

MCX/SEC/2344

February 19, 2024

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

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the “Earnings Conference Call” with investor(s)/analyst(s) on Q3 FY-2024 results.

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on Monday, February 12, 2024 at 16.00 p.m. (IST) on Q3 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.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 Thakur
Company Secretary

Encl.: As above



“Multi Commodity Exchange of India Limited
Q3 FY'24 Earnings Conference Call”
February 12, 2024

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MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER -- MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. MANOJ JAIN -- CHIEF OPERATING OFFICER -- MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. SATYAJEET BOLAR -- CHIEF FINANCIAL OFFICER -- MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN DG -- CHIEF RISK OFFICER -- MULTI COMMODITY EXCHANGE OF INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Multi Commodity Exchange of India Q3 FY '24 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. Satyajee Bolar, Chief Financial Officer, MCX; Praveen DG, 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

P S Reddy: Thank you. Good evening, all of you. Welcome to the Q3 investor call. And the quarter has been done, I mean, has concluded as we expected. I think as you all know, we have announced also last time itself, the two quarters that is, the September ending, as well as the December ending has completely consumed by the technology costs. I think now this current quarter is free of any such backlogs or any kind of such heavy items.

And instantly, as I see, I think in this year itself, we have absorbed, thanks to the markets which have helped us, the entire technology exceptional item that has taken place, of the incident that has taken place on account of the technology, what are payment that we have made to the vendor. I think now going forward, we surely will be looking at more stable costs and as I have already explained in the past also, the costs are going to be by-and-large, not linked to the -- technology costs will not be linked to the turnover. It will be more or less on the lines that we have anticipated. I will not take much time and I think I will let the room be open for questions. Thank you.

Moderator: The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, hi. Good evening everyone. Sir, firstly, if you could now spell out or give some indications on what could be the technology cost, say, you had mentioned earlier that it will be -- you wouldn't have AMC cost in the first year. But what would be the AMC cost roughly approximately from year two and when does it start kicking in into our P&L? And secondly, are we getting anything from TCS in terms of any recovery of delayed delivery? That will be my first question.

P S Reddy: Okay. I think although we have commissioned it, but we should not be disclosing because of the contractual obligations. So I may not be able to tell you exactly what the AMC is. But yes, it kicks in from October 16 onwards next -- this 24th of this year from October onwards. So that's one part of it.

And on the TCS, yes, that they are still included, the post go-live activities are also there, some functionalities we kept pending. And I think a call will be taken appropriately. But that will not be a huge amount... that we will be able to recover a substantial part of it for what we paid to 63 Moons, our previous vendor from this.

Prayesh Jain: Sir, can you give us the amount capitalized for the software cost now it would have been there in your balance sheet, right?

P S Reddy: Right. That's right.

Prayesh Jain: So, could you give that amount, at least, the capitalized amount?

P S Reddy: CFO will be able to...

Satyajeet Bolar: I think last time when we discussed this in the call, so we had said it would be in the range of INR225 crores. So it's actually around INR237 crores that we have capitalized. This includes the software, as well as the ecosystem that is the servers, networking equipment and also operating and application software...

Prayesh Jain: Got that. Sir, secondly, on the FPI direct market access that we have started, could you spell out as to whether we started for both institutions, as well as the individual FPIs? And secondly, for institutional FPIs, what really do we offer or what advantages do they really have to kind of do volumes in India as compared to globally, where they would be doing much higher volumes? And what according to you is the potential if they do -- if the volumes really scale up in India? That would be my last question.

P S Reddy: Okay. See, this FPI Category I is what is currently permitted and that's where the DMA facility has also been enabled. FPI II will also be in the pipeline. I think testing is happening. And once FPI II is permitted, then they will also be eligible to trade on the -- I mean, using the DMA facility. And anyway, DMA has been introduced just a few days ago, maybe a week or 10, not long ago. I think that is done.

Then why FPIs participate here? And as I have also said in the past that the price movement need not be the uniform across the globe, there could be differences.

Similarly, our contracts are what we call rupee denominated as against the other contracts wherever it is getting traded. And third, which is important -- equally important is, there's a far month calendar spread may be different in different markets. So that will also incentivize the market participants to trade and that is not only for them and it's for other players also. So, I think there are opportunities. That's the way it is.

