



MCX/SEC/1825

June 10, 2020

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

**Ref: Scrip code: 534091 Scrip ID: MCX**

**Subject: Transcript of the conference call with investor/analysts on Q4 FY2020 results**

Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on June 01, 2020 at 5.00 p.m. IST on Q4 FY2020 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Mufti Commodity Exchange of India Limited**

**Ajay Puri**  
**Company Secretary#**



# “Multi Commodity Exchange of India Limited Q4 FY2020 Earnings Conference Call”

June 01, 2020



**MANAGEMENT:**    **MR. P. S. REDDY - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - MCX INDIA LIMITED**  
**MR. SATYAJEET BOLAR - VICE PRESIDENT - FINANCE AND ACCOUNTS - MCX INDIA LIMITED**  
**MR. PRAVEEN DG - HEAD - CORPORATE OFFICE & PROJECTS, RISK OFFICER - MCX INDIA LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY2020 Earnings Conference Call of Multi Commodity Exchange of India Limited. We have with us today from the management, Mr. P.S. Reddy, Managing Director and Chief Executive Officer; Mr. Satyajeeet Bolar, VP, Finance and Accounts; and Mr. Praveen DG, Head - Corporate Office & Projects, Risk Officer. This conference may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. P.S. Reddy. Thank you, and over to you Sir!

**P S Reddy:** Thank you. Thank you, ladies and gentlemen for attending this conference call. Welcome you all for the 2019-2020 investor conference call. You have seen all these results and the presentations. I will touch upon some of the points, which may be of interest to you, which really shows where we are moving towards.

It is right that thanks to COVID, the whole business plan is disrupted in terms of March turnover if you would look at it. The ADT in the month of March was 41657 Crores, that was the kind of growth we were looking for in the month of April and May, and all of a sudden it got disrupted, and of course on a quarter-to-quarter basis the fourth quarter was better than the third quarter, but nonetheless the ADT for the entire year was about 32000 odd Crores as against the ADT of the last year that is corresponding year 2018-2019.

The unique client codes, which is of significant importance for us is that in 2018-2019 we had about 308000 unit client codes traded and about this year that is 2019-2020 we have 4 lakh plus unit client codes have traded, of which almost all say 55% got added in the financial year. They contributed about 18% to 20%, but earlier if you see the last call I was saying almost like 23% to 25% they were contributing, but that got reduced on an average, of course this is for the entire year. So again if you look at it in bullion and energy it is

substantial, even in base metals we had a good UCC numbers that were trading. For example the metals are one area where we want to focus. In 2018-2019 the UCCs traded were 221000 and in 2019-2020 215000 UCCs are traded so that is the one area and another important area, which we need to focus on is the agri market and in agri just about 10000 odd, 10700, 10800 was traded and that remained by and large the same, but that is one area, which we are looking for in the coming years to increase in the number of UCC.

What is important again is that although in the current financial year we have not been able to reach the 32000 plus Crores turnover we have already garnered almost 70% of the lost ground. If you see in the month of May the average ADT is about 23765 Crores, so in that sense we are looking back to normalcy, but I am not able to predict at this point in time because it is such an uncertain variable COVID we are not able to give any shape to it, which way it will travel, so that is why in the guidance note also we have very clearly said we are not too sure how we are going to do and maybe it is difficult to repeat the performance of 2019-2020.

Now coming back to the business once again, the focus has always been on these non-agri commodities for all these years, but now we need to move towards some of the agri commodities and index futures, these are the 2 areas, which we wanted to focus. On the index we are yet to get the approvals, but we are likely to get this month, but that is what our reading is, and hope that once we get it we would like to launch, look at the timing of it, but definitely we will launch before September that is what our target is we will launch and try to add some business to the lost business because of the COVID.

