

MCX/SEC/2167

December 06, 2022

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.	Nordea Asset Management	November 29, 2022	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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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

P S Reddy
MD & CEO

Encl: As above



“Multi Commodity Exchange of India Limited”

Meeting with Nordea Asset Management

November 29, 2022

Disclaimer:

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This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “should” or “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Participant: Are starting off with really on the big picture side, I mean, there's been so many regulations that have come supportive of driving volumes, not on a commodity exchange. We don't see that sort of volume in the numbers yet, right? So if you sort of tell us the two, three things are there reasons why -- what is needed really to have the volumes sort of come on because regulation seems to be in favor, but something that seems to be missing if you cast run us through the...

Praveen DG: So recent development or related developments, whatever happened. In fact, most of them are in favor of options compared to the like sometime in 2020, peak margin reporting has come. I think it is equally been introduced in the equity market. That has impacted our volumes, particularly the futures volume because leverage what the brokers earlier used to give to their clients, Some brokers not everyone. They use it to use some leverage to their clients for intraday operations.

With the introduction of the peak margin reporting that has completely gone. That means now every broker has to ensure complete collection of the margin upfront before any trade. So no leverage. So it is like a compulsion of bringing in the adequate margins. Second, the commodities market we all know that it operates still very late evening. So given that for any retail individual or a retail client, it is very difficult to bring the margins in between because depending upon the international price movements, always, there could be a possibility that there could be new request for the additional margins because we have different types of margins.

One is related to the volatility based margins. Evening markets are very active. So whenever any spurt in volatility and anything happens, automatically, the margins will also go for a change accordingly. That is one reason the clients retail, they prefer buying the options because you have to just put the premium, that means as a buyer, we just pay the premium and take it and you will not have to get involved into the day-to-day margining actually. -- unlike in writing an option. So some set of market participants, they preferred futures over option -- sorry, options over futures.

And that is the reason you could see there is a tremendous progress that has been witnessed in the options contract compared to the futures. So there has been a marginal drop. Can the question is if you ask, is it cannibalizing into the future? Definitely not, at least only marginal turnover has come down in futures compared to the growth that we have and we have with that options. So that way, it is like a good performance, excellent performance in option compared to a marginal drop that was best in the futures count. So it's not only in terms of turnover, you can even look at the participation, participation of is.

Also, if you look overall exchange level, there has been a growth. And particularly in options, you can see very good growth that has happened in the last two, three quarters. So one reason like I said, it is because of the peak margin reporting. Second, we have a regulation which says that historically, you have to do the stress test analysis. And based on the stress test numbers, you have to look at the adequacy of your settlement guarantee fund. Okay. If at all, any need is there, you have to infuse the capital, and it is only one-way traffic. So once you infuse any capital into that one, you will not be able to take it back. Okay.

So that is one reason why the exchanges all hesitant to put any capital into the settlement guarantee plant. And we all have made a representation to the SEBI also for considering a 2-way movement. That means whenever there is a need, we can ready to put the money into the settlement guarantee and not required, you can take it down. But still, that is not yet happened. And given the current regulations, if you are not increasing the margins, automatically, your stress numbers will go back and you are supposed to bring in the capital and you need to put the capital into the SGF.

So one way what we are managing the things is we are increasing the margins, particularly in case of crude oil and gold, where about the open interest wherever you have a good open interest is there? Because your stress test numbers depends not on the volume, but the open interest. So there, like you can see the margin currently crude oil is more than 30% is there. And when you go near to the expiry 30% margin, more than 30% margin in crude oil. And even natural gas, it is more than 30% and when you go near to the expiry, there is something called pre-expiry margin, that also will be introduced, which is on an incremental basis, it will be introduced like first day 5%, second day, 10% 15%.

That means by the fifth day, it will be another 25% in addition to your 30-plus margin whatever is there. That means your margins will go anywhere between 55% roughly. So which is substantially brings down your leverage, whatever the market otherwise would be enjoying

Participant: Okay?

