

MCX/SEC/2323

December 01, 2023

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

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

Dear Sir/Madam,

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

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Group Investor Call hosted by UBS Securities with 360 ONE Asset Management Limited, Ashmore Group Plc, Avendus Capital Private Limited, Balyasny Asset Management, BNP Paribas Asset Management, Citadel International Equities, DSP Investment Managers Pvt Ltd., HDFC Asset Mgt Co., Invesco Limited, Max Life Insurance Co Ltd., Mirae Asset Global Investments, Optimas Capital, Polymer Capital Management, Sumitomo Mitsui DS Asset Management, Sundaram Asset Management Company Limited, White Oak Capital Partners Pte Ltd.	November 23, 2023	04:00 PM	<i>Annexure - A</i>

The said transcript is also uploaded on the website of the Company at <https://www.mcxindia.com/investor-relations/ir-meetings>

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Multi Commodity Exchange of India Limited**

**Manisha Thakur**  
**Company Secretary**

*Encl: As above*



“Multi Commodity Exchange of India Limited  
Group Investor meeting facilitated by UBS Securities.”  
November 23, 2023

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**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF  
EXECUTIVE OFFICER – MULTI COMMODITY  
EXCHANGE OF INDIA LIMITED  
MR. PRAVEEN D G – CHIEF RISK OFFICER – MULTI  
COMMODITY EXCHANGE OF INDIA LIMITED**

**Lavanya Tottala:** ...Questions, anyone, if they have questions, please use raise hand option or given that it's a small group, maybe you can unmute and introduce yourselves and go ahead with your question. So, maybe in the meantime, the first question from my side, so, on the new products, you have mentioned in earlier calls also that if weekly is not possible, you can introduce multiple monthly contracts with expiry in each month. So, for this, what kind of approvals we would need and is it still in product stage or how do you think about that?

**P.S. Reddy:** Well, in fact, weekly contracts, as such, are not permitted because a week is less than 11 days. So, under the SECC regulations, it is not a derivative product, okay, anything less than 11 days is spot. So, even when, also when we were talking about a weekly contract, it is an overlapping monthly contract which will expire every week.

So, it's a serial contract is what we were talking about. So, that's something which we will take up with the regulator and we'll see if they can give the dispensation to us.

**Lavanya Tottala:** Okay. So, will this have any impact on the pricing like option premium, so that will impact our transaction fees, like how will this impact the option premium?

**P.S. Reddy:** See, this question was also somebody else's asked, you know, what will happen to the premium? Probably premium will be reduced because that tenor is reduced, but then you have four times expiries in a month. So, to that extent, it will not be worse off.

The only upside is the volume increasing because of this weekly contract. So, the sum of it is definitely more than what we are, I mean, that's what is expected, what we are getting in a monthly contract. That's the way it is.

**Lavanya Tottala:** Okay. Any timeline that we are looking for this, sir, like how we are going to launch these?

**P.S. Reddy:** No, no. I don't talk about launch. I think from our side, the regulatory approvals, whatever applications are required to be done, we will do it in the next maybe two months or so. But thereafter... that's the way it is. We will do our best to make an application.

**Lavanya Tottala:** Okay. So, given that we are talking about regulations, one more question there. So, anything meaningful which could be positive or negative in pipeline or anything which is related because we have seen multiple regulations impacting our volumes over the past decade. So, anything in pipeline which could impact either positively or negatively or anything meaningful that you see?

**P.S. Reddy:** Well, I don't see anything negatively because whatever the current regulatory framework is there, that is a pretty tight regulatory framework in my own assessment, especially from the risk management point of view. So, certain dispensations is what we have sought with regard to the risk management framework. If they come through, then it can only be a positive thing but not negative.

**Lavanya Tottala:** Okay. So, anything specific that we are looking forward to in terms of regulations which could positively impact?

**P.S. Reddy:** Well, as I have already said in the past calls also, in terms of contribution to SGF, it is based on the stress test, what you call scenarios. And so, certain concessions that we have asked them, because it is 40% margins in crude oil, 30% plus in NG, is too --way high from what is happening internationally. Probably in the normal course, if we were to impose the margins on crude oil, it could have been around 16 plus percentage.

And maybe in NG also around that much only. Couldn't have been more. But because the contribution to SGF will go up, if we have to lower the margins, then we have to keep those margins very high. And that is where the business is coming.

**Lavanya Tottala:** Yes. I request participants to unmute themselves and ask a question if they have any. Yes. Patrick, please go ahead.