Prayesh Jain: Just to this clarification of FPI II, you're saying SEBI has not permitted yet?

P S Reddy: No, no. It is permitted, we are under testing. We are testing.

Prayesh Jain: But when do you think you would be able to launch the FPI II?

P S Reddy: We should be able to do it in this quarter definitely.

Prayesh Jain: Okay. And what is the potential that you think for FPIs?

P S Reddy: Well, that I will not be able to comment on it, that I will not be able to comment on it.

Prayesh Jain: Okay. Just last data keeping question on what would be the breakup of revenues between options and futures, firstly, transaction and non-transaction and then in the transaction segment, futures and options?

P S Reddy: Yes. One minute.

Satyajeet Bolar: The total transaction charges that we earned during the quarter was INR156 crores, INR55 crores is from futures and INR101 crores from options.

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

Sanketh Godha: Thank you for the opportunity. This is Sanketh Godha. Sir, on TCS costs which you have capitalized, what is the likely amortization period, you will take in to your numbers? I just wanted to understand the yearly amortization coming to -- come from INR237 crores?

Satyajeet Bolar: Yes. So, part -- there are different components to it. So, the hardware would be -- the servers would be amortized over a period of five years. networking equipment over a period of 5 years and the hard core the platform, we are capital amortizing it over a period of 10 years. So, there are different components accordingly, as per -- so there will be different -- time periods would be different for each category.

- Sanketh Godha:** Then out of the INR237 crores, can you break up that cost into platform and others?
- Satyajeet Bolar:** It would be a bit difficult because as MD said, that then we'll be mentioning that amount that of the TCS amount, so I won't be able to announce it.
- Sanketh Godha:** Got it. Okay, sir. Not a problem. And the second question is on SGF contribution. See, last quarter, you contributed around INR11 crores, now it is INR13 crores, is it a capture or the open interest has increased materially and that is leading to increase in the SGF contribution? And how do we see this trend going ahead, because last quarter, you mentioned that our peak open interest was somewhere around INR42,000 crores, so now I just wanted to understand what was the number in the current quarter? And this incrementally largely because of the open interest or is the catch up basically, sorry?
- P S Reddy:** Well, there are 2, I would say, the variables, when I say up to 2 factors that gets... One is, of course, open interest. That is the ultimate thing. Now how -- based on the open interest, there are some stress test calculations that take place. Now those calculations may undergo change depending on our representation being approved by the regulator, the very assessment of the stress test results.
- The second thing is that apart from the contribution by the exchange and others, the members also are supposed to contribute as per the SEBI circular, now supposed to be in the sense the exchanges have -- it has been left to the exchanges to seek or not to seek. Because it's a competitive regime, nobody else is collecting. So obviously, we couldn't have collected.
- So, if this is made mandatory by the speculator to have it collected from members also, then 25% of it whatever is determine based out of these stress test results will be contributed by them. So, at this point in time, these are the 2 uncertainties. Now having said this, yes, we have touched our highest what you call, the open interest in this quarter also.
- Sanketh Godha:** What was that number, sir, compared to last quarter, INR42,000, INR43,000 crores you mentioned?
- P S Reddy:** About INR50,000 crores because that's already open -- published on the exchanges.
- Sanketh Godha:** And the reason I'm asking is that these INR13 crores...

P S Reddy: INR50,000 crores plus.

Sanketh Godha: Okay. And the reason I'm asking, sir, is that the INR13 crores is largely because members did not contribute, and then you made on their behalf a contribution, that's the way I need to understand it, right, sir? Not from...

P S Reddy: Not like that. See, if there's a INR100 crores contribution is required, exchanges to necessarily contribute INR25 crores. CC has to clearly and externally contribute INR50 crores. And if we have been collecting from the members, INR25 crores would have come from members. Since members are not contributing, the CC is contributing 75%. So that is the formula all the time.

Sanketh Godha: The reason I'm asking is, sir, that is this INR13 crores kind of a run rate will continue going ahead also or it's done now?

P S Reddy: Not necessarily, not necessarily, because as I said, there will be -- the SEBI also has permitted the exchanges to consider whether the spot prices or I mean, take the spot prices or future prices. And future prices are more, what should I say, transparently determined in a platform, whereas spot prices are polled spot prices. So, this is the difference. So, if that is also undergoes a change, then probably whichever is -- I mean, which are not whichever reason, once you decide to choose one stream, then you will follow that whatever are the prices that are determined in the future that will be considered.

