MCX/SEC/2229 June 05, 2023

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

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

Dear Sir/Madam,

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

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Ashmore Investment Management	May 29, 2023	12:00 PM	***Annexure - A***

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

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited

MANISHA HARSHAD THAKUR
Digitally signed by MANISHA HARSHAD THAKUR
Date: 2023.06.05 16:51:21 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

Multi Commodity Exchange of India Limited
Meeting with
Ashmore Investment Management Limited

May 29, 2023

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MANAGEMENT: **MR. P.S. REDDY – MD & CEO**
MR. SATYAJEET BOLAR – CFO
MR. DG PRAVEEN – CRIO

P. S. Reddy: Yes, welcome to Ashmore. Welcome Mr. Govind. And go ahead, please ask your questions. Switch on the mic. Yes, it's on. It's on now.

Arpit Kapoor: Yes. So, we just wanted to get in terms of just the software part of it as to where the, what is the roadmap going forward and what is, how should we interpret things in the next four to six weeks?

P. S. Reddy: Yes, you know, as I said in the call also, we are keen that we launch, you know, in the month of June, maybe whether it will be third week or fourth week, of course, we will be cutting too fine. But, you know, as many mock chances we can give to the member brokers, we will be giving it. And that is what our desire is. And hopefully, the feedback we get from members is also good. Then accordingly, we will take a call on this part of it. I mean, early June, we will take a call.

Arpit Kapoor: Okay, sure.

Chandra Govindaraju: On the business side, we could see some mini contracts launched. If you could give your view on how the volumes are improving and what are we hearing from the broker?

P. S. Reddy: See, on the mini contracts, when they were discontinued, we lost a lot of client base. But then many of them have come back. Still a lot has to come. Not that all of them have come back. But it is happening, you know, because for almost two years, we have missed out these contracts, mini contracts. And probably, all those investors, although we have reached out, members are reaching out, all have not come back.

Secondly, these mini contracts have been launched only in three of them, base metals, where delivery unit and trading unit can be identical. We have also represented to SEBI to permit us to launch differential delivery and trading unit contracts in nickel and zinc, I am sorry, nickel and copper. Because copper comes at 2.5 tons, nickel comes 1.5 tons, and they almost all cost INR35 lakhs to INR40 lakhs. That is too expensive for individual investors to trade. One lot means it is so much of money. And you can imagine the margin amount that has to be put in. So, we are requesting them to reconsider this. I think they are looking at it. And hopefully, we should be able to get a positive response on this after, maybe approval from CDAC.

Chandra Govindaraju: What could be the volume now in terms of the mini contracts?

P. S. Reddy: In the mini contracts, Yes.

Praveen DG: See, mini, like, apart from base metals, we also have the mini contracts in crude oil and natural gas. So, in the month of March, in crude oil, we have done something around INR191 crores in crude oil mini. Natural gas, around INR37 crores. And aluminum mini, INR44 crores. Zinc mini, again, INR122 crores.

P. S. Reddy: Well, those numbers are no numbers for us, honestly, because when it was at its peak of its growth, we had 20% to 25% coming from mini contracts. So, you can see these numbers are no numbers, if you look at from the composition point of view. And so, there's a lot of scope for growing.

Arpit Kapoor: But generally, between futures and options, we are seeing again, as we saw in equity segment, the options continue to become a bigger part. Is there a way to understand how much is for the hedging point of view, and how much is, that is just pure speculation that people want to get out. And that eventually is a function of the volatility, which is there, which we are seeing globally. But because it's pretty similar to what we are seeing in equity market, that the Indian equity market is also behaving in a very different way as compared to the global equity markets. And we are seeing a similar trend in the commodity market as well. So, any thoughts there as to how do you see this evolving? I'm not talking of the next one or two quarters or one or two years, but let's say over a medium term, three to five years, where do you see, how do you see the industry evolving?

P. S. Reddy: See, I think from the traders perspective, if they are very comfortable in options contract, they know how to, you know, strategize when they're trading. Now, obviously they will jump onto it. You know, they, you know, they look at this because they are not delivery based anymore, in all these option contracts. And again, they devolve into the underlying futures. Now, when they devolve it, again, there is a delivery threat is there. So, they will square it up before, you know, they get into the delivery mode, the staggered delivery period. So obviously, they are keen to work in this options contract.