**Patrick Goodell:** Thanks.

**Lavanya Tottala:** Please introduce yourself before going at the question.

**Patrick Cadell:** Sure. So, it is Patrick Cadell from Ashmore here. I wanted to ask about the new products you are launching in the BULLION segments. What are the key new products and when will these come online? And what stops options volumes in BULLION being as high as what they are in oil and energy in the future?

**P.S. Reddy:** Well, in fact, it is more a push factor in the case of energy where the volumes have moved to the options because high margins in the underlying products in futures. And so, in the case of gold, I think traction is being built. I think one is that the premiums are high in the case of gold, one-month gold, because underlying is a bimonthly contract.

The tenor of the contract itself is. The second one is the contract size itself is large because one kilo bar is almost costing INR60 lakhs, INR61 lakhs. And so, to that extent, the premium will also be high. So, both are restricting participation. And I think the 100-gram gold on which options have been introduced mini, gold mini bars, and that is seeing a good traction. I think we have seen the other day INR850 crores of variety in the mini options. Just see how much it is.

**Patrick Cadell:** Got it. So, are those gold mini options already launched? And are they moving to kind of multiple monthly contracts as well?

**Praveen DG:** I could not get you. Can you come again?

**Patrick Cadell:** When did you launch the mini gold options?

**Praveen DG:** I think it is in FY22-23 we have launched.

**Patrick Goodell:** Okay.

**Praveen DG:** So, it is almost a year. It is more than a year, I think, we have launched it.

**Patrick Cadell:** Got it. And so, what are the new options in gold that you are looking to launch?

**P.S. Reddy:** I do not think we are immediately looking for any new option contracts in gold. And at this point in time, I think we are looking at monthly options on the bi-monthly gold contract. I think that is something which we are looking at launching. So that at least the tenor of...

**Patrick Cadell:** Okay. And what percentage of your trading volume currently comes from retail by discount brokers?

**P.S. Reddy:** See, we have what you call Algo and non-Algo. But we have not so much into retail and non-retail. Okay. And again, the Algo is about 50, I mean, non-Algo is also, you know, 49-50 percentage. Yes. Please give that...

- Praveen DG:** So, the Algo and non-Algo, I will give you the numbers. Whether you take the futures or option, both are about 52% and 53% if you take the last quarter, that means last quarter FY23-24. Okay. That is one breakup that we have given. And we also have provided the data on client trading percentage. So, again, within the client... some of them could be doing the Algo as well. But the client trading percentage is about, again, 52% in futures and 46% or 47% in options.
- P.S. Reddy:** But not necessarily all of them are retail in that sense.
- Praveen DG:** Yes. Not necessarily.
- Patrick Cadell:** Okay. And then, could you give an update on the outlook for electricity futures, power futures being introduced and what regulatory requirements are needed before that comes in?
- P.S. Reddy:** We have made an application almost more than two years ago, I would say. And the regulators, CERC and SEBI has to bless it. And we have not received, although we have been very actively pursuing with regulators. And, of course, no exchange has received it as yet. So, that is the status at this point in time.
- Patrick Cadell:** Got it. And so, what other new products do you think could be drivers of volume over the next year?
- Praveen DG:** So, there are new products already, like what we have said, like steel TMT boards as well as M-Alloys. That is the two products we are looking at besides electricity.
- P.S. Reddy:** Mini contracts in copper and nickel.
- Praveen DG:** Mini and...
- P.S. Reddy:** Subject to approvals, once again.
- Praveen DG:** That is mini and minis in nickel and copper. That is what we are looking at, but all subjected to the regulatory approvals. Besides that, anyway, we are also looking for, like already we have intimated, we are looking for shorter duration option contracts.
- Patrick Cadell:** And that is in oil predominantly on the option side?

**Praveen DG:** You are talking about options, shorter duration options? Yes. That is one. And we can also look for index options also, because SEBI has already allowed index options. It is now we will have to, now we have been waiting for the migration to happen. Now the migration is now completed, so we can look for introducing the index options also.

**Patrick Cadell:** Got it. And on the index option side, could you go to weekly or even daily options there? Because it is still going to be a derivative product, because it is not an underlying.

**Praveen DG:** It is going to be a cash settled product, because even the futures itself is a cash settled product, and options may not be option on futures, because the product can be independent to that of the futures contract, and it can be settled based on the underlying index itself. So going by that logic, it is like, yes, we can think of shorter duration contract, like what we have been seeing in the equity markets.

**Patrick Cadell:** Okay. Because, yes, I think in equity markets, it is the one day or single day futures options, which seem to have the most volume. Do you think the same dynamic could exist in commodities?