Maybe that may be another way that may reduce the, what we call, the requirement, obligations on the exchange. But not a substantial difference it's going to make, but *unnnes bees ka farak toh padega*, that's all.

Sanketh Godha: Okay. So, then we can consider safely that this is a recurring cost, which will be there in your P&L going ahead also? Maybe amount will change, but it will be a recurring cost in your P&L?

P S Reddy: If -- It's good to have a problem, that's the way I really look at it because there's open interest increasing means more and more people are looking at this platform, depth is going to increase, and stickiness is increasing. That's the way to look at it.

Sanketh Godha: Got it, sir. And lastly, on new product launches, we launched Steel. And any update on weekly expiry -- sorry, monthly expiry, gold options? Any pipeline, if you can

highlight, electricity derivatives, any highlight -- anything you want to highlight on new product launches?

P S Reddy: Well, the option on mini natural gas and crude oil futures, I think we have got the approvals and probably we will be launching them shortly. And again, each time we launch, we are testing it to make sure that everything is in order. So once that is done, that will be launched. That is option on mini contracts of crude and LNG.

The second thing is on the gold, that we are not immediately considering. While the testing is going on, but we would like to give some time more for that. And on the other one, the electricity futures, we had to get an approval for that.

Sanketh Godha: Okay, sir. And lastly, on your role, whether you are reapplying for the MD's role, sir? Or how is it -- I just wanted to understand that part.

P S Reddy: Well, while it is individual choice, probably this is not the right time to answer. That's the way I would like to put it. As of now, my term ends on 9th of May.

Sanketh Godha: Yes, it's just 2 months away. So that's why I'm thinking whether you have made up the mind to apply again or -- okay sir, if you do not want to answer, that's fine. That's it for my side.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Sir, to continue on the launches in terms of the products that you have mentioned, so specifically, so last time, you said that weekly -- not exactly weekly, but mostly a series contract is possible, and we are going to apply with the regulator for that.

And also on the index side, we can launch the index options. So, where we are exactly in terms of the application with the regulator and in terms of timelines for the launch of weekly and the index options?

P S Reddy: Well, that is still work in progress on the index options and other products, serial contracts. As I said, we need to bite as much as you can chew. And at this point in time, these are the 2 products which are very promising. That's what I look at it, which we are going to start launching shortly. Once that is done, probably parallel work is going on, on the other products which you have spoken. But these are the two ones which we would like to make them happen, because each product, we have to engage actively

with the members and if we simultaneously launch so many products, I think members will also so you tell me what is that I should work on or concentrate on. So, I think that's a challenge which we face also. Ecosystem being the same, we need to focus on, one, make it successful one-by-one or maybe max one two. We are working on this on those lines.

Amit Chandra: No, sir. But in terms of the time line, sir, so maybe if you can throw some light that once you apply with SEBI, then SEBI will approve, then again you will go back to SEBI with the specification of the product, and then it will then get approved in terms of specification of the specific contract and the whole process will at least take 6 months at least to get along or is it a shorter timeline?

P S Reddy: Maybe about 3 months is what I would like to say, 3 to 4 months, maximum should be, in the usual course.

Amit Chandra: And sir, secondly, on the SGF thing, you said that it's like difficult to predict the SGF amount. The SGF has been growing and the regulators also told most of the exchanges to at least double the SGF contribution that they have. But based on what understanding we have is that SGF is not determined in terms of volume, but in terms of the concentration of the single client concentration, the volatility and the maximum laws that can happen at the single member level, so based on that, the SGF is decided. So, in our case, is it safe to assume that SGF can somewhere be around 5% of the revenues, that is what we see in terms of the contribution, or it can be higher? And, I don't know if you can also share the concentration number in terms of what is the top 10 contribution in terms of members, especially in options?

P S Reddy: Okay... So the -- what I was telling is SGF competition is based on the top two member's exposure or 50% of the total market member's exposure. So our exposure or stress test results are based on the 50% not by the top two members that is -- so we are looking at that kind of scenario, where if 50% of the member's exposure has to be liquidated in what we call in a graded manner and how much time it will take, and what would be the extreme losses that can happen is what we have been looking at and accordingly providing for, this year.