Coming back to the other industry specific issues, in the case of base metals and cotton, a lot of warehouses because they are delivery-based ones, a lot of warehouses were shut during the month of April they are all gradually opened up. Now deliveries are taking place except barring very few centers in cotton, but otherwise for all base metals and others, deliveries are taking place, and people are happy about the way that it is being done smoothly, the transition is happening, but still we are looking for opportunities in these trying times and one opportunity or one area where we have found some of the member brokers or some of what we call bullion traders, they are again

getting the old gold, which they are collecting because the prices have gone up substantially and people are selling it, so they are recycling that gold, getting it refined by an LBMA-approved refiner, and those deliveries are coming into the market. That is one good area, which I thought that is going to increase our turnovers and I am able to see that because the gold, the bullion deliveries have increased, in this trading bullion hedgers have increased substantially.

Coming back to the CPO, which again is good growth in the recent past because whatever that has happened in Malaysia and trade wars, so our average daily turnover is 4399 Crores, not unique client codes. Unique client codes are weekly and every day the turnover is about 203 Crores, but toward the end of this one in the Q4 it has increased to 363 Crores. When there was time it has further gone up to almost 400 Crores to 500 Crores so these are the areas that we have seen. The Gold Petal contract has done exceedingly well, it started off with 3.9 Crores turnover in 2019-2020, but today it is still May I would say almost 16 Crores turnover. So if you remember last time I was saying that Gold Petal is one good contract where retail investors can participate and do SIP kind of investments, so this is something, which is being seen as a very good opportunity for investors to take deliveries to this platform and Silver Micro is another, which is a 1 kilo bar, and some of the major producers, domestic producers especially, they have looked at this platform and they have done deliveries on our platform. So the producers themselves are coming and delivery means that is a very good positive development for our growth in this area.

On the energy contracts, of course, crude oil contract definitely has dented in our volumes. As a result of which a) the margins have gone up because of the risk in the system, b) the negative pricing has adversely impacted the sentiment and we hope that gradually people will start coming back to the, traders will come back to this counter, and although initially some brokers have stopped investors taking positions even they too have opened up, so that is really helping us in seeing the volumes inching back, I would say inching back and of course you all know that a few court cases have been filed and it is all subjudice, so I do not want to harp too much on this. All that I can say is on merits we have a good case and we have also filed an appeal in Supreme Court to consolidate all the petitions that are filed across the country because as per the contract specifications and as per the bylaws,

the Mumbai High Court is the jurisdiction court, so is having jurisdiction we want all of them to be shifted to Mumbai High Court so that our legal expenses can also be reduced not that they are shot through the roof at this point in time, but yes as compared to what we otherwise incurring it, it did increase, but still under control, so we want that one area, which we wanted to control that is why we wanted all the cases to be shifted to Mumbai High Court.

Then with respect to the institutional participation, some of the clients like ICICI Securities and others are anytime to launch, start the operations, and that is for sure that I can tell you with confidence because some activities happening and in terms of custodians the Stock Holding Corporation, Orbis and Deutsche Bank custodian has been admitted to deal with the commodities market. Similarly Category III AIFs and few PMS have already started trading on the platform, and I am not satisfied with the kind of this one, just they started, but this year I will focus aggressively on these areas of development growth.

Then comes to the one area, which we are looking at or rather come back is the base metals that is something, which has a huge potential, the whole last year it went into in redesigning the contract and readjusting the contract specifications to delivery specifications, and we had what we call a mini contracts and a main contract they got, one of them has been retained, and there also some kind of experimentation took place although mini contracts, more participation is there, but then some of the traders and some big hedges wanted main contracts to be there, so all these kind of combinations we have tried and we have now settled with whatever the contract specifications that packs are finally suggested. So we hope to see lost ground, whatever is the ground recovered in the current financial year. We are also actively engaging with the major hedgers and major consumers rather I would say to use this platform to take delivery and to meet their product requirements.

