testing is required for the software to go live, whenever you are planning to do it, and now what actually gives the confidence that they will be live before the timelines and if we go live before the timeline, so it will be a parallel run or we will go completely live irrespective of the software of 63 Moons being there?

P.S. Reddy: Well, see in the past also we explained this question, when we wanted to go live, you go live that is it. There is nothing called a two-systems running simultaneously because that doesn't happen. So, the question is how do you do the parallel runs that you take the dump from the existing system for a particular past trading date, it could be even yesterday or it could be as well as, maybe one month ago. Create the same circumstances, what was the collateral in the system at that time, what was what you call members various clients, UCCs, all of them you configure and then club the data and then see that you get the correct results. That is the way that parallel runs are going on. That is the way we have done. So, coming back to the other question as to how many tests were done, I think I do not know exactly in the month of June how many done, but we have done in the last time, sometime about 30-35 we have done. I don't exactly remember 30-35 in the last maybe June and April-May-June that is the way I will put it, parallel runs were done and we have also done more important is, we used to migrate the data of Friday, that is the latest data when you want to go live, obviously you would take the Friday sent data and then migrate it and then give it to the members for the Monday trading. So, like that we have done migration of real-time data and then members have to test on a Sunday we had given and then in real life scenario we will erase that mock trading data of the Sunday and leave it open for the system for Monday onwards real-time trading. So, those tests also we have done, not that we didn't do that. And so the point I am making is, all those things were carried out as I said some of these observations that came and the EOD-BOD taking more time and system not being available ready with certainty by 6 o'clock is one major dampener, is what I would like to say.

Amit Chandra: And is there any kind of a statutory requirement in terms of the number of hours that you need to test or in terms of the checks…

P.S. Reddy: To my knowledge, there is nothing that is prescribed.

Amit Chandra: And in terms of the issues that we were seeing, like was it widespread across members or is it from smaller like member brokers or from large amount of brokers, so if you can highlight from where exactly the problem was coming?

P.S. Reddy: It is not a question of smaller members or bigger members, some may be localized, whosoever participated, some may have been localized, but the EOD-BOD is nothing to do with any specific member or anything like that, it is a kind of time taken for processing various files etc., that is the way it is.

Amit Chandra: In terms of the appointment of the CTO and the CRO, so how critical are these two positions in rolling out the new software?

P.S. Reddy: See, when we had appointed in the past CTO, we had also taken one more gentleman as a CDO, Chief Digital Officer on designation, but we are fully aware that technology is a very critical component, and we need backup also for that. That is how the Board has decided that we should have two senior executives in this profile. So, as regards to the CTO to replace the one who left, I think process is on, almost all completed. I think once it is necessary approvals are obtained and they will join, that is the way it is. Of course, they will take time to join. as you know all that.

Amit Chandra: From that angle, is it mandatory, in terms of the joining of the CTO or the CRO, so the CRO role is more critical and obviously CTO is there, but CRO also from the regulatory angle because there is lot of regulatory angle also involved in terms of rolling out of the software, so how that is being taken care of as of now?

P.S. Reddy: We have internally another senior officer is discharged in that functionality who was earlier inspection and surveillance looking after. So, he has been designated as a CRO, while the CRO appointment is getting closed. When I say that it is getting closed, all processes are completed, it is just that appointments have to be done and acceptance has to be received and obviously they will join thereafter.

Amit Chandra: And for the CTO?

P.S. Reddy: CTO is also same thing. We just have to get their acceptance, that is all, offer.

Moderator: Thank you. Our next question is from the line of Chirag Mahdik from Kinos Capital. Please go ahead with your question sir.

Chirag Mahdik: Sir, I have two questions, both are related to tech. I understand the point that you are unwilling let us know what is the investment amount that you are spending on the tech, but could it be possible for you to share us that compared the investment that you are doing on tech, how much cost or quotation that 63 Moons JV for the current software that you are using?

P.S. Reddy: Are you saying the 63 Moons what offer they gave for buyout, is that what you are saying?

Chirag Mahdik: Yes, compared to the investment we are doing.

P.S. Reddy: I think it is not appropriate to disclose those commercial matters. But it is substantially high, so much I can say.

Chirag Mahdik: Can we say that it was 3 to 5 times?

P.S. Reddy: No, I do not want to say that, please because it is not proper for me to comment. Thank you.