So, it's not that our SGF is any less. In fact, ours is stringent as against the equity exchanges that also we have pointed out to the regulators how it is being calculated. Having said that, the -- you're saying that the top 10 members make the difference. But

here, it's not the top 10 traders. Traders, they don't keep the open interest as much as the others keep it. And we have top 10 members who keep the open interest are not the same as the top 10 players who happen to be algo players. So that's what it is.

Amit Chandra: Okay. And some clarification on the cost side. So, on the software support services. So, in this quarter, INR146 crores, excluding the INR125 crores that we paid, it's around INR21 crores, that is the additional amount that is there, which was around INR9.5 crores last quarter. So, is it fair to assume that this INR21 crores would be the steady state or there is some one-offs in this in terms of related to the rollout of the platform?

And also -- and for the depreciation amount, the depreciation that we have reported this quarter, will it be similar -- like will it be in a similar range, or we can see the depreciation to be higher because it got implemented 16 October, so it is from 16th October, we have taken?

Satyajeet Bolar: Amit, the line includes software charges plus a license fee. So, this amount also includes the amount that we pay to CME, right? So please keep that in mind, right? And also on the depreciation part, as you rightly said that we have gone live from 16th of October. So, we'll have to make slight variation for the full quarter going forward.

Amit Chandra: Yes. But the license fees that we pay is around INR5 crores a quarter, sir?

Satyajeet Bolar: No, no, it's not INR5 crores a quarter. We have gone substantially on -- see...

P S Reddy: There's a fixed component. And irrespective of the turnover you have to pay a fixed component. And if the turnover goes beyond that percentage -- threshold limit, then obviously, you end up paying turnover linked fee to CME. So that's how our turnovers have gone up substantially. That's how the -- we end up paying more to CME.

Amit Chandra: Okay. So, what would be the percentage that we pay to CME in terms of that's linked to the turnover roughly?

Satyajeet Bolar: That is -- there's a fixed component plus 10% of what we earn.

P S Reddy: Not a plus what okay... up to let some x percentage of volume, then the INR10 crores, INR10 crores or INR14 crores or USD2 million is consumed. And beyond that, only the ad valorem will kick in.

Moderator: The next question is from the line of Chintan Sheth from Grik Capital. Please go ahead.

Chintan Sheth: Sir, on new product launches, you mentioned a couple of them. But anything related to index launch, which we were planning to do multiple monthly contracts, which will look like a weekly expiries that we are planning that we were planning, what can we expect from here on?

P S Reddy: So that's what I explained in the previous question also it's called a serial contracts. So, we are not as yet has yet launched or anything of this kind at this point in time. And we are -- that's work in progress as of now. But what we have done, wherever we are getting approvals from SEBI and one-by-one we are launching. And because we can't wait also or keep it in cold storage for long, otherwise, they will also expire. So that at this point in time, we have crude, NG and the natural gas, crude and NG options on mini contracts we have. That's what we are planning to launch. And these two, we will be immediately taking up at this point in time.

Chintan Sheth: Okay. But if you look at futures mini contracts, they have not had enough debt or enough ADTOs, does it make sense for option mini to -- on debt future contract, can - - does it make sense for us?

P S Reddy: It does, because if you see now also crude mini and then crude mini options there's a huge gap between the two. But I think that's how it happens.

Chintan Sheth: Right. Okay. Got it. And SGF, if we look at the total outstanding, the quarterly data, which we provide, which is around INR759 crores as of December quarter. The incremental increase in -- sequential increase in the SGF is higher. I'm trying to still understand how should we look at, because earlier, the quarterly total core SGF fund, which we were holding in our balance sheet, the incremental increase was INR16 or INR15 crores quarterly, which has sharply increased to... crores to last couple of quarters. That is largely driven by the options? Or how should we look at it? If you can explain this aspect?

P S Reddy: One is options and other is the silver also, where each product also their open interest are increasing. They may not contribute so much to ADT, but then the -- if open interest increases in that product, then automatically more SGF requirement triggers in. So, options is one, but then in the case of silver and gold, options are also picking up and open interest is increasing it.