Then on the COVID, all that I can say is again the topline is not in our hands, but definitely the cost can be controlled, so we have substantially reduced our expenses. Although I cannot speak about our budget, but we have initiated lot of cost cutting measures including the increments are not given beyond a certain level and that again is there on the website and it is only a

token I would say that has been given whosoever it has been given. Obviously there is also salary deduction have been proposed and approved by the Board and even the fees to the Board of Directors have been reduced and even the other expenses of the Board that is also going to be reduced by about 25%. With all these measures I am sure we will be able to sail through this situation and we will take a look at it post maybe September how we have fared vis-à-vis our budget estimates as well as the 2019-2020 performance. If we are able to do well and there is no need to cut any of these employees especially the remunerations and other things we will give it back, but if still the situation remains then we will continue with the solution that we have at this point in time adopted, but definitely the management and the Board are committed to ensure the belt-tightening in all areas and we have told everybody including vendors that you take it or leave it kind of situation for you and you must understand our situation today at this point in time, so kindly help us to reduce the expenses for the exchange, which some of them or many of them I would say agreed with our request, so these are the measures that we have taken and some of you have also got some doubts as to the financials whether some costs that have gone up, is it a onetime cost and other things. Mr. Bolar will give you some presentation on the financials and thereafter he will also answer some of those questions and doubts as to the costs are onetime or permanent. By the way Mr. Bolar has been appointed as the CFO by the Board in this Board meeting and I congratulate him and seek all your help in managing your company better.

**Satyajeet Bolar:** Thank you Mr. Reddy and good evening. As you have seen our results thanks to a 27% increase in our average daily turnover, we touched Rs. 482 Crores topline in a standalone and if I am not mistaken for the first time we have crossed Rs. 500 Crores topline on a consolidated basis. Our profit before tax was Rs. 238 Crores and the after tax is Rs. 208 Crores, which is substantially much higher than last year, last year of course we had exceptional loss because of the mark-to-market valuation, and as Mr. Reddy said there were a few expenses that we incurred in this quarter. There was the NRC had given additional variable pay for employees so that is why the staff cost for the quarter vis-à-vis earlier quarters and for the year there is an increase. Also if you recollect we have made a contribution to the Settlement Guarantee Fund during the quarter. We also made a contribution to the PM CARES so that is why these expenses have come in during the quarter. We also had certain professional as well as advertisement expenses that we incurred during the

quarter, vis-à-vis earlier quarter, so these are all onetime expenses. I do not think we will be with the present margining system I do not think we would have any additional contribution to Settlement Guarantee Fund and depending on how things pan out, thanks to COVID-19, probably then we will take a call as Mr. Reddy said in October on the salary front, but as of now for the last year, especially for the last quarter, these are three major or four major expenses that we incurred. One was for the variable cost for our employees, which was approved by the NRC, the second one was we made a contribution to the Settlement Guarantee Fund, which is a statutory requirement, the third was we also contributed to the PM CARES and we also had some additional expenses for advertisement.

**P S Reddy:** Well I just want to add one thing on the employee performance-linked bonus that depends on the performance of the company to begin with, so if next year if god forbid, it is not going to do well then obviously that expense will be, to that extent will be substantially reduced or it may not be there at all so it all depends on that, so it is linked to the performance, so not to worry that is whether it will repeat or not on that call and on the Settlement Guarantee Fund contribution again because of high volatility and concentration about or various scenario analysis this required contribution. If you see the recent past we have not contributed at all and probably now we contributed about 3 Crores and now we have about 409 Crores Settlement Guarantee Fund, it may not be required going forward hopefully because the margins are increased, that itself will take care of requirements in that scale.

**Satyajeet Bolar:** There was also, I think, some, if you see a quarter-to-quarter the depreciation amount had increased, this is basically because of course we have put some assets into use in the quarter. Now also when we were evaluating and understanding our intangible assets that we had with 63 moons so when we aligned it with the agreement with 63 moons and we made an additional amortization of around Rs. 1 Crore, a bit less than a Rs. 1.5 Crore for the assets that we have taken from 63 moons.

**P S Reddy:** I think now we will keep it open for the people to ask questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudheer Guntupalli from Motilal Oswal Financial Services. Please go ahead.



**Sudheer Guntupalli:** I just want to know what are the margin requirements currently in crude contracts and by when can we probably reach the pre-COVID-19 level of volumes in crude?

