

MCX/SEC/2050

June 02, 2022

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

Scrip code: 534091, Scrip ID: MCX

Subject: Transcript of calls with Investor/Analysts

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investors/analysts:

| Sr. No | Investors/Analysts | Date | Time | Annexure |
|---------------|---------------------------|--------------|-------------|---------------------|
| 1. | Ocean Dial AMC | May 27, 2022 | 13:00hrs | <i>Annexure - A</i> |

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

Ajay Puri
Company Secretary

Encl: As above



“Multi Commodity Exchange of India Limited”

Meeting with Ocean Dial AMC

May 27, 2022

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**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER**

Rovina: Good afternoon, I will just speak...

P.S. Reddy: Good afternoon, Mr. Gaurav.

Analyst: Good afternoon.

P.S. Reddy: Good afternoon, madam.

Rovina: Good afternoon, sir. We have on the call Mr. P.S. Reddy here; he is the Managing Director and Chief Executive Officer. We also have with us Mr. Satyajeeet Bolar; Chief Financial Officer and I think you have been informed, but just want to reiterate. This call is being recorded and it will be available shortly on our website. And begin, Sir, over to you.

P.S. Reddy: Go ahead, so Gaurav how are you doing, good?

Analyst: We are doing very well. Thank you so much and just I will reintroduce ourselves. Actually we did a call with you in February itself, but we are a UK based FII, though currently owned by Avendus Capital, we were set up way back in 2005 by a firm called Caledonia Investments and we run two products - one is a mid and small cap fund which I manage. This is an LSE listed trust and we also have a multi cap product. Our assets are largely raised from European investors. So, we have our one of our offices in London which does all the regulatory business development and compliance side of the business. The investment team, most of us sits out of Bombay, with one analyst sitting in London. And as I mentioned, we got our ownership changed with Avendus Capital taking a 100% stake in 2017. But as investors we are very long-term investors. We like buying into businesses and holding them for a long period of time. So, our typical investment horizon is three to five years, but having said that you know I would say over 50% of our portfolio we have owned for well-over five years. There are some stocks in our portfolio which we have held for almost 10 to 12 years now. So, really, we like businesses which compound over time. Hence, MCX is a core part of our portfolio. We've held it for a long time, as you know, so we periodically get an update on the business, on how things are shaping up but more from a strategic, longer-term perspective really. And so, in that sense we are fairly up to date with your business. So, we just thought if you could just share with us, you know. I mean, the business has gone through a lot of volatility, more due to the regulatory side of it you know and repeated changes in regulation. But having said that, I think we have found a slight, at least the quarter of stability, so really wanted your thoughts on you know how you see things shaping up and given that the way commodity prices have suddenly hit

mindshare of everyone, are you worried of about more regulatory interventions coming in? But just your thoughts on you know are you now entering a period of you know where you can actually see a non-disruptive momentum building in?

P.S. Reddy:

Yes, thank you for this interaction. In fact, last time also, when I interacted with you, you were very, what should I say, very positive about the company. I'm thankful to you. We all take the same approach and notwithstanding an onslaught of a lot of regulations which has derailed some of our, you know, businesses, but then you know, the markets also got used to it now. One important one is the peak margin circular you know. Now they are used to it and there is some little reprieve also, some of the markup participants have received in this regard. So, that's one part of it. Now having said that, yes, margins continue to be on the higher side. Well, if it is triggered by volatility that is perfectly fine because we know that, you know risk management is as much important or more important when a volatile time than the business itself. So, I think we have no complaint about it. But then, some of the minimum margins have to be kept reasonably low and so, some of the dispensations that we have asked SEBI are yet to come. Hopefully, we will be able to get those reliefs also, as we go forward. Some of them are like, we asked for the mini contracts to be introduced where the trading unit and delivery unit is the same. So, that discussion is on. Similarly, we have also requested SEBI to allow us to contribute to SGF, subject to withdrawing the same when the volatility is reduced or when the requirements are not there. There is, what is called, MRC - minimum required contribution kind of thing. That is based on the stress test results, and also we are requesting SEBI, currently we have 525 crores of SGF and let's keep it as fixed kind of thing, and we will not touch that and what more than that, we will contribute and reduce on the other hand the margins, especially the crude oil or for that matter even gold or any other product, and then we will continue to pump in more capital. But if the requirements are not there, volatility comes down, we will also withdraw that. So, that dispensation is still pending. And we are also requesting some approvals for the new contracts, which they will come through, I suppose. Instead of relying on maybe, crude oil or gold or two-three flagship products, which they will continue to be, we are keen on introducing more and more new products so that the basket will be more stable basket, rather than a volatile basket. So, that is something which we are looking forward to. In this regard, we just got approval from SEBI regarding the options on one monthly options on bi-monthly gold futures contract. So, that will reduce the tenure of it, so that more participation will come. So, that is something which we are looking at. And currently, if there is a spread position between the option and future, the members are not getting the benefit of margins, I think that is one major thing that members are looking forward to, and if that also comes through,