Now, if you ask me how many hedgers are there, my view is, on the writer's side, many of them are the people who are in the industry who have a backing of the metals, because option writer will be exposed, it's an unlimited risk they have. And so obviously those who are in the industry, who have got stocks or exposure in the physical market only can write. I think that is also encouraging them because they are getting the premiums, a good amount of premium they are getting it. So, they see that part of it. So that's the way it is. While the buyer side may not be so much of hedging participation, but definitely the writer's side is there.

Arpit Kapoor: And how do you see that evolving in the next? So, what do you see?

P. S. Reddy: I think it will grow. It will. Option markets will only grow. That is what, that is what happened in equities.

Arpit Kapoor: Equities?

P.S. Reddy: That is right. But we also expect the underlying futures to grow, not that they may grow at a rate at which this is growing, because they also need to hedge their risk if somebody is… a writer has to hedge their risk also. So, they will be doing it, must be doing, in the underlying futures.

Arpit Kapoor: Okay. And then in that sense, how do we look at the volume to premium ratio? So that ratio, which probably has moderated compared to what it was at the high premium to notional ratio, option premium to notional ratio.

P. S. Reddy: Yes. So, the options, you see, earlier they used to be traded more closer to the money, in-the-money or at-the-money kind of thing. But now they are moving away from it. So, the premiums have come down, the total. So obviously our income also to that extent has come down.

Arpit Kapoor: But then that will be compensated by the increase in the overall option volume.

P. S. Reddy: Not necessary. Okay. But yes, the moment you move away from at-the-money kind of contracts, there's a suspicion that people, illiquid contracts, people are trading, that is the kind of threat is there. So maybe they would like to stay within the five to five strikes up or at the money or down. That's the way.

Praveen DG: But generally what happens as the market is growing in general, the liquidity will be much spread over the period of time, like, your out of the money also will start becoming more and more liquid. So, it is actually a healthy sign. Like, you grow up and it is going to spread across that one. But there could be a marginal drop that is going to happen in terms of the premium to notional amount, if you look at it.

P. S. Reddy: But another thing also, the volatility also helps to trade in out-of-the-money contracts. The reason is because the people are expecting the volatility to shift to the other side. Then those contracts may become in the money or at the money kind of. So, to that extent, volatility helps in trading, I mean, spread that distribution of trading.

Arpit Kapoor: Is there a flow that we can imagine, that it will not go below a certain level or?

P. S. Reddy: We cannot. Well, you can imagine that it cannot be more less than INR40 per lakh, because that is we have only two slabs, INR40 and INR50. That is it.

Arpit Kapoor: Right. Right. And in terms of, so yes, are we pausing to let's say, whenever the transition happens, would there be -- would you be in a better capacity to launch a lot more products or because of the delay is there -- is that holding you back from launching products or that's not something which you are, which is impacting your ability? Because again, you would not want to increase the complexity in the system before you migrate.

P. S. Reddy: Yes, I think we, as I said that there are some gold options, contract are in a monthly option. We are looking for a -- not monthly, monthly futures contract, a bimonthly option, some other thing. So, to that extent that technology platform is to be enabled. So, those one we are not building. And so similarly, with some of the new contracts which we will be introducing, they will be primarily the futures contract and option contract. If it is an option contract, there has to be the same month, monthly contracts or bimonthly contract, not anything, not any other way. Yes, to that extent, as I said, our primary goal, post goal is to work on releasing other what you call, functionality related to the negative pricing or kind of things which are critical for us.

Arpit Kapoor: And once you migrate to the new software, it would, so you then have the flexibility to launch whatever.

P. S. Reddy: Yes, that one we will have.

Arpit Kapoor: You will have.

P. S. Reddy: I mean, if it is not there, we will be able to build a new software.

Arpit Kapoor: Understood.

Chandra Govindaraju: This quarter, other expenses when you look at, it was at 14.3…

Satyajeet Bolar: Beg your pardon?

Chandra Govindaraju: The other expenses, that line item, this quarter was 14.3 crores, so slightly higher than what our run-rate is. Was there any one-off?

Satyajeet Bolar: No, one-off and as I mentioned in the call also that, see our subsidiary, they account for CSR expenses at the end of the year. Correct. So, some INR60 lakh, INR70 lakhs came at the end of the year. That is only from the MCX CCLs perspective.