**P S Reddy:** Yes. See, the margin requirements are almost on Rs. 2 lakh in the near-month contract and Rs. 1.5 lakh in the far-month contracts, and this was because if you see value at risk kind of VAR model it takes a value, a certain percentage of the crude price and that is not covering when the volatility is very high and when the prices are let us say Rs.100 even if it is 100% margins VAR margins is Rs.100. Now that is something which we thought is very risky at this point in to leave it open so that is why a minimum margin has been imposed. So minimum or percentage-wise whichever is higher the system will keep taking up and if you see the VAR margins are about 100% and odd, 101%, whatever that kind of percentage that is there in the crude. Now I cannot give you guarantee when it will be reduced and it is all the Clearing Corporation with in consultation with the MCX will keep doing it, but definitely it will be reduced once the volatility is controlled or not controlled I would say once volatility comes into manageable level.

**Sudheer Guntupalli:** Sure and coming to our outlook on base metals, so in terms of the warehousing capacity do we have company warehouse capacity to kind of support the delivery of the volumes at the current levels and what do you see the outlook of this base metal segment?

**P S Reddy:** See, this base metal is something very promising I would say the segment and we will definitely increase the capacity depending on the utilization, so there is no limitation in fact, I would say we have already told all the base metal warehouse service providers to enhance whenever they are expecting it to touch maybe 80%, 90% and they will be able to do that, they are anyway promising us. So going forward as I said that although the turnover has come down if you see the participation wise in terms of UCCs, last year 2018-2019 we had 221000, in 2019-2020 we had 215000 participation, so there is about 6000, 7000 participation has come down, but compared to that the volumes have come down by almost we lost about 30%, 35% ADT eroded so that is where our focus is. We will definitely recover that lost ground that is what we are currently doing it all the attempts are being made.

**Sudheer Guntupalli:** Sure Sir, so what can we do probably here to kind of regain the lost ground, as you said the number of client codes has only dropped marginally, but overall volumes have come down 35%, 40%, so what can be done from our end to kind of go back to our normalized levels?

**P S Reddy:** Well as the contracts got converted from LME-linked to the physical market, delivery-based contracts there are some kind of hesitation and people are examining how this contract is going to perform. If you see the last conversion taking place in the month of December, so different participants are looking at this contract in different ways, so what we are looking at is, in fact had it not been for COVID we would have got some kind of analysis done as to how many participants, earlier one participant is doing it in two, three contracts, but now that has come down to, they say they confine themselves to one contract or two contracts, so we are already calling up some of the clients, not clients, the member brokers where the clients have stopped trading, trying to find out what is that they want in this contract to be done and we have also sent almost about 2000 letters to various industrial consumers of these metals and we got a good response let me tell you this, we got a really very good response from those people, and that is it all of a sudden these breaks have come in the form of COVID, and people are not able to take a call on this. So as of now, the lockdown is not lifted across all places and people are still trying to figure out what they should do, what they should not do, so give us a month maybe by next quarter we will be able to come with some kind of understanding of the business on this.

**Moderator:** Thank you. The next question is from the line of Ravin Kurwa from ICICI Securities. Please go ahead.

**Ravin Kurwa:** Sir just wanted to know what would be the quantum of one-off that we took in Q4 FY2020?

**P S Reddy:** I am not able to hear you. What is the quantum?

**Ravin Kurwa:** What was the quantum of one-off that we took in Q4 FY2020 and secondly Sir to make up systems to trade in the negative prices was there any significant technology costs involved?