maybe the options volumes can further improve. So, these are all the regulatory landscape where I'm only positively looking forward to reform stream to help us do better. And of course, FII participation which I spoke already, I think two-three times in the past I said, so they have taken out the consultation paper and then the window is closed. All the responses have been received whomever they have to receive. Now it will I suppose, it will go before the SEBI board and the approval may come. Another dispensation of course which we are looking forward, but that is taking time is the GST related and I think that will take maybe some more time, although I'm optimistic and then trying to see that it will come in the next month or next quarter kind-of-thing of next half year, that's not happening as yet. So, that is something which is very-very critical for increasing the participation because not all people will be hedgers, and all hedgers will not also have registration across all states where all they are participating, wherever we have warehouses. So, it's important that these rules related to the GST filing etc. be reduced. They don't mind paying, you know GST. I mean that is, so whatever we are proposing is please grant us permission to have IGST rather than SGST and CGST. That dispensation, I don't know when it will come, but that is one thing which we have been asking for.

Analyst:

You know from the SEBI angle, now they have a new chief. What is your thought process? I mean, it's just too tied up in other areas right now one, and two, what we are hearing on the equity side, there seems to be more and more clamp down on the equities itself. And I remember last time you, what you said was, the problem is they are treating equities and commodities at par, so with you know the, I mean that is the sense we are getting is with some of the troubles some mutual funds have had, there's going to be more clamp down than anything else. So, any sense you're getting that, are they being more receptive or right now they are just diverted in other areas?

P.S. Reddy:

No, I don't think there's any lack of attention to the commodities market. I don't think so, but yes, they need to address whatever needs to be addressed first. So, the priority is equally important. *Haan*, and this is one of our asks you know, that the commodity markets are in a nascent stage and it requires a separate dispensation. We need to allow it to grow further, for which the regulatory turf needed not just within SEBI, but even beyond SEBI, needs to be nurtured. And, for example today, banks are not allowed to take any exposure in commodity markets, but although they give loans against commodities, okay, they are not allowed to hedge their own exposure to commodities. So, I think these things are required to be addressed at the policy level. And I think similarly GST, I mean I'm coming back to the GST because it's a really-really a big pain point across you know, in this industry, that's because in the case of equities they

called it a security then everything has gone out of the GST rulebook, but then this is not the case. So, that is the reason. Let us see how it works out.

Analyst:

And what about the participation side? You know last time you had mentioned there are just about four active mutual funds. And, on the FPI side you said they were getting, FII side, there was six-seven players who were looking and their volumes were increasing. And you just mentioned SEBI is looking at something. So, just wanted your thoughts, how is this parts. I mean clearly your volumes have now started picking up but is it the same player or the new players who are coming in? What is the sense you're, you are getting on that sense, on that side?