Chandra Govindaraju: Correct. But still it looks slightly higher than what our run-rate of…

Satyajeet Bolar: As you know, nothing exceptional.

Chandra Govindaraju: And with this new software launch and rollout and with the new product and all, do you need to add more employees to the system or the current employees?

Satyajeet Bolar: Not really. I think once the system stabilizes, then the management will take a call on the IT strength and the team, in the technology team. Then it will have stabilized. We will be having TCS to support it. So it would be, and for many IT professionals, it will be then in the maintenance mode. It will not be in the development. Many of them would consider whether to remain or move on. Because it would be in a maintenance mode, not in the development mode. I think maybe the skill sets would be a bit different.

Chandra Govindaraju: So barring the software expenses, which is volatile, the other expenses should be growing at a very nominal rate.

Praveen DG: It won't be proportional, definitely not proportional. Because unless the product is altogether new and you require a different kind of skill-sets, then I think it is a different story. Otherwise, given the same type of products and other things, I don't think you would be requiring, or increase in manpower is required to help this. It is definitely not proportionate.

Arpit Kapoor: And as we have seen in the equity segment, the competitive exchanges, even if whoever has launched commodities, their market share would remain… because liquidity and the volumes continue to be dominated by MCX. Because you don't have the depth or people moving there, the price recovery remains, it remains illiquid and for that reason, the dominant exchange continues to enjoy.

Praveen DG: We are not supporting our products by any liquidity enhancements. That's what I'm saying. So, we are okay with it and looking at what other people are doing.

P. S. Reddy: I mean, the NSE has launched WTI and these are futures they have launched. And we are watching, of course, we are also engaged with our member brokers. So we are of the view that as long as you continue to give your service, put service, technology score, then there's no reason why anybody will look at anywhere else.

Arpit Kapoor: Is there an angle of having some impact within the GIFT City? Would that help you get some foreign volumes or is there a gain there or you think that that's not something that you want? I understand right now you may not be targeting, but even, let's say, in the next one and a half, two years, is there a sizable chunk that you can get by having? So again, I'm taking a cue from the equity like, SGX Nifty, it is now going to get traded from GIFT, just because there was so much leakage of volumes, which was not happening, not getting captured in India, getting captured outside. Do you see any contract, commodity or gold where there is this white space, which is there, which if you start trading in GIFT City, you may capture some of the international volumes.

P. S. Reddy: Now, one is that, if you see our major contract, with crude, NG, which is based on CME prices, out there in Dubai, we've traded, Moscow, maybe in Singapore. By starting in GIFT City, you have to get somewhere here only. Obviously, our domestic players will not come there and because they're all dollar denominated contracts and there are a lot of other issues are associated. And so, they may not be able to trade in that sense.

The number two is that the gold and other contracts, already there is a spot exchange. They themselves are struggling in terms of getting the international bullion traders to come over there and then participate. And I think if that ecosystem once built, then probably we can look at some trading out there, but it's too premature or early for me to say anything on that, at this point.

Arpit Kapoor: Last two questions from my side. So, one, in terms of going live with the new, do we need any exchange approval or any authority approval?

P. S. Reddy: To my knowledge, it is not required, but then we know what we have to do. I think we will be doing all that in terms of auditors, certification and all that. We are doing that.

Arpit Kapoor: We are doing that. And two, in terms of the question that Chandra alluded to, so in terms of employee support, base support, so do we have a support tech staff within the company? And let's say, when the migration happens because it's a new product, new platform, how would, so whether those employees would get upskilled with the new software or how does that migration happen, of the tech pool of employees that you have in the company?

P. S. Reddy: Yes. And see, we have recruited a lot of seniors over the last two years. So, it's not that we started without that base to be there. And in many cases, the vendors themselves, we have support along with the product that is developed, three years, five years kind of support - we have it. And so, we have the different skill sets that are needed. And it's not technology is too different in that sense. Maybe in Oracle, you have a DB2 or…. So, we have recruited all those people who are for that kind of function, we have. And in any way, first one year, TCS itself will support them with the warranty.

Arpit Kapoor: Thank you.

P. S. Reddy: Thank you. Thank you so much. All the best. Stay invested.