Praveen DG: So this is one thing really impacting the futures turnover. And some people, because in order to avoid that kind of increase in increased margins and other things, they are preferring to go for options on the buy side, particularly the retail. But Algo and other people, they are comfortable in writing the options and equally participating in the futures because for an Algo to write an option also you required to balance his position in some other asset class. And interestingly, all our products are option on futures.

So ultimately, even devolvement happens at the time of expiry anyone in the money option holder exercises options, you will end up getting any futures contract okay? It is not a cash settled contract. So that way, there is a high amount of inter linkages there between the options and futures. So we see that if more and more growth happens in the...

Participant: Even the option is there a future exposit on.

Praveen DG: That's what I'm telling. The numbers will speak itself more than anything. I'll just give you the numbers. You can see that how the numbers are translating to the. Year-to-date, we have done something around INR 24,000 crores -- okay, INR 24,500 crores in futures compared to INR 26,500 crores in options. And varies like if you see the turnover and lowering options is now more dominating compared to the future. Same thing if you take the corresponding period, the numbers are like INR 27,000 crores in futures and INR 4,600 crores in options.

So from INR 4,600 crores has gone up to INR 26,000 crore and futures, it is a marginal around INR 1,000 crores drop in the turnover. But what we see is once options grow much higher, automatically, it is going to complement the futures contract because option writer, they definitely have to take your position in the futures. But definitely, the fall will not be significant impact that also should just start see growth that is for this -- the way, that is how we are looking at it.

Participant: And what percentage of all over is retail versus corporate or hedge order?

Praveen DG: So currently, hedges while we don't give that kind of -- particularly, we don't view that kind of statistic. But some numbers can give you some light on it, which we are also giving in our investor presentation. Algos happened to be around 50%. Algos, okay. And client trading is about 51%.

Participant: Okay.

Praveen DG: Client trading.

Participant: Algos 50 or 1 point?

Praveen DG: 50.

Participant: 50, okay.

Praveen DG: More than. So don't -- plus less than and it is not going to reach 100. Independently, you have to look at it. So what I'm saying is a clients can also be using the Algo. So Algo percentage also may include the client trading also into that. So independently, if you look at the holistic picture for the exchange level, prop and client. This is one or two segregations we make it. So out of that one client happen to be around 50%.

And so the rest of the business is coming from a prop trading. So that is how the prop versus client. Similarly, Algo and non-Algo again, it can be an equal balance between 50 to 50. Okay, now coming to your question on hedges, we started this exercise, something called similar to commercials court report, what do you see in the global market? But this is purely on a voluntary basis. What a client assumes to be, whether he's considered himself as a commercial or a non-commercial, depending upon that one, we collect the data and we populate it.

But it's not linked to the volume, but it is linked to the open interest because hedges are not interested in volumes. If you look at as a percentage to the volumes, definitely their percentage will not be significant. Their contribution will be more into the open interest. So open interest, what we could able to see is anywhere between 20% to 35% will be the average hedges interest in the overall open interest. But again, depending upon the commodity to commodity, that varies a lot.

Participant: My understanding in terms of profit -- a very clear what we explained in last two or three years how the volumes have played out. So if you look at a little longer period, right, what are the total size of sort of multi exchange rate Indian corporates and retail do? Maybe they do it in LME etc. What is the sort of opportunity that we have not tapped into yet, or what are the sort of size that opportunity?

Praveen DG: One way you, the way you can look at it is multiplier is what has been globally being used. But again, the multipliers will be depending upon market to market like physical market to the futures market. That is one comparison, you can look at it. In India, the access for corporates to access the global market is very limited, not everybody will go and really overseas market. Especially, we have many MSMEs are there who definitely find the global markets very big like if you take the trading lot of LME, it is about 25 metric tons, whether you take aluminum or copper or any other thing compared to you have a 5 metric ton contract in the Indian market.