Having said that, if the requirements are increasing in the last 2 quarters, you are talking about, yes, it's on account of options in crude. Crude and NG. And we should not be

counting the INR190 crores, which is penalties in the SGF contribution because whenever we calculate minimum required corpus, we keep it outside that requirement and the SGF contribution gets triggered in, based on the remaining amount.

So, for example, in the month of December, it's INR562 crores, that was the requirement. And so, as a result of which, we had to contribute INR13 crores. And additionally, maybe I know 3x more is being contributed by the clearing corporation. And together, it is contributed about INR562 crores has been contributed by all of us.

Chintan Sheth: Of which our part is INR13 crores for the quarter?

P S Reddy: Yes, yes. But actually, requirement is for INR562 crores only. So, although we had INR759 crores, that's not the INR192 crores representation.

Chintan Sheth: Right. Got it. It also includes element of penalties and interest, core is INR562 crores that you are saying?

P S Reddy: Yes.

Chintan Sheth: Okay. Got it. And lastly, on the other opex, if we look at absolute basis also it's increasing. If you can indicate, because it was a few quarters back, it was in the run rate of INR20-odd crores, INR15-20-odd crores, and right now, that is tracking slightly higher. If you can also help us understand that part?

So earlier, it was INR8-12 crores. I'm including this computer and technology INR7-odd crores, INR8 crores cost that I'm including in the other opex to combine it. So earlier, it was around INR20-odd crores, now it is INR30 crores. So how should we look at it?

Satyajeet Bolar: If you added. But during the quarter, what happened is, as you know, one is our -- this also includes our CSR expenses. So, our new subsidy, they -- generally, what we do is that we booked the CSR expenses on a quarterly basis. It is divided over the year and proportionately over each quarter. But whatever wholly own subsidy does is that they account for it when they make the payment.

So, during the quarter, they have released a payment to the Prime Minister's National Relief Fund. So that's why it has been accounted. And there are no material changes, only thing is that we had during this a lot of traveling -- there were some traveling expenses that we incurred because of Investor Awareness Program. That is the only

additional expense that has come in. Others have been more or less flat if you compare it with September.

Chintan Sheth: Right. Okay. And we have not so far seen OI increasing beyond December level or third quarter level for which we need to incur additional SGF as of now?

P S Reddy: No, I think, as I said, in this current quarter, the OI has gone up across INR50,000 crores. So, we don't know where it will go. But as I said, it's good to have a problem. And again, we are toying with the idea of contributing more to SGF and forego our interest and then reduce the margins, then probably the trading will increase and then that we compensate as more than the revenue loss on account of interest. So, these are all the issues that we are discussing. Let's see what happens.

Moderator: The next question is from the line of Parth Agarwal from Bastion Research. Please go ahead.

Parth Agarwal: I have one data keeping question.

Moderator: Sorry to interrupt, sir. May I request you to use your handset, sir? Your audio quality is not clear, sir.

Parth Agarwal: Okay. Can you help me just reconcile one difference in your presentation that is on Page number 6 -- 5 and 6 in the ADTO data. So, as per page number 5, your ADTO in future is around INR20,796 crores, whereas in the Page number 6, where you actually shared the breakup, that number is INR20,471. I'm not able to reconcile the difference.

Praveen DG: Which chart you're referring to, can you come again? On the 5th page?

Parth Agarwal: On the 5th Page, if you refer to average daily turnover of futures, which is INR20,796 crores for quarter 3 FY'24. Correct?

Praveen DG: FY'24, it is showing INR23,021. Is that the one you're referring to?

Parth Agarwal: No, Quarter 3 FY'24, INR20,796 crores.

Praveen DG: Okay. 27 for the quarter, okay.

Parth Agarwal: And if I refer to Slide number 6, quarter 3 FY'23-'24, if I look at the total, the second table basically, for the futures one, it is INR20,471 crores.