**P S Reddy:** Yes. I will brief.

- Satyajeet Bolar:** One time, I will just mention again, one was a variable pay, the other one was a contribution to the Settlement Guarantee Fund and the contribution to the PM CARES.
- P S Reddy:** Because although we need to spend about 2% of our net profit and only in the year when we spend it that is taken into consideration, that is what we have spent, nothing else.
- Ravin Kurwa:** Sir, what was the total amount which was spent?
- Satyajeet Bolar:** That is around 8 Crores.
- Ravin Kurwa:** 8 Crores across these 4 categories, 4 line items.
- Satyajeet Bolar:** 3 categories.
- Ravin Kurwa:** Making the system ready for taking the negative prices, was there any significant technological costs involved?
- P S Reddy:** It is not significant in terms of what would you say in terms of materiality concept what we have defined, but it is less than 1% of our topline.
- Ravin Kurwa:** Okay, I will get back in queue Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.
- Nikhil Upadhyay:** Two questions Sir, one was on the new initiatives on bullion spot and gas spot update if you can update where we are and how is our front from what IEX has launched in terms of the gas exchange platform or our own natural gas as a product and secondly on the electricity futures product any update because recently we had seen that ICEX announced that future would be settled with IEX so is there some change of understanding or if you can just update on that?
- P S Reddy:** See they may have announced it, but at this point in time the Supreme Court has to bless the consent petition filed between CERC and SEBI and MCX and IEX, all of us are part of it so that has not happened. Until that happens we will not be able to take a further step is what our understanding between IEX and MCX, so yes what we are looking at is we will go with IEX is the

understanding that we have confirmation in that sense and when it comes to the spot exchange, gold and NG, again, NG nothing has come so far by PNGRB in terms of regulations, notification or anything They are all just lying there, and we will definitely want to be there That is what our desire is, and whether to go with somebody or to do it as a standalone is something, which we are looking at it is going to be an optional platform, so that is something which we are keen to develop it and we have already done it. If you see that as an interim solution until negative pricing application is ready we have already come out with an optional platform so we can also further build on it in terms of settlement system, etc., and it will be ready. That is not an issue for me at this point in time, but we need to look at the regulations, what are the regulations upcoming. When it comes to the bullion exchange and spot exchange, for all these years we have been thinking that will come in, in the domestic market, but it has been announced in the GIFT IFSC. So sometime in the month of March we had a meeting in GIFT with the GIFT authorities. Now GIFT IFSC has got a different regulator for the financial sector regulation. Now they need to come out with the guidelines, so once those guidelines are there that also we will be taking further steps to do either alone or with other partners.

**Nikhil Upadhyay:** So nothing in the interim or like in FY2021 do you think any of this rectifying or is still outer in future?

**P S Reddy:** If the regulations come definitely we will do it, the regulations do not come that is something, which we are not able to predict its timing.

**Nikhil Upadhyay:** Okay, I have more questions I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Kunal Sanghavi from Banyan Tree Advisors. Please go ahead.

**Kunal Sanghavi:** So my first question was in relation to when we started FY2020 we saw this change in the contract details for the base metals and which led to a sharp fall in the base metal volumes and then what happened because of that was the dependence on the crude and bullion increased in terms of the total volumes and now with the negative pricing episode for the crude, the crude volumes have also come up and now around 60% to 65% of today's volumes are coming from bullion, so in that sense the concentration risk for the exchange has gone up towards bullion, so how do we think about it and what

we think about this, how this would come down going ahead that is the first question, the second question is on increasing margin on the exchange platform and the brokers or the broker members increasing for their customers, so one of the constraints that commodity exchange historically had was the normal contracts attracted higher margins, which led to introduction of mini contracts with lower margins, so you can attract more and more speculators on the exchange, but now with this margins going like substantially higher both on the exchange and on the member brokers how do we look at, how would this crude contract would come to the sustainable pre-COVID levels unless volatility loan goes to the manageable level as you indicated earlier?