**Praveen DG:** So, one day... but at least we will have to first think of some, maybe a week's contract or a fortnightly contract. Subsequently, if the market demand, if there is a demand for it, definitely we can consider that one. But at this point of time, I do not think, definitely we are not looking for a one-day kind of, and again, irrespective of that, like MD has said, it is like, at least it should have a duration of more than 11 days.

So, there will be too many one-day contracts if I am launching one month ahead. So that may not be appropriate to have that many contracts. We can think of a weekly duration contract.

**Patrick Cadell:** Got it. Okay.

**Lavanya Tottala:** Thank you. I request participants to go ahead with questions if there is any from your side. You can unmute and go ahead. So, in the meantime, maybe one of the participants earlier we were talking about institutional participation as well. So now that the transition has happened, so are you seeing any work towards improving institutional participation in commodity market?



**P.S. Reddy:** Well, it is just a little over one month, the transition has happened. I think, you know, translating to a greater degree of participation by institutional investors. But again, institutional investor participation is not so much on account of technology migration. It is more to do with some framework related issues. For example, for mutual funds, there are certain constraints which we have taken up with the regulators. And GST is a constant, you know, is a sore point.

The administration of GST, not anything else, not the percentage of GST as such, but the administration of it is a constant sore point for many, because they have to register at multiple locations, etcetera, etcetera. And I think those are the issues that are required to be addressed. So not so much of the technology. But apart from that, from the FPI point of view, we propose to release a permit Category II FPIs as well as DMA facility also, we want to introduce it shortly. And I think the testing are going on. So once that is done, then we will release it to the market. That is something which I can expect to happen.

**Lavanya Tottala:** Okay. Got it. And on the base metals, earlier we have seen that nickel has seen significant impact because of the commodity price volatility. So how are we seeing or thinking to revamp base metal contribution or anything from our side that we could do to support volumes?

**P.S. Reddy:** As I said that we have applied to the regulator for a smaller contract in nickel. And that will also reduce the contract size as well as give greater degree of leeway for that is to participate. So that is...But then there, the trading unit and delivery unit will be different as the trading unit will be smaller, delivery unit continues to be as I has it used to be earlier. So that is not yet approved. So, if that comes through, probably we will see some traction in that. And on the METLDEX, I think we have removed nickel in that. And now it constitutes of only four metal contracts, metal products. And we are yet to launch it. Otherwise, it was almost giving about INR200 to INR300 crores ADT METLDEX, index of which is contract. So that is another thing we will propose to introduce. We will do that.

**Lavanya Tottala:** Got it. I request participants to raise your hand in case you have any questions, or you can unmute yourself and go ahead with the question. Yes, Rohit, please go ahead with the question.

- Rohit:** Hi, sir. Continuing on this index options. So, in terms of the launch of index options, how far are we? How much time will it take? And what are the steps for that?
- P.S. Reddy:** See, currently we have only BULLDEX is doing well. And of course, the underlying ADT is about INR80 crores to INR100 crores on a day-to-day basis.
- Praveen DG:** It is about...
- P.S. Reddy:** How much?
- Praveen DG:** INR20 crores to INR30 crores.
- P.S. Reddy:** Now it has come down.
- Praveen DG:** Right. Now it has come down.
- P.S. Reddy:** So that is... So we have to apply to SEBI and regulator has to approve it. Then only we can launch. Launch doesn't take much time. But regulatory approvals may take time.
- Rohit:** Sir, in your experience, the regulatory approvals take about something like three to six months period or even longer than that?
- P.S. Reddy:** Well, earlier, it depends on the product to product. Maybe a calendar approval, that is existing product launches. We apply to the calendar approvals and that comes through early, maybe in a month's time. But new products take a little more longer time.
- Praveen DG:** Sir, here the guidelines are there, but this is going to be the first product to be approved. So that is where it is very difficult to say that what kind of aspects the regulator would be looking at. So once the precedence is set, then I think generally it wouldn't be taking much time in getting approvals. So this is going to set some precedence. So of course, since guidelines are there, we are positive about it.
- Rohit:** Thanks, sir. In terms of your term, your term is coming up for renewal. Are you going to seek a renewal of your term, or will we see a change at the top?
- P.S. Reddy:** I think it's a personal choice of it. I would not want to talk anything about that. But for me, the process is the same. I think as an exchange, we have to

advertise, which will happen in maybe the coming week or so. And that advertisement, anybody can apply. And as for the regulations, a MD is eligible to apply – MD should not be more than 65 years of age. And number two, no MD can continue for more than 10 years in an MII. So, keeping that in view, these two conditions, of course, I am eligible. And advertisement will come we'll see what it is. My term is coming May, sometime 9th May or so next year. Yes.