- Praveen DG:** Okay. That is, I think, probably because of inclusion and exclusion of Muhurat trading days as part of the calculations.
- Parth Agarwal:** So, the slide 6, does it include Muhurat trading, or it excludes Muhurat trading?
- Praveen DG:** The one which is -- the higher side is excluding the Muhurat trading day.
- Parth Agarwal:** Higher one includes Muhurat trading day.
- Praveen DG:** Yes.
- Parth Agarwal:** Okay. Got it. So, another question is, so I understand that you -- as per your contract don't want to reveal the maintenance costs. But can you help us with the range projects between INR5 crores to INR10 crores per quarter? Or is it less than INR5 crores per quarter? Anything on that?
- P S Reddy:** I don't think that's correct, no? I mean that also gives -- we will be doing injustice to the contract, especially the confidentiality that we have to maintain as per the contract. That's not correct. I think it will be unfolding it as we go along. It will be unfolding as we go along. It's only a matter of 2, 3 more quarters. Once we come through October, you will come to know of it.
- Parth Agarwal:** Okay. Got it. And also, sir on the INR237 crores of software costs that you've capitalized, can you just help me with that -- for that INR237 crores, I understand that depreciation would be for 5 to 10 years, depending on the different breakup. I don't want to know the breakup. I just want to know how much would be the additional depreciation cost because of this capitalization.
- Satyajeet Bolar:** It would be in the range of around INR30 crores to INR35 crores.
- Parth Agarwal:** Annually, right?
- Satyajeet Bolar:** Yes.
- Moderator:** The next question is from the line of Shreyash Jain from Electrum PMS. Please go ahead.
- Shreyash Jain:** Most of my questions have been answered. I have a few questions, like, can you just give the breakup of the float income and the other income as well for this quarter?

Satyajeet Bolar: So, during the quarter, our Clearing Corporation has earned around INR26 crores. Basically, as on 31st December, we had a Clearing Corporation at a float of around INR873 crores based on which they were INR26 crores. So that is part of our operating income. And our own treasury income is around INR16 crores for the quarter.

Because we have invested in all... and we've locked in long term in state development loan papers as well as in target maturity plans. So, it's around INR16 crores. We don't have any -- hardly any loose cash, just a liquid, what we collect on a CTT and transaction charges. This is all long term.

P S Reddy: We had also locked in the perpetual bonds.

Shreyash Jain: So, there was no other income for this like that membership fees or other charges?

Satyajeet Bolar: That would always be there. Last time, we also had one more separate line of the consultancy fees from CSE, Chittagong Stock Exchange. This time, we didn't have that.

Shreyash Jain: Okay. Thank you. And what can we do to add volumes to the bullion options? Like is there anything you can do to increase those volumes? Because, 90% of ADTO is coming from energy and 96% of premium entity comes from the energy segment. So, like there is a gap between the bullion futures and options. How can we close that gap?

P S Reddy: Well, as I said, the -- while we have been actively engaging with the market participants, the premium being very high in these bullion contracts, there is some kind of, what we call, resistance or I should say, not appreciation of the kind of opportunities that are available in this market. Obviously, you need a lot of retail participation. It will come in the smaller contracts than these bigger contracts. So, it's more kind of in education, etcetera.

Secondly, the underlying margins in the futures is also lower in the case of gold as compared to the, both NG and then crude oil. And that's why there's a huge shifting towards the option contract. That's what we understand. But that doesn't mean that we should increase the margins in the gold. I think a gradual shift has to happen, and it may happen also. That's the way I would look at it.

Moderator: The next question is from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: So just continuing to the earlier question. So, what are our margins on gold futures compared to the crude futures as of now?

P S Reddy: Well, gold, it is about 8%, plus 8% and 1.2% maybe the extreme loss margin. I'll come back on that... It's about 8%. Okay. Crude oil about 34% and natural gas is 20% around that.

Lavanya Tottala: Okay. But even in options now, if we look at our option premium to ADV ratio of gold is much, much lower compared to the crude but even then, because of lower margin in gold futures, it will be more suitable for traders. Is it the right way to look at it?

P S Reddy: Yes. But see, what we looked at why the shift has come substantially towards Crude options is that, because the underlying features have become more expensive. And less cost-effective in terms of -- or it's more cost effect to the options that why there's a shift. Maybe that is that may not be true in the case of gold options.

Lavanya Tottala: Okay. Got it. And this time option premium to ADV ratio has been higher. Is it just because of the higher proportion of energy contracts or anything else?

P S Reddy: It all depends on whether they are trading at the money or far away from the money. And I think the volatility was high as a result of this, this particular thing has been taking place. And I think when the people want to get out of it, I mean, maybe they may have entered at the time of contract near the money, but when they are to get out of it, when the market is moving adversely, then they have to pay whatever is the premium and then get out of it. So that may be the reason why the options premium is higher than what it used to be. But in a stable market, it may not be so much like this.