**P S Reddy:**

Yes, concentration risk is increasing because the gold is again at this point in time is leading the pack, but this keeps happening, earlier it was gold and then crude was playing second fiddle, now it is the gold winning back ruling the roost, but if you look at the crude by contract episode it is the sentiment, which has been damaged substantially that is the reason why people have withdrawn from this contract to some extent and brokers are imposed and once the sentiment settles down and if COVID impact on the economy as a whole, not just here elsewhere as well, is manageable in the sense of the term the outlook is good and people are coming to terms with it and getting back to business as usual probably the volatility will come down and it will definitely see a better opportunity of trading. So my view is that it is only a matter of time and I am sure within this year itself it should recover from whatever stage it was there. Coming back to the metals you are right that because of this kind of combinations we have lost we had a main contract and then a mini contract, all this is introduced to meet the requirements of different segments in the trading as well as hedgers requirements, but as SEBI said that there should be only one contract because liquidity is getting fragmented we had to do what we did probably going forward we need more players from the hedgers point of view to sustain this contract and take it back to its past glory. My strong view is that because of this COVID, etc., and if producers want to sell the contract or sell their metal they should simply sell a contract here and then deliver the metal that is a way going forward will happen and I am sure that is happening I would say because we have seen some deliveries coming from some of the producers. So I am hopeful that this will recover soon and so that even the distribution of contribution from each of this pack of products will get balanced.

- Kunal Sanghavi:** Okay sure, I will get back in the queue. Thank you.
- Moderator:** Thank you. Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Sir my question is related to the increase as you have mentioned that the margins in the crude contract have increased from 10% to 50%, now to 100% so what are the factors apart from the volatility, which MCX is using to actually determine the margin and by when you see this margin normalizing to the original levels because this 100% margin is actually impacting the volumes to a larger extent and also in terms of the member concentration in this contract especially the crude contract how the concentration has changed post the event that happened in terms of negative pricing and have you seen any larger member who you should trade has gone bankrupt or something like that happens?
- P S Reddy:** Okay. Let me reassure you or let me tell you not even a single number on the exchange is defaulted, there are one or two members there is a delayed paying out of maybe 2 days, 3 days, maybe maximum 1 week I am sure Clearing Corporation will watch for it, but there is absolutely not even a single rupee has gone up from the exchange or from Clearing Corporation, this is something which you all should be proud about. Such a volatile period it was and we have been able to exclude the markets to that extent. Whether there is any concentration? Yes, we have what is called a concentration margin also; at the clearing number level also there is more concentration, additional margin getting impose. Now there is volatility margin purely based on volatility and CME SPAN model, which is what we have been using it, the volatility gets triggered so that is why the margin got triggered 100%. We also run the VAR margins for 10x a day and in addition to that whenever we find volatility little disturbing then additional VAR margins also are allowed to run, so that keeps blocking the funds or the margins of the members from their deposits or collaterals whatever they have given at. So that is how we have been securing it. This particular margin that has some special margins or additional margin, obviously they are ad hoc margins, this minimum margin also is an ad hoc margin and as I already explained that it will have its life as long as the market remain highly volatile and where the value of the stock is, the prices are traded at a very low level maybe \$10, \$5, \$6 this kind of thing is not something which we can really manage without any minimum margin

and so that is where we are dealing with this at this point in time. So definitely we will fix this and it is not going to be a long-term affair we do understand this part of it.

**Amit Chandra:** Sir, have you seen significant drop in speculation margin or hedging margin, if you can give some color there?

**P S Reddy:** There is nothing called speculation margin or hedging margin, everybody gets hit by these margins anyway.

**Amit Chandra:** Like in terms of volumes, speculation volumes margin, hedging volumes and in terms of the SGF requirements are we through for the SGF or we have to contribute more for FY2021?

**P S Reddy:** As I said the requirement is x and ours is x plus our SGF account is at this point in time as we are speaking.

**Amit Chandra:** Okay Sir, thank you.

**Moderator:** Thank you. The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

**Subramanian Iyer:** Sir a couple of questions. So one is the housekeeping question on the tax rate so this quarter did see a significant utilization of the MAT credit so how should we think about the tax rate for the next year from an effective tax rate perspective that was the first question, and the second question was on the margin on crude again does it have something to do with your ability to say operationalize negative pricing in the sense that if the negative pricing gets operationalized sooner do you see a reduction in the margin in crude contracts?