P. S. Reddy:

See again, here the problem is the mutual funds for example. They don't have much focus on it because mutual funds are wedded to equities from the beginning. And the diversification into equities or commodities is a challenge for them. They need to have their own some trained you know fund managers etc. And the SEBI regulations also to that extent some are tighter. So, we have written to SEBI requesting them, these are the things that they need to liberalize, and things are happening. Again, it's a slow pace, not to my expectation and even within the industry also that ask is not there, you know because in equities have given a roaring return in the last year, so they are all happy about it. And yes, it is like that, and in fact we have suggested to AMFI that they should have a consultation committee for commodities within AMFI, so that some focus will come, they will start looking at and asking questions and industry representation to SEBI will also go. And currently only three-four funds are there and then they tell us this is what our pain point is, can you help us? So, we also look at it and write to SEBI, request them this is what it is. That is what is happening and yes, so the silver ETFs have started and again then whosoever are doing gold ETFs, they only launched some of the silver ETFs and they are also participating in it. It's not to my satisfaction. Of course, they don't, as I said they don't add what you call ADT, the daily turnover doesn't go up but then they will only add, what should I say, open interest to the market. And that is happening, in that sense. Yes. And coming back to the institutional brokers participation, I think ICICI has picked up very well. And next we are expecting maybe in the second half of the year, we expect HDFC to again launch full-fledged services in the segment, commodities also. So, I think we will see a good ramp up there also.

Analyst:

One question on the broker's front, one of the brokers actually has a, I think, as per their last reported numbers had some maybe close to 40% market share in the retail side on the commodity. Does that create any risk for you or that is not really a concern?

P. S. Reddy: I don't think so. That's not a concern. It's not just one broker has it. He may have more retail investors, that doesn't mean retail investors account for 40%.

Analyst: Sure.

P. S. Reddy: In the total business they may not account for so much.

Analyst: Sure, alright. Yes, Gaurav please.

Analyst: What about the foreign side, any participation?

P. S. Reddy: SEBI is yet to permit them, that, that's what the consultation paper is closed now, and you have to take their proposal to the SEBI board and then regulations have to be amended.

Analyst: Okay, okay. Coming to the margins, to the volume side, you know your options continue to really pick up pace, and what I see the numbers of April and May are also looking very impressive. I remember last time you said you know, India may go, the options and commodities may go the way they equities have gone. I mean just your thoughts on this you know, are you really pleased with what's happening, are you slightly worried with what's happening. I mean the sort of what is keeping you awake on this side on the, on this way the markets are moving?

P. S. Reddy: I'm not worried, in fact I'm pleased of course but then sustainability is very important for us and it's doing well, no doubt at this point in time. We have also launched early, earlier we had only crude which accounted for almost 90%. Now NG options have started. You must have seen in the month of May, it's approximately at Rs. 3,000 crores, is what is happening. And so, diversification is taking place. Now that gold options also we will launch a smaller tenure contract. Probably we will also be able to see some more traction out there. So, we need to have both the products, options and futures. I'm sure the option writers need to take a cover in futures, so futures market will also grow. They will be complimentary but not that they will cannibalize each other. Because some thoughts were there, people think that it cannibalizes. My answer is no, and you know it's other way you know, they will complement each other.

Analyst: But, you know; I think the equities is very options dominated. You see that trend also happening that I remember there were days when options were increasing higher than futures. Is that something you be see it becoming a regular feature, the sort of feedback you're getting?

P. S. Reddy: Yes, that's what, as I said, there is a cross margin benefits, as there some short option a minimum margin is something is called, that is not available between options and futures. So, that is one of the ask of the market participants. If that comes through probably it will further increase, okay, the options volume as well as the futures. And that is something which we are looking forward to. Yes, but, you know, equity markets took so much time to reach what they are today, and I don't think comparing with that we will be able to achieve in the next six months or one year - is desirable and may be expected, but I don't think it is achievable or not.

Analyst: And just on your yields on the you're getting on the options, that actually surprised us quite positively. I guess one was looking at one point, I remember when we spoke in February, it was closer to say 1.9% and the results showed almost 2.7%, so, if I can just get some idea of what has changed really which....