Lavanya Pottla: Okay. Volatility had a play in this quarter then.

P S Reddy: Absolutely.

Lavanya Tottala: Okay. So just wanted to check your opinion on options of -- in terms of competition because options of WTI crude, similar product which is available on NSE now. How do you see competition in this space happening over the last few months?

P S Reddy: Well, ever since they launched, especially, I would say that after -- sometime in October, they launched, and they are increasing, but it is not something it's alarming. - as I speak, maybe it is about, one minute I'll tell you right now, bear with me. Options about INR3,000 crores ADT they are clocking. And in the month of February, yes, INR2,800 crores average turnover they clocked, in the options turnover, notional turnover premium is INR2 crores or INR3 crores, INR4 crores, something of that kind,

okay. Is it worrisome? I mean I take everything is worrisome, and we shouldn't rest unless we see a complete -- what we call, blank at all these places, data points. And so, we are working towards it, let's see.

Lavanya Tottala: Okay. Thank you. Thank you, so much sir.

Moderator: Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: Thank you for the opportunity, sir. Most of the questions have been answered. And just one thing I wanted to understand, this recently, RBI allowed resident entities to hedge gold prices in IFSC, how does that impact us over a longer period? Yes, that is my question.

P S Reddy: Sir, in the Gift City, there is hardly any, I mean activity that is happening as of now. And I think it's only in the silver contract, there is some kind of activity. And that too in the spot market, but not in the derivatives contracts, there's hardly any activity. So, it's too early for me to predict anything on that. And -- but we don't see that, that will be a threat for our existence or sustenance. I don't think so, because they are all dollar-denominated contracts and we have primarily the, what we call a rupee-denominated. And most of the people who are trading, they are all domestic traders, not the foreign. And our contract also has got a custom duty hedge incorporated or embedded rate and which changes once in 15 days or so. So, I think this is a perfect place to hedge.

Devesh Agarwal: Right. And sir, if you could give any sense in terms of like, earlier before RBI banned hedging in the international market, some of the large dealers like Titan, they used to do it internationally. Can they again go back to Gift City also are comfortable also hedging currency contracts separately. So, what would be the quantum in our open interest from these large players versus small players?

P S Reddy: Well, you see the open interest comes big, from the big players, no doubt about it. But there's no reason why they look at the other markets having got used to it. Maybe before there was adequate depth in the domestic market, they were trading there. Incidentally, the RBI bank, they were hedging in overseas markets that's why they all have come over here. now that liquidity has also developed and its catering to their requirements, there's no -- I don't see any reason why anybody will go over there.

Devesh Agarwal: Understood sir. Thank you.

Moderator: Thank you. The next question is from the line of Arvind R from Sundaram Alternates. Please go ahead.

Arvind R: Hi, sir. Thank you so much for the opportunity. So recently, like, we got a regulatory approval to -- for foreign investors to pay using direct market active terminals. I'm just trying to understand how it will help us. I know like that is one thing. And I guess, sorry if this question has already been answered. This quarter, the premium turnover to volume turnover has increased. Is it something like a structural thing that is happening in terms of more hedging or anything happening?

P S Reddy: Yes. What I can say is the -- as I said that this quarter, the volatility is more and for which reason, I see that the ratio has improved in terms of our revenue potential. But that's not a structural shift. I don't say that it is structural shift. It's too early to make any such comments. So, I think we have to wait and watch if it is happening quarter-after-quarter repeatedly, probably we can look at its reasons for such a change.

Having said this, FPIs are keen to use the direct market access DMA facility. So that they don't need to even now and then are discussed with the member brokers whom they are trading. Probably, it will be a seamless activity. And they will have a proper control on what they are doing it. And that is the reason why many of the FPI prefer a DMA facility.

And they should -- they -- I don't know if there's no time lag. The moment they feel that, yes, there's a good time to step in and then execute the contract, they immediately enter as if they themselves are the member brokers. So that's what the advantage of having a DMA.

Arvind R: But they can obviously trade at a much lower cost in global commodity broker list like an FCI is it only because of arbitrage -- arbitrage opportunities that is available in the domestic market versus...