**Rohit:** Yes.

**Lavanya Tottala:** Any other questions from you, Rohit?

**Rohit:** No, that's all. Thanks Lavanya.

**Lavanya Tottala:** Yes. Thank you.

**Kapil:** Can I ask a question?

**Lavanya Tottala:** Yes, sir. Please go ahead.

**Kapil:** Kapil here from UBS. So, my question is, do you track the nature of the transactions that are happening on your platform? So, two or three cuts on this. Firstly, how much of the business that you transacted, let's say in the last three months, came from repeat customers and how much came from new customers?

**P.S. Reddy:** See, last year we had 4,25,000 customers for their last year. And this year, one minute, this 4,70,000 customers and this year, 2022-23, we had 6,21,000 customers. So, the incrementally is completely new customers that we have.

**Kapil:** And so I'm just curious to understand, like, the new customers, are they equally active as the old customers or they take time to kind of ramp up?

**P.S. Reddy:** When we talk about the new customers, only those ones who have traded only we count. Those who have registered, that turns into a few lakhs. So that's not material. We don't take that into consideration.

**Kapil:** Right. And is there a ballpark number, sir, which we can kind of leverage off that, this much of the business come from new customers for you, like 20%, 25% roughly?

- P.S. Reddy:** You speak... Go ahead.
- Praveen DG:** So roughly you can say, while how much they contribute, we may not be knowing, but roughly out of the total trading -- traded clients, they would be about 40%, roughly I'm saying.
- Kapil:** Understood. The second question I wanted to ask you was, do you do channel checks with your customers? How much of the volume that they are transacting is for hedging purposes and how much of it is speculative?
- P.S. Reddy:** Well, see, anybody who is doing hedging has to disclose it to the exchange and that is anyway disclosed on the exchange website also. The value chain participants, that's how it comes basically. So that's already available on the website. So, some of them may be hedging, yet they don't disclose it. They may not be doing it for whatever reasons best known to them. But it's voluntary. There's no other way that we can come to know.
- Praveen DG:** It is always very difficult to say that. A hedger can be speculating, okay. Or a speculator can be really, indeed, he may be having a position in the underlying commodity, and he may be hedging. So as long as he is going to make a right disclosure and he is going to tell us, then I think it is going to get captured in the report what we have been publishing to the market. Like what is their contribution to the overall open interest.
- Kapil:** Got it. Third question. So, energy sector dominates your business. Do you have a strategy to take this lower over the years? How much would you eventually want this to be as a part of your overall business?
- P.S. Reddy:** Our strategy is to ramp up other products such that the dominance is what you call, modulated. And I think various product launches that we are proposing to do should help us. But again, there's no reason why we should bring down if some product is contributing more. Maybe it all depends on the volatility in a particular product. And sometimes it is crude, energy, sometimes it's gold, sometimes silver. Be that so, it doesn't matter to us. So that's a -- and these two happen to be cash settled contracts, that's why the participation also happens to be much larger as compared to others.
- And that is the intrinsic characteristic of that product. That we can't change it. So, while we increase the volumes in other products, try to bring in a greater

degree of diversity. I don't see anything wrong in this product contributing a larger pie to the total overall business.

**Kapil:** Understood. And last one from me. So, your new platform, what's been the learnings from this in the last month or so? Essentially, is this playing out exactly as you had thought or along the way you are kind of making changes or adjustments to this?

**P.S. Reddy:** Well, while the functionality that we have asked has been rolled out, and it is functioning. But stability is still being achieved. As we go along, it's getting more and more stable. And the sporadic observations that we are getting from some random members are also getting addressed. And maybe it is due to the setup issue at their end, or maybe it is not meeting certain expectations of the member. Maybe sometimes clarifications are needed.

And sometimes it is the files getting generated are also getting late sometimes. And all that is falling in place as we go along. We should be able to improve further upon. But having said this, we have not had any, in the last one and a half months, we have not had any, what to call, failure of the system, mishap. And trading is starting on at dot 9 o'clock and ending whatever is the time, 12.30, 12 o'clock or 11.30. So, that's the way it is.

**Kapil:** Very good, perfect, sir, all the best and hope for the volumes continue to surge. Thank you.

**Lavanya Tottala:** Thank you. So, we have last five minutes to 10 minutes. If participants have any questions, I request to unmute and go ahead with the question. Yes. All right so, I think I'll just take this opportunity and I'll take up the last question, sir. So, Salil, go ahead.

**Salil:** Sir, any change in behavior customer mix on launch of new platform in terms of algo and non-algo? In any sense?