P. S. Reddy: See, we generally thought that you know, the turnover I mean it's 1 is to 3 kind of contribution is what we thought. That means if we just use one and then three times of options turnover is needed. But actually, it is 40% is what it is contributing not you know, one-third, okay. So, that way it has happened, so the realization is very good because the options which trade close to the money may not get us more revenue because premium maybe you know, it is other way, options which close to the money, premium will be high and the ones which are trading far away may be low. But most of the options are trading close to the money, that is why premium is high. So, our margin is also high.

Analyst: But this can vary over time. I mean, it's something...

P. S. Reddy: It may vary over time. Yes.

Analyst: Okay, but the level you are getting at whatever 2.7% is something one is, I would say it is closer to the trend you see or that's one of it?

P. S. Reddy: Well, that's what has happened. But then I would not like to give that kind of bullish numbers. It's happened. Okay, we enjoy it. But, you know, I would like to be conservative. That's the way it is. So, I maintain 1:3 ratios, that's the way it is.

Analyst: And the pricing on the on the future stays the same. Is it?

P. S. Reddy: Yeah, that remain future stays the same and options also stay the same. We are not changing that; pricing remains the same.

Analyst: Okay, and then this gold option, which you were talking about this one month when or when is that likely to be launched?

P. S. Reddy: Recently, we received the approval, so I think it may take two months' time for us to put in place, or before that.

Analyst: Ritika, you have something on the on the pricing side of it?

Analyst: No, I am good on that, we can maybe move to if you want, to the TCS thing or something like that.

Analyst: Yes, just on the TCS side, I believe, how is it panning out? I believe now you're testing has happened and your contract expires in October. So, I just wanted your thoughts on how it's shaping up and could there be some switch over, you know, hiccups which can happen or that's a very unlikely scenario?

P. S. Reddy: See, I think I need to talk in terms of probabilities.

Analyst: Okay, yes.

P. S. Reddy: The probability of being successful is high and there could be some, you know, probability of not being successful, but so plan B is to run the existing system without 63Moons support, that's one kind of plan we have because we have a license, there's no problem, just the support will not be there and but you know, we are working on towards making it with whatever the minimum viable product that we can make it run, and we will have it run. So, we have released mock to the trading engine part of it, the clearing and settlement function is getting maybe in the next one weeks' time we will release it and then, yes, that's right, we will be testing it all. There are a few bugs, no doubt about it, there are bugs or will be there, and this period is meant for fixing all of them. So, we are still, I mean three more months to go, three four months to go, end of September, and we plan to launch it at the end of August or early September. That's the way it is.

Analyst: And just Sir, on the numbers, you mentioned in the call that your fixed fee would be somewhere closer to 10% or less and then there will be this depreciation component. So, if I can just get a sense of, on an annualized basis, what would be this depreciation number?

P. S. Reddy: See, currently we have spent about 80 crores or something like that. So, that is all hardware if I am not mistaken, more or less. TCS we have paid somewhat; some

amount has been paid, but very little. So, probably. you know by the end of second quarter, you will get a very clear picture because most payments would have been made by then and the AMC, first one year of course it's free, no AMC, after one year you will have the AMC kick in, what I said was AMC was a single digit figure, that's what we said.

Analyst: Okay.

P. S. Reddy: In terms of percentage.

Analyst: In terms of number or percent, okay.

P. S. Reddy: Percentage to the total costs, okay.

Analyst: Okay.

P. S. Reddy: Or software costs. That is the way and, let us see.

Analyst: All right, this is the next big thing, so your October to December results would really have that figure in place.

P. S. Reddy: Yes. That's right. No doubt about it.

Analyst: Okay. So, the current margins you are now, getting you know, with this ADTV going up, I mean, this you feel is now sustainable with the addition of, you know, the software component coming in, is that something which now you see sustainable, or you know, the leverage is still very high as your turnover increases?

P. S. Reddy: Okay, the way that I look at is, assume that the current software costs are 55 crores or something which all we are paying to 63 Moons, okay? The same thing gets translated even when it comes to the TCS including the depreciation elements, etc, etc, are AMCs. So, if you take it as fixed costs, that is a fixed cost and there is no variable you know, revenue to be income to be variable charges to pay to TCS. So, whatever growth that comes, that will be added to PAT.