P S Reddy: That's right. It is the arbitrage opportunities. And within the -- I mean across the contracts within the domestic market or since our contracts are what we call rupee-denominated, again, there could be another -- that play also can take place. And apart from it, the FPI concept has come because of those who are operating in different markets they are able to consolidate their books into one book. And that's another reason why they are doing it.

- Arvind R:** Okay. And just one last question, sir. Like how is the traction in steel TMT contracts? And who are the players who can possibly enter into this either for hedging or for trading?
- P S Reddy:** Well, not encouraging as yet, but I don't rule out it being picking up because just -- it's a first month of the Steel contract, and it will take some time to mature, okay. And the liquidity is the key to it. Obviously, we have no, what, liquidity enhancement program or anything of that kind. So, we are looking at a market participant to join this. Let's see, we are working towards making it a successful contract. It should be self-sustaining in the next few years.
- Arvind R:** Okay. Thank you.
- Moderator:** Thank you. The last question for today is from the line of Marshal Liu from Investore. So, the line for the participant is on hold. May I request we take another participant.
- P S Reddy:** Yes, please go ahead.
- Moderator:** Yes sir. The last question for today is from the line of Sanjay Kumar from ithought PMS.
- Sanjay Kumar:** Hi sir, thanks for the opportunity. Every quarter, there are questions on the breakup of transaction income and other operating income. It would be great if you could include these data points in the presentation. First question on coal exchange. Apparently, IEX has submitted a presentation to the Ministry and that the media articles saying that we set up in 1 year. Any comments on this? And where are we in this coal exchange thing?
- P S Reddy:** Well, as you know, of course, it's an old news that we signed an MoU with Metal Junction, Mjunction for precisely setting up a coal exchange. We are actively engaged with the ministry and various consultations that are taking place. We have also placed what you call, asked the regulators to give us what to call, in-principal approval to venture into it. So that is in process. So, we are also keen to get into that. Yes.
- Sanjay Kumar:** So, we'll be competing with IEX for the spot or for both spot and futures?
- P S Reddy:** No. This is going to be a spot exchange only. For futures, you don't need to compete with anybody. One spot comes, then probably we can start the contract in MCX itself. So, we don't need to start separately.

- Sanjay Kumar:** And this timeline of 1 year, sir, is it possible or?
- P S Reddy:** See, the ministry is yet to come out with the guidelines and then the actual valuation takes place, whether they would like to have only 1 spot exchange or multiple spot exchanges, we do not know. So, all that is still not determined. So, it will take some time, okay. The regulatory framework itself is not in place. We will be regulating the coal product exchange; nothing is clear as of now.
- Sanjay Kumar:** Got it. And second, on electricity derivatives, now that there is a stand on market coupling, and we'll have one price across exchanges. Will it accelerate the finalization of derivatives? Or do you think that is also in a go on until that time?
- P S Reddy:** See, the electricity derivatives has nothing to do with the market coupling concept that is essentially to arrive at the, what we call a spot price. And we will be settling our contract at the end of the contract period, all outstanding contracts will be settled on that one single price. So, on a day-to-day basis season event may not be relevant, but we will continue to use the prices also. It doesn't impact the future prices do not depend on the market coupling concept as such.
- Sanjay Kumar:** Okay. And finally, on futures, both ADTO and the UCC had a significant growth in Q3 versus declines in the previous months and quarters. Was it a one-off that we had this growth in this particular quarter? Or what is driving this?
- P S Reddy:** Well, we expect UCCs to continue to grow the active UCCs. But ADT in futures, maybe a correction, I would say, you can't -- we cannot compare quarter-to-quarter. Otherwise, it's supposed to be at INR24,000 crores usually. It had come down in the previous quarter maybe. And I think we expect it to come back. And -- but more and more growth we would like to see in the futures contract, and it is going down.
- Sanjay Kumar:** Okay. Thank you and all the best.
- P S Reddy:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to Mr. P.S. Reddy, MD and CEO, MCX, for closing comments.
- P S Reddy:** Okay. I think once again, thank all of you for your unflinched faith, trust in the company. And we will continue to work towards meeting your expectations. And I

think, going forward, the legacy problems are all put to rest with this -- the last leg of the payment that we have made to the vendor. I think -- I mean, I expect the future to be bright. That's the only thing looking forward, nothing more -- thank you. Thanks to all of you for joining.

Moderator:

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