And there are other costs also for them to go and trade in there. For MSMEs, the liquidity is adequate in Indian market. That is where we are happy to do that well. And maybe the 1 or 2 large corporates basically give who have the setup there also in the global market, they do

But when it comes to the Bullion, the RBI has come out with the regulation saying that the Indian corporates cannot go and hedge on at the overseas market. So because of that one, all the Bullion industry today, it is you completely find them in the domestic market that is because we being the market leader. So that way it is there.

But in other markets, there is no mandatory kind of provision that is being imposed by the RBI. It's more of a voluntary disclosure subject that is being stipulated by the SEBI wherein have being a listed company, they are supposed to make certain disclosures saying that what kind of risk commodity risk they have? And how am I managing my commodity price risk.

So these kind of disclosures, they have to make in their annual reports as part of LODR regulations. But it's not necessary that they have to trade only in Indian market.

Participant: So when did that happen as a regulator move to the gold contracts. Do you give 4 years -- do you expect it to -- which new products or so on?

Praveen DG: No, we don't see it because gold has been taken in a different point of view because we link sometimes current account deficit, and is linked to the gold imports into the country. But it is not the case in case of other metals. We don't see that kind of thing will come up soon.

Participant: But it's hedged or outside, how would it change the current?

Praveen DG: I'm saying they don't want anyone to go and take the money work it out and use it for some other things. As an individual, anyway, I will not be able to go on trade in derivatives globally. But the corporates can go and do it. But gold being heavily getting imported into the country, they wanted to keep certain restrictions into the...

Participant: When we meet companies make cables, etcetera, there are being a lot of copper if metals going every sort of hopefully would need to add something on the other Adhesives have oil a bottler has some other oil, everyone has some requirement -- that's not to get at are these guys hedging it outside? Is this all happening on LME and we don't have that volume. What is the reason why we are a fraction of what we should do?

Praveen DG: The trading costs are very high compared to the global markets. Okay. For example...

Participant: Margin requirements?

Praveen DG: Yes. Trading cost, we have some government taxes like you have a commodity transaction tax, which is equivalent to INR 10 per lakh. So roughly, it is 0.01, 1% which is very high, which is on the sell side. And apart from that one, you have stamp-duty then we have GST.

So what we charge is very less. We charge something around 0.002%. So that way it is comparative lesser. So the regulatory cost is very high. And those kind transaction taxes are not levied anywhere in the world except in Taiwan. There also it is very small portion, is like the percentage is very insignificant. So that way, like trading costs are very high in...

Participant: Effectively, cooperative has the option to either pay here or there, it makes sense to these [inaudible 0:19:39]?

Praveen DG: See, corporate will look at only two aspects. For him, the trading cost is not a big challenge. Because he's not very concern. He's not a daytrader who is going to trade a day in and out. Okay. Once he takes a position, you will hold on the position for a longer period. Second, liquidity. If the only problem that a hedger can face is if suppose I'm not -- I want to take a big bulk. I want to hedge myself in a very big way. Then I may not find the market very liquid enough so that you may have to go overseas and do it.

But especially when you look at the MSME kind of players or it is normally a small player -- they don't see that kind of liquidity challenges on the domestic exchange, because they find a good decent amount of liquidity. The only thing that an Indian exchange may not be able to provide is a very long-dated contract compared to the LME, which can able to offer you some 10 years other contract because here, the contracts may be there, but it may not be liquid to that extent -- but the SMEs and the medium kind of players, they won't mind taking a position and rolling over their position rather than going in the overseas market, playing with the dollar and all those.

So that won't give them any comfort. Big players who are already an importer or exporting the material and other thing. They may start like kind of people are a big companies, they may look for trading the international market, but not a normal type in the value chain.

Participant: It's a bit of a chicken and egg problem, right? We want the first person not comment because there is no liquidity ending?

Praveen DG: That is about liquidity, but liquid can only matter only for a bigger one, I suppose I want to pick up only directly a 25 metric ton contract, where your order book opposites not deep enough, ultimately, there will be a higher impact cost will be there. But if you come to the Indian market, okay, the trading lot is only 5 metric tons. I wanted to pick up a 25 metric ton. I need to pick up 5 contracts. So when I want to go and pick up the 5 contracts, it will impact, because my net impact, our net cost of acquiring could be higher than your -- what you could see in the top line.