Analyst: Okay. So, currently you're saying the whole component should be the same and then you just have incrementally it all goes straight to the bottom line.

P. S. Reddy: Yes.

Analyst: Okay. Ritika anything from your side?

Analyst: Just actually nothing on this, but actually sir TCS is also helping us on the gold spot exchange as well, right?

P. S. Reddy: That's what, see what we did was when at the time of RFP in the beginning, we have asked for currency spot as well as, of course, main one is the CD, commodity derivatives platform. So, they have given all the quotes and others, so since we are going with spot, so we have asked them, why don't you develop this one also. But we are very clear, we don't want the derivatives platform to be in any way impacted. So, they agreed for that subject to, the commodity derivatives platform, whatever the delivery that they are done, once it is stable, they will pick up that code and then develop the first part, whatever minimum changes that are required and then deploy it. So, spot is also, we will go with them.

Analyst: Sure, sir pardon me for the lack of knowledge on this, but from a user perspective, would this make a difference that you know, whenever if one was to do a trade on the Gold Spot exchange or on the MCX, from a user perspective, does it make any difference? Do they see two separate...?

P. S. Reddy: As per the SEBI requirement, any exchange for that matter, whether it is BSE or NSE, it has to be a separate segment. So, you should have a separate vertical and it will have a separate system, they are not clubbed with the other one. So, you can't even create partitions in the same trading system and then create spot exchange out there. So, spot platform...

Analyst: Who are ...

P. S. Reddy: So, currently exchange is separate one, you have to log in separately.

Analyst: Login separately right and then would...

P. S. Reddy: The network can be the same.

Analyst: Okay.

P. S. Reddy: The brokers need not take the additional leased lines, they can send that, both the data packets were the same leased line.

Analyst: And does this then benefit or does this reduce the benefit for us already having a particular customer base for them to you know, incentivize or to maybe, you know, to nudge them to maybe even operate on the gold spot, does it change anything there?

P. S. Reddy: I don't think, see because nobody uses the front-end platform that is given by the exchanges, what is called TWS - trader workstations. They work on the they take the API feed and then integrate it. So, probably if the CTCL that is computer to computer link kind of concept is there, so they link it then probably this feed also they can integrate with the same terminals of the brokers and then they toggle between the terminals, the pages, that is the way it is.

Analyst: Okay, and...

P. S. Reddy: The same, one computer one screen, they toggle between the two applications.

Analyst: Understood, and because BSE had already launched it so would the brokers be already ready with it or would they...

P. S. Reddy: Who has said that BSE has launched spot?

Analyst: Launch....

P. S. Reddy: No, no they said they will launch in the last year, what we call, Akshay Tritiya, so one was gone. Second was this year Akshay Tritiya - *wo bhi gaya tha*. We are waiting for the third year Akshay Tritiya, so I think as analyst you should ask them why they have not launched.

Analyst: No, no sir what I actually meant to ask was because, you did clarify on the call I think, without the GST clarification it can't happen. So, what I meant was that, *ke*, the infra is ready, but they are not able to launch it. So, would the brokers be already ready so that whenever you know, this happens, the broking community is ready to, you know, go ahead with it or would that also be some phase?

P. S. Reddy: No, no brokers may be ready, but I don't know whether they are ready or not, but the point I am making is, that the other issues ought to be addressed that is point number one. So, there is a natural centrifugal-centripetal force here, okay. The reason being is, that we have the gold delivery that takes place, clearing and settlement if it is done, let us say, spot clearing also done by our own Clearing Corporation, there will be a synergy between the two. Okay, somebody who is taking delivery here, they can give

delivery there, or there could be some margin-related concessions can be given, but they don't have any futures in gold. Okay...

Analyst: Sure.

P. S. Reddy: ...Transactions. So, what is added advantage that the participants will get?

Analyst: Okay. Understood.