**P.S. Reddy:** No, absolutely nothing.

**Salil:** Okay. Could you have seen any...

**P.S. Reddy:** In fact, if you see the latency numbers, latency has improved in the new system. We are also displaying on the website the latency numbers as against the old

system. Now, you get about at 80 percentile, you get about 350, 360 or something of that kind in that range, as against 500 and odd, 540, 580 kind of range on the previous system. So, I think latency numbers did improve, no doubt about it.

**Salil:** Got it, sir. Great. That's great, sir. Sir, it's a repetitive question, but if I can ask you to little summarize on what are the products you have approval and you'll be able to launch. I assume that if the product which you have approval would not require a lot of time, so maybe two months, three months, if correct me if I'm wrong, and the products where you will be seeking the approval in next, let's say, three months, six months, you intend to seek approval. Can you summarize that, sir?

**P.S. Reddy:** Yes. We have steel long bars contract. We have TMT bars; approval is already in place. And we have a gold monthly options contract also. We had, but we have applied for renewal. And these are the two things that we have. But then there are other contracts where we have already applied. So, there's, again, no issue. What we will apply is the serial contract, which we said weekly, that we will apply for it. And that's the one we have to apply. Otherwise, all other contracts we have already applied.

**Salil:** Okay.

**P.S. Reddy:** Like electrics, aluminum alloy, and, copper-mini, nickel-mini, all that has been applied.

**Salil:** Right. So, sir, in this, when you apply, is there a two-and-fro of the exchange - From the SEBI, or is it just like you just need to wait for the approval? Or is it they need certain more information requirement? Is there a communication continues or just the approval comes? How does it work?

**P.S. Reddy:** If they need any, if they have any doubt, or if there is any additional information needed, they ask us.

**Praveen DG:** While applying, we have to apply in a prescribed format and giving all the details. Because SEBI has already provided a format in which we have to apply. Okay. And, we have to go through certain procedures, like internally we have ROC. First, we have to take it to our product advisory committee. Subsequently, to ROC, then we can able to submit to the regulator. So, those

are there. But after that, it is, that kind of discussion will get initiated, and it will go till they get satisfied. Then only they will be giving us approval on that product.

**Salil:** Got it, sir. We have also applied for electricity derivatives, right?

**Praveen DG:** Long time back, we have applied. Almost two years back we have applied.

**Salil:** All right, sir. Understood. Yes, that is it from my side. Thank you so much.

**Lavanya Tottala:** Thank you. Sir, maybe if I can ask one last question, sir. So, if we do not track retail participation, but if retail participation continues to increase with the launch of options or shorter duration options, do you see any regulatory intervention because of higher retail participation, anything like that?

**P.S. Reddy:** See, as I have been telling and, the equity markets are investment markets and these are, risk management markets, commodity markets. The platform is meant for that. Now, retail participation, yes, is welcome. Retail or otherwise, some degree of speculation is needed. Otherwise, liquidity will not be provided and only hedgers were to meet, then they will not be able to get at the right time, right price without liquidity. That is why we need retail participation.

Now, the retail participation or otherwise, the concern flows from the, what you call, the security of the market or the risk management at the market. I think now we are doing risk management right from the client level to the trading member and at various levels, then, what you call, the collaterals are monitored. Allocation of collaterals takes place throughout the day, back and forth, depending on the requirement.

And I don't think we see any problem. But the only expectation is when the client is getting onboarded, members should necessarily, before onboarding, educate the investor as to the risks involved in this derivatives market and whether he has a risk-bearing capacity or not. If he is risk-averse, probably they should tell them to look at some other safer investments or safer markets.

So, that is something which we expect the members to do, that kind of due diligence. But otherwise, they should not, they are anyway doing it in equities.

**Lavanya Tottala:** Got it. Thank you. Thank you so much, sir. Thanks for your time.

- Kapil:** Just one last clarification I wanted to, if you can squeeze this one in. Is there any expectation of any compensation for the delay in the launch of the new platform?
- P.S. Reddy:** Compensation from whom?
- Kapil:** From the vendor who basically took so much time?
- P.S. Reddy:** So, there are clauses in the agreement and, subject to that, we can invoke. But then, you will get only so much. Obviously, not INR250 crores that we have paid to the vendor. That is, obviously, it will not be.
- Kapil:** Sure. Thank you.
- Lavanya Tottala:** Thank you. Thank you, everyone. And thank you, sir, for your time. Thanks a lot for giving us this opportunity.
- P.S. Reddy:** Thank you.
- Lavanya Tottala:** Thank you.