So that way, it is like slightly costlier but for the -- like I said, other value participants medium to small, they won't find it a big issue, This is not a discouragement to them -- they feel comfortable in trading in smaller lots.

Participant: Are your contracts all in India would be? Or do you have some...

Praveen DG: Yes all are in Rupee denominated.

Participant: Do you see that like a hurdle for -- companies want to hedge this cost, but for example, importing raw materials paying dollars to the supplier and they will want to hedge it in dollar.

Praveen DG: See, nowadays they -- anyway how the currency forward market is very active and also currency derivatives are outside. If somebody wanted to do it, they can do it. I don't see that one at. Only challenge bigger companies who have a huge production is like long-dated contracts are not liquid enough and you won't find what do you say, depth, market depth, what they are looking...

Participant: Can hedge quite easily you're growing exchange market, but like it's easier if you can hedge directly your commodity exposure in the other instruments you don't have to go to contracts like in the commodity you would be in one instrument, you would be in another.

Praveen DG: That is not an issue, and many of them for many years, they have been trading in the global markets, some of the bigger players. So they have their offices located there in international markets. They can easily connect with. But smaller players will not be able to do that. And up to the mark, there are not too many that kind of big players are there in the market. It is only a few said, it is oligopoly kind of market prevalent in Indian market. So you don't see too many players.

Participant: Specific regulation where you allowed mutual funds -- launch an index where commodity and - - this hasn't been a catalyst for anything. So why are these commodity funds not getting on?

Praveen DG: Currently, 4 to 5 mutual funds are active in the commodity derivatives market. And still, there are certain regulatory hurdles are there. Like I'll give some examples. In the case of gold, the mutual fund can be able to hold the physical material for a period of 180 days.

But in the metals, they cannot hold for more than 30 days, like suppose I have taken a position in the derivative market and I may end up getting a delivery of the or I have to roll over. But if I find that the subsequent contract may not be at the attractive price right now. right now. If that

is the case, my limitation is within 30 days, I'm supposed to dispose of the material that I have received.

So if anybody really wanted to do, it may prefer to square off rather than taking a delivery. So cash and carry kind of arbitrary may not be possible in this...

Participant: You can't square off right?

Praveen DG: Very much you can square off, but I'm saying there is -- because these are all compulsory delivery contracts. So the threat always hangs around that you may end up getting the delivery of that one. But if you get the delivery, you cannot hold it for more than 30 days. And the duration of -- minimum duration of the contract is one month. So immediately has to roll over. So you will not be able to get an opportunity to hold on for a longer period of time and then do a cash and carry, which can give him a better profit, profitability okay?

Similarly, there are some other restrictions out there like in one commodity, they cannot have more than 10%. So there are certain regulations out there, which is not making very attractive these markets. But yes, three four players, they are active. The AMFI is planning to come out with a separate committee, internal committee for commodities because today, they don't have any specific groups, which discusses on various aspects of the commodity derivatives market.

So now AMFI wanted to come with that committee. AMFI is basically an association of mutual funds, okay? They want to set up that. And specifically, they wanted to deliberate on the issues, which are -- which can be acting as the bottleneck for the mutual funds to act -- there are other things because this is cyclical in nature and because somebody will have to take buy and sell depending upon the situation.

But here, mutual funds are allowed only to take on one side, not on the other side, they cannot sell without holding it. Okay. So there are certain restrictions in there. So I can say that the market is been opened up, but one -- the regulator wanted it to go in a very progressive manner rather than going in a big bang kind of measures.

Participant: You only need one big like we sold whatever investors are. That's a deep participant to come into the...