Analyst: Yes, so overall, how are you seeing yourself, you know, in the sort of a position you have, because you've had two three very challenging years, you know, and do you feel now you're, you know entering a significant significantly better phase and all the all the damage that could have happened in terms of regulatory side is behind, and it's largely more of an issue of more positive news flows than negative news flows. So, I mean, just your thought process, you know, do you think you're in a good wicket right now, with a lot of changes having already happened?

P. S. Reddy: I don't know that about the wicket. Whether I am on a good wicket or bad wicket, but in terms of a landscape, yes, it is, it is looking positive for me, the landscape is looking positive, no doubt about it.

Analyst: And incrementally, what can you do to you know, galvanize SEBI? I remember last time, you were really saying it's up to the investors now, people like us, to really be pushing SEBI. But I mean, what do you feel can change, you know this, to get more the sort of spotlight, that you're saying? I mean, from your end, what can really change which you feel you need to do possibly better to get the internal mutual funds participating or, you know, SEBI being more proactive?

P. S. Reddy: See, of course it is money, which makes anybody to run. Okay, so we should find in the marketplace some money in it. And as I said, equities is rewarding very well. So, the attention is taken off from this market. And on our part, we're trying to educate mutual funds, telling them, what are the arbitrage opportunities that they get, we have taken a three-year data and then showed them look, you get, I mean, there are many arbitrage funds, by the way, so they can participate and earn 12% 15% return in some of the contracts. Now, that opportunity may not be there all the time. Because they are not used to look at this market, they are completely ignoring it. So, we are trying to show them where they can really step in and then make money. And, yes, that's the way it is. But again, as I told you, regulators did not, when they are carving out the regulations for mutual funds, they didn't consider much of the commodity market

requirements, when they carved out. And when they, when the silver ETFs notes certificates circular has been issued, they said silver bar should be 30 kgs standard. Now, there's nothing called a 30 kg silver standard bar when 30 Kgs, plus or minus, some tolerance limit will be there, you know, one kg or one or two and half kgs or something like that. But they didn't provide for the tolerance. So, in the marketplace, when they get something, anything other than the 30 kgs, they will say no, this is not as per the SEBI requirement. So, I think that's a challenge. You know, these are the issues that we are taking up and..., but coming back to your you know, I think constantly you have to be at it. That's the way I look at it. And, I'm pretty persistent in that sense. I don't leave anybody unless..., I don't take no for an answer to that extent. So, it may take more time. I have no problem. But I will keep, you know, hammering, that's the way it is.

Analyst: Because you know from the mutual fund side, it's a very, very competitive industry. And I'm surprised that they've not grabbed the opportunity. I understand, you know, when it was allowed then they had so many issues on, you know, the not linking the clearance side and stuff like that. But I would have thought, you know, that the mutual funds, you know, just launching, in equity there is the same product by everyone with multiple sides of it. So, this is an opportunity and I'm surprised that you know, you've not seen the sort of competitiveness here in terms of new product launches. It's...

P. S. Reddy: Yes. That's right. I've been meeting the CEOs of mutual funds also, and whosoever matters, they all promise that we'll take it up. But yes, I mean, I think we should continue to do it and if there is one success story, the rest will follow. That is the way I look at it.

Analyst: Actually, that's how I see it, if one launch happens, then...

P. S. Reddy: Yes.

Analyst: ...Which is slightly high profile.

P. S. Reddy: Nippon has managed very well, at this point in time. Nippon and Tata Mutual Fund, and ICICI Pru, and I think Kotak has the biggest arbitrage fund they are running, I think we have ... them also for leads.

Analyst: Great. Ritika is there anything else on your side?

Analyst: I'm good Gaurav.

Analyst: Thank you so much. You know, it's always a pleasure speaking with you, and we wish really wish you all the best and as I mentioned, you know, we are playing the story over the long term and hopefully you're getting into a really good phase now and the things only turn positive, and all the best and thank you once again for all your time.

P. S. Reddy: Thanks to both of you. Stay invested and rewarded.

Analyst: Okay yes.

Analyst: Thank you so much.

Analyst: Thank you.

Rovina: Thank you.