**P S Reddy:** I will just first answer the second question. Negative pricing, handling the negative pricing will be done very soon that is the way I will put it, exact date I will not be able to give you, but definitely work is in progress it will be done, but notwithstanding that because the margins are affected once in 1 hour or 2 hour or half an hour, depending on the situation it will be handy. I really do not know whether CCL would like to expose the, Clearing Corporation would like to take that kind of risk, but we will consult them and then we will also consult other participants in the ecosystem and of course

the regulators are important and we must take feedback from them accordingly we will be acting on it, but your question is as soon as we fix the negative pricing this one will go away, my answer is no.

**Satyajeet Bolar:** On the tax front, as they are all aware, the MAT credit can be utilized under normal tax, the difference between the normal tax amount and the MAT figure, so if we are doing well, in this year we could utilize part of it so if we do well if tax payable under the normal rate is more than the MAT rate then we will be able to utilize it, so it depends it would be too early for me to say now how much we will utilize, but I hope we would like to utilize it, the earlier we utilize it the better it is for us because then we can go to the new rate announced by the ministry in August 2019, so we would like to move forward and utilize it as soon as we can, but it is a bit too early for me to say at this point of time for 2021 how much we will be able to utilize. We have got 14 years more to go to utilize it, 14 assessment years we are on safe ground, but we have utilized a part of it.

**Subramanian Iyer:** Yes. Just a followup to that so what is the quantum of the MAT credit that is left and last time, you had indicated that we could work with an effective tax rate of something like 17% so does that number hold good even now?

**Satyajeet Bolar:** See that number again I think the effective tax rate may be even lower than that, but we still have around 22 Crores more to go so we still have to utilize 22 Crores of our MAT credit. Effective tax for this year is around 12.62% for March 2020.

**Subramanian Iyer:** Thank you.

**Moderator:** Thank you. Next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

**Lokesh Manik:** My question was more on the agri front. With the reforms being announced by the minister we may be indirect beneficiaries of these reforms specifically to the subsidy provided for storage and warehousing I just wanted your view on the same and how are you looking at it going forward?

**P S Reddy:** See we did discuss about these reforms and note has been put up, but then we need to each piece of it we have to pick up and then prepare what it costs us and what kind of investment it contains whether we should be



getting into this kind of warehousing and other things or the warehouse services providers are there, we should continue to use them, is the way that we have looked at it. Historically there was no WDRA, there was no warehousing regulatory authority, which ensures the responsibility and liability for the trades that are taking place on the exchange or settled by the WSPs that is coming into place is not it, now today only agri commodities are covered, going forward even non-agri also should be regulated by WDRA is the roadmap that is laid out and so once that comes in then automatically all these WSPs are different entities. I do not need to vertically integrate in that sense, even if I integrate vertically that warehouse is to be necessarily go on business with the WDRA so we need to evaluate these VAR regulation, you will be subjected to two, three regulators, so it is too early for me to say whether there is a great opportunity or no opportunity, but definitely we should hire them at this point in time and then pay for it and in any case investors are those who are actually taking deliveries and giving deliveries are the ones who are bearing that particular cost and we are ensuring those costs are kept under control so that all participants will be happy about it.

**Lokesh Manik:** Understood. Sir my second question was on the event that you mentioned on the negative price in crude event that took place in subsequent litigation in the court I understand the matter is subjudice, but can you just give an idea in terms of what is the maximum exposure that we have and have you made any provisions towards it?

**P S Reddy:** Look, if somebody files a court case so we should not make any provisions, somebody files a FIR we should not say that, that deems to be an order of freeze or something like that. We went to the court with so many imperium prayers, but none of the courts have granted any of the imperium prayers that means there is no merit as of now in any of those prayers, so I do not think that we need to provide for any of those liabilities. Second, this contract has been traded for the last 15 years and some of that have been settling at NYMEX prices and one fine morning your guess has gone wrong, so that is it and exchange cannot be held accountable for neither gain or pain we have never made any money out of it nor you ask us how can you ask me to pay for it that is the way it is. Again, god forbid if things go wrong we always can go to the Division Bench and the Supreme Court and it is difficult for us to predict any of those things.