Praveen DG: Yes, that is anyway, but they want in a gradual manner to happen rather than anything to happen in the. We don't want ever because Mutual funds are basically the retail money is going to come into that one. So they are very particular about that fund coming into this one. So they want to open up, but they want to open up in a very progressive way . In very recent development, a lot of the foreign portfolio investors they are allowed in commodity derivatives.

But they allowed them only in the cash settled product to begin with so that way, it is like, okay, now the two cash settled products that are available in the market i.e. crude oil and natural gas. So rest of them are all compulsory delivery contracts. And compulsory delivery contracts, you

have certain GST-related issues out there because you one have to have a registration in each state because multiple delivery centers are there. So those challenges will come into the picture.

Participant: And it may deliver mandatory, we keep the real market and the physical market in the...

Praveen DG: They wanted the markets to be very closely integrate with the physical market...

Participant: Physical and financial market...

Praveen DG: See, generally, proxy hedging happens. Even if you are linking your contracts with, say, London Metal Exchange or some other contracts. prior to the 2019, all our contracts are linked to London Metal Exchange, metal contracts, basically, they were linked to the London Metal Exchange, but subsequently, because of the SEBI regulation, we have to convert them into the physically delivered contracts. So gradually, we have converted from cash to compulsory delivery contracts.

But with compulsory delivery contract, the main challenge is GST -- because when you have multiple delivery centers, GST registration I have to be there in multiple places to handle that particular commodity.

Participant: So are these things on an ongoing basis being addressed...

Praveen DG: GST may take a longer period of time, while we have been -- we made several representations to the government. But here, GST will be taken up both at the state as well as the central government, because certain aspect, how the sharing of GST will happen. So there is certain involvement of state governments are also there in the GST-related.

Participant: And in terms of new metals, are we covered on most parts? Are there any sort of metals is not created MCX...

Praveen DG: So while we are trading, we have applied for aluminum alloy, then steel TMT.

Participant: We apply who?

Praveen DG: We're also looking for electricity, which, again, it is in the pipeline.

Participant: There will be an IEX sort of...

Praveen DG: We have a tie-up with IEX, but CERC, there are joint committee has been created for electricity derivatives. CERC electricity regulator and they come together. They are deliberating on how to roll the contract electricity. But currently, for some reason, they have to come more with the caps in the electricity on the spot price. So given these kind of challenges in the spot market, immediately they don't want to allow the derivative. So that is what is keeping the things delayed.

Participant: So aluminum or electricity and other, which is the pipeline?

Praveen DG: Currently, the focus mainly is on options because we have seen significant growth. So we wanted to roll out more products and options. So we are planning to come out with monthly gold options, which is bimonthly today to reduce the cost of premium in the buyer so that we can expect more volumes to come.

Similarly, all our silver contracts are bimonthly contracts. So we want to there also we wanted to come out with monthly. So futures will remain bimonthly, but options will be monthly contracts. So two contracts will be evolving into one single underlying future contract. That is how the contracts are being designed.

Participant: One thing you mentioned versus LME or other global exchange versus the margin requirements, you said a more conservative -- this is an idea of is at crude is 30% margin you are...

Praveen DG: There, it will be around 10% -- and here, you can see that it goes to 55%. So imagine...

Participant: Transaction costs, how different it is?

Praveen DG: See, while our transaction costs can be equal and more or less slightly maybe higher compared to the global markets. All the regulatory things are in excess to what has been charged in the global market regulatory charges. Regulatory charges, like I said, it is INR 10 per lakh on sell side, that is CTT, Commodity Transaction Tax. Stamp duty is around INR 2 per lakh on the buy side, then GST is around 18%. Okay? These are all regulatory parts which is not there in an...

Participant: We talk pretty much a monopoly in this space. But are there any other exchanges trying to create a segment or a...

Praveen DG: So we all know that now it is -- market has been opened up. Any equity exchange can come and offer the products in the commodity market segment.

Participant: Sir give them an edge that we have registered sort of...