Chirag Mahdik: No worry sir. Sir, my second question is, as the delay of the software getting start for the run is impacting our P&L statement, by the way we are seeing a little higher than earlier times, and now we are going to pay Rs. 125 crores amount, I just want to know in a similar way is there any sub-clause in the contract with TCS which states that if there is any delay in getting the software ready, they would be penalized too somewhere, and…?

P.S. Reddy: As I clarified in the last call also, there are penalty clauses which were usually whatever the vendors we have it, there is a penalty clause, of course.

Moderator: Thank you. Our next question is from the line of Sanjay Kumar from iThought PMS. Please go ahead.

Sanjay Kumar: So, Rs. 12 crores growth in transaction income has translated to 9 crores increase in EBITDA. That is the kind of operating leverage you are sitting on, rather I would say you are wasting the leverage potential. My first question, when we spoke to a broker, they said commodity options are growing because now a trader can use the equity F&O margin for commodity F&O as well. So, how many member brokers have this cross-margin functionality approved by the regulator, any idea?

P.S. Reddy: See, there is no interoperability of the Clearing Corporation unless otherwise that kind of cross margin will not happen. If a member has in NSE, let us say Rs. 5 crores, Rs. 10 crores, or Rs. 100 crores is lying, unless they deposit physically that particular money in the Clearing Corporation of MCX, that kind of benefit cannot be given, that is the current position, and the regulatory position. So, there are members who do transfer their cash balance, they do shift to CCL, again next day morning, again take it back to the NSE. But this operational inconvenience at times lead to lot of pressure on the member brokers as well as the Clearing Corporation, because it has to happen in a jiffy kind of thing. Yes, some do operate in that manner. But we had given certain suggestions to regulators, helping us to provide maybe a semi-interoperability kind of situation and they are examining I suppose and let us see.

Sanjay Kumar: And second on futures, in July at least till today's data or yesterday's data, the futures ADTO has gone below Rs. 20,000 crores, I guess for the first time in a long time, can you confirm it and are you doing anything to boost this futures turnover or are you comfortable with this de-growth?

P.S. Reddy: Well, there are two ways of looking at it. I mean, we are mostly concerned about ADT because we get revenue out of it. Now it could be as flimsy as just a day trading and then people just vanish overnight also. But there is another way of looking at it, what is the open interest that is maintained on the exchange, that gives us immense confidence that they are staying put in the exchange. We had almost all Rs. 20,000 crores open interest in the futures and another in what you call, in the options another Rs. 10,000 crores. So, what is important is how stable is the participation on the exchange, is more important. Yes, the trading depends on the margins also. The margins are high in the case of major commodities, in Crude, NG and Gold. And in Gold, we have an additional margin of 2%. So, assets is 10%, additional margin is 2%. In the case of Crude oil, I think an additional margin of 10% is imposed, so is on Natural Gas. So, this is somewhat causing more damage I would say to the futures turnover. So, maybe diverting them to the options to some extent of course. It is important that we reduce the cost of trading to the investors and if we don't do that, there is a downside for the exchanges, we have to contribute more money to the SGF**,** now unless you contribute more to the SGF, you cannot have more open interest. This is what you call a dilemma, or this is the kind of situation we are stuck.

Sanjay Kumar: And options, from the number you gave it looks like options fee is Rs. 80 per crore of turnover which was Rs. 105 in Q2 and Q3 of last year. You know when you launched you said options is 33% of futures, one-third. Then it went to 51% during your two quarters, now it is down to 39%. How to look at it on a normalized basis, what would be the ratio? I know you answered to another participant but if you could explain from this angle, what decides the share of out-of-premium or out-of-money or at-the-money because last quarter it was 43%, now it is 39%, the variation is, even Q-o-Q is very significant.

P.S. Reddy: We have only two slabs, one is Rs. 50, the other one is Rs. 40. Now, with this kind of growth in options, everybody is falling in the Rs. 40 bracket. So, it can go down below that Rs. 40. Now, if you compare with futures, when I said earlier it is 33%, it is just ballpark figure and it is a conservative figure. But our realization was better at that point in time, that is why we made, I mean we just had 45% or 50% and then it has come down and as we go maybe more and more, it will taper of at Rs. 40 per one lakh, that is the way it is, it cannot go down.

Moderator: Thank you. Due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. P.S. Reddy, MD & CEO, MCX, for his closing comments.

P.S. Reddy: Thanks to all of you for patiently listening to the conversation we had, and so many questions have come. As I said, I myself was disappointed for not being able to do the technology transition. This is something which we have taken it as a challenge and we are committed to make it happen is what our statement is to the investors. This is something which we are driving passionately. Thanks to all of you.

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