**Lokesh Manik:** Understood, that is it from my side. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

**Rohit Balakrishnan:** Sir, I have three, four questions. I will list them all and then you can answer it Sir. So one is if you could talk a bit about institutional participation and you had spoken in the last call about AIFs and you have already started trading so if you can just talk a bit about that, how that activity is shaping up, second question also you mentioned around last call that you were working on introducing our own gold standard if you can speak a bit about any progress on that and third Sir on the dividend typically we have been giving around 85%, 90% of our profits as dividend including the tax and this time tax has been removed, so just wanted to understand from that point of view our payouts have come down, so just wanted to understand if you can share any thought process and finally Sir on the option pricing if you can maybe, have you just started pricing for options or what is the thought process there will you start in FY2021?

**P S Reddy:** Coming back to the first question that is institutional participation. In fact, thanks to SEBI permitting Tata Mutual Fund, Nippon and some more and they are active in the market, and I am very happy that we are able to give them all the support, but it is at the initial stages of their participation so some of the PMS and AIFs who have participated, and there are one or two issues that are coming in the way in the sense that if you look at the SEBI circulars it says that mutual funds cannot hold the stock for more than one month, but our gold contract is bimonthly, so if you buy something and then take cash-and-carry kind of arbitrage opportunities then it will be there for two months, so certain clarifications have been sought from SEBI and once those clarifications come probably we will be able to push them more into doing business in this particular area. Institutional participation also in the form of the broking houses as I said that ICICI Securities is starting very, very shortly I would say and others also will be doing it and I do not want to take out every name but then yes it is there on my checklist and I keep checking every week that who has come, what is the status, all that stuff. Then the second one is on the dividend distribution, why have you paid less? Probably our policy is more than pay out in the rule it is more of stable dividend policy and I need to keep you happy every year and if I pay out everything in one year probably

next year we will not be able to have anything, so this year I do not know how it is going to be as of now so we have to maintain in terms of percentage also not just distribution, but in terms of percentage, we need to really keep shareholders happy probably that is the reason why the dividend payout ratio is lower, but then the dividend is higher that is the way it is. On the third question related to...

**Rohit Balakrishnan:** The gold standard Sir that you had mentioned in the last call.

**P S Reddy:** Yes. On the gold standard, in fact we have already sent out letters to the refiners and asked them for the information, which they would give so some of them have given in the month of March that is it because thereafter there is a lockdown and other things, so no progress could be made because auditors have to do physical audit, they have to visit their refiners and they have to see the processes and then certify so that is the status as of now, but otherwise we are keen to move in that direction, not only for gold, but also metals. We have shortlisted lead for that because recycled lead can be as good as the primary lead, and we are going to do that. So already the process is on there is no stoppage out there because of this reason. Anything else?

**Rohit Balakrishnan:** Option pricing.

**P S Reddy:** Option pricing, we have taken the Board's approval not to charge them for some more time because volumes are low and let us see because we have to start our index futures also and once the index futures also pick up, maybe options will also become a little attractive then we will see at that point in time, but it is too early for me to price any of those products at this point in time. We have calculated also what kind of turnover or revenue we earn because it is supposed to be pricing on the premium that is earned and that does not look to be a very attractive number, but it will only keep the players unhappy so that is why we kept it.

**Rohit Balakrishnan:** Just one followup quickly, index futures are we still awaiting SEBI approval, do you think in the next couple of quarters you will be able to launch or you got any timelines?

**P S Reddy:** No, we are expecting the order to, regulatory to come this month that is what our view.

**Rohit Balakrishnan:** Thank you very much Sir and all the best.

**Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead. Sir we do not have any reply from the current participant. Due to time constraint I now hand the conference over to the management for closing comments.

**P S Reddy:** Thank you. Thanks to all of you and I hope that we will be able to sail through this COVID pandemic situation and regain our lost ground and I wish you all the best and stay safe, stay home and take care. Thank you. Thanks to all of you. Thanks to the organizer also for organizing this conference call. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Multi Commodity Exchange of India Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.