Praveen DG: Currently, the liquidity drives the liquidity, okay? So we -- now it is almost 3, 4 years since NSE, BSE have made their venture into the commodity derivatives market. But our market share is far higher, 96%. So we don't see them as a threat. And they are continuing with the liquidity market enhancement scheme and that NSE continue to waive off the transaction fees. We are levying and recently, recently means, a year back, we have started levying on options prior to that, we were not charging.

But from October 2021, we started levying charges for even options -- so we are independently taking. We are not concerned about any competitive forces.

Participant: And for brokers to register with the exchange, is it difficult to do -- is that a hurdle...

Praveen DG: It is very easy now. It's not complicated that way because broker anyway, you can register through an exchange, but finally, registration also will happen under SEBI level. So once a member is registered with the SEBI easily can become the member of any other exchange,

because it is like common database one can really can take that. So that is not an issue. The only thing is the compliances, which have become very herculean, but the way it is. So the number of trading members always there is -- consolidation is happening because of that kind. Managing these kind of compliances is a challenge for a small broker.

Participant: Do you ensure like compliance or like the trading member like every deal or every contract need and there is no money laundering?

Praveen DG: Cash is not allowed in Indian market. The situation is far tighter as compared to the global market here. Nothing, because the regulations are very tight.

Participant: We move to the cost structure side of it, right? I believe you have your IT systems currently on a variable outsourcing you're paying someone few things and you want to eventually move to your own platform where you're variable cost becomes a fixed cost. Can you just talk about that transition? Do you see in impacts of that when you're having this transaction on volumes and the cost save improvement?

Praveen DG: Cost savings like we already have told in our earlier meetings -- with the TCS, the arrangement is more we have an AMC, which will begin after a year of operation, because initially, there will be some warranty period will be there after that one the AMCs will be there. But it is not linked to the volumes. It is more like a fixed compared to what we had with 63 moons where you have a variable as well as fixed, okay? If we can be able to migrate smoothly which our intent is to go move on to the new platform on or before end of December, that is our planning. We will be avoiding all this kind of variable component.

So that will be a big advantage to us. If our volumes increases -- because otherwise, you have to factor in other aspects also because not only the platform, you also have to buy licenses for various other associated software like White Hat, all those it had sort had another thing. So given that kind of thing, there will be a certain amount of additional costs will be there towards that one. And also your other infrastructure costs. This all there will be like -- you will be having first 5, 6 years, you will be having that amortization and all those things will be there even after you migrating to the new platform. So we see that a big difference can only arise if your volumes goes up.

Participant: On this round-off math you have around currently your software and fixed charges is about INR 95 crores a quarter. Is that sound right? Or you have INR 95 crores a year software charges?

Praveen DG: Software is not that much. It should be around 50 to 60 a year.

Participant: And if this moves to this new contract, how much in the current volume, how much should we save?

Praveen DG: So that number, we are not disclosing it to the market so far. That way it is like it, it will be in the single-digit number.

- Participant:** Even at current volume, you would still be better off paying fixed than the?
- Praveen DG:** In the current volumes even though we may save on this cost but you have other costs are all there like amortization and you have like I said you have to buy other software related associated licenses. So, look in total, you will not, it will not be a big savior for you, but at the current volume, but if you able to graduate yourself to a next level and other thing, you can able to better cut down the cost and you will be able to see it. But in the longer run, if you don't have any variable, I think it is beneficial.
- Participant:** In due to -- I mean this is a big transition, I mean exchange the IT platform is pretty important, right? I mean, are you sort of anticipating some feeding issues? I mean we don't want to, but is it natural to have some feeding issues where someday the exchange is not functioning well or things like that? How do we expect this transition to take place operationally?
- Praveen DG:** So, well, like I said earlier, it is like our objective is to go live with the new platform by end of December. That is our goal. Now, mocks have already been started. We have been doing mocks. So, once parallel runs also will be running. So, after that one will be going Live.
- Participant:** Does this business require any form of fixed assets? Is working capital negative more or less? No. Is there any invested capital in this business?
- Praveen DG:** See, if like if you want to come out with the new ventures like today we had to invest in India international bullion exchange in gift city. All the exchanges and clearing corporations not clearing depositories they have come together and they have set up that entity. So that is in the gift city. So that kind of requirement may arise. So similarly, we are also looking at coming out with a spot exchange for coal. Of course, the regulations are not there, but that could be a requirement that may come up. And the colocation is not allowed in Indian market, Indian commodities market. In equity it is allowed.
- Participant:** No, no, but you said something before that.
- Praveen DG:** Colocation.
- Participant:** No, no, but you said something before that?
- Praveen DG:** Coal, coal.
- Participant:** What about it? What is the point there? I missed it.
- Praveen DG:** So coal, the ministry has to come out with the regulations. Otherwise, we have joined hands with coal junction, metal junction. They are also active in coal auctioning and other activities. So, if regulator and I think they are planning to come out with some set of regulations for developing a coal spot market in India, similar to electricity. So once it is there, we are also very keen to enter into that particular market.

And EGRs is, it is going to be more of a segment, electronic gold receipts. SEBI has come out with the regulations. So if that opens up, I think once after this migration, I think definitely we will look at that particular product also. And then maybe, but platform have to be different, not the same platform cannot be used.

Participant: I have one last question that I can give it to them if I have any questions, but when we look at it from a distance, I mean, you're not just close to understanding the data regulation, etc. If you are to say that if these one or two things happen regulatory, then our business is it's a tremendous tailwind. So what are those one, two big changes that you think would be structural?

Praveen DG: So, one, I think if we can get some dispensation with regard to the SGF settlement guarantee fund, I guess that if it is made two way, then I think definitely we can able to bring down the margins down in our crude oil contract as well as in gold. I think that can really boost up our futures volume. GST is a matter of concern, but we are not expecting anything to come immediately, but if it happens, I think that is again a definitely help in developing the market and it can make the market a pan-Indian one. That is the second regulatory thing. Third is maybe I think even once these FPIs are allowed to participate across the commodities rather than only one.

Participant: So the whole idea of this compulsory delivery, that is not a big deal. If that gets, then mutual funds also have it easier to.?

Praveen DG: Yes, but regulator has taken a stand on it. But what is more concerning is they are not allowing us to come out with multiple variants. Earlier, we used to have a main contract and a mini contract. So both used it to complement each other and both were doing good. But now the rules say that you can have whatever may be the size. You need to have only one contract. You cannot have multiple contracts other than in bullion segment.

So that is what is compelling us to have only one contract. And also it made the contract size very big. Earlier, if you take the case of nickel, we were having something around 250 kg contract and 100 kg contract, which has been increased to 1.5 metric ton contract. So there has been a substantial jump has been taken place in terms of trading unit because of that regulation. But anyway, we've been making a representation to our regulator, allowing, they can allow us to come out with multiple variants, we definitely will take the opportunity. So there has been demand for some metal contracts.

Participant: Last question from your investment income. How much of your revenues are investment income and what kind of projects you invest in?

Praveen DG: Investment income currently, you know that we have strictly governed by some regulations like short-term duration funds only. We will put it and also we are now investing in some state government bonds. That is what we are doing currently which gives slightly a higher interest but that way it is we are very conservative

Participant: This is on your own approval so this is some sort of margin money that you can deploy?

Praveen DG: You are telling any broker --

Participant: Is this some float that you have from client margin effect? Or is this not profit getting the invested -- what are the source the asset side source of...?

Praveen DG: We will multiple, it is like because our -- it is our own funds itself is there.

Participant: Your own cash balance.

Praveen DG: Cash balance is there. Apart from that one, I think the broker funds. But whatever money they are putting in cash because the margins can be made in multiple ways, if not only in cash, you have fixed deposit, you have other ways to do that. So that component cash component is very smaller quantity.

Participant: So you can make a yield on broker deposits also?

Praveen DG: Yes. But I don't have the thing, I thought CFO is there, maybe he can give you a better picture.

Participant: It is very helpful. Thank you so much again. Thank you.