MCX/SEC/1937 May 28, 2021

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/analysts on Q4 FY-2021 results

Dear Sir,

Please find enclosed herewith transcript of the Earnings conference call with investors/analysts held on May 24, 2021 at 4.00 p.m. IST on Q4 FY-2021 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Mufti Commodity Exchange of India Limited

puri ajay
Digitally signed by puri ajay
Date: 2021.05.28 18:37:52 +05'30'

Ajay Puri
Company Secretary

MULTI COMMODITY EXCHANGE OF INDIA LTD.
EXCHANGE SQUARE, SUREN ROAD, ANDHERI (EAST), MUMBAI 400 093, INDIA. TEL: +91-22-6731 8888, FAX: +91-22-66494151, www.mcxindia.com
CIN: L51909MH2002PLC135594, info@mcxindia.com

"Multi Commodity Exchange of India Limited Q4 FY-21 Earnings Conference Call"

May 24, 2021

MANAGEMENT: MR. P.S. REDDY – MD AND CEO, MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. SATYAJEET BOLAR – CFO, MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN DG – INVESTOR RELATIONS.
MR. VIJAY IYER – INVESTOR RELATIONS.

Moderator: Ladies and gentlemen, good day and welcome to Multi Commodity Exchange of India Limited Q4 FY21 Earnings Conference Call. 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 – MD and CEO, MCX. Thank you, and over to you Mr. Reddy.

P.S. Reddy: Thank you. Mr. Neerav. And welcome to all of you for participating in this investor call. I am P.S. Reddy, MD and CEO with me Mr. Satyajeet Bolar is our CFO in this conference and then Mr. Praveen DG looks after the Investor Relations so is Mr. Vijay Iyer.

Let me take you through few numbers, especially the business for the entire financial year that we had:

The years we had about 31,404 crores ADT as against last year's 32,550 crores ADT. So, we're almost all there, yes, may be 1000 crores less per day kind of thing. And that is reflected in our operation income, as you can see that. We had also this year about 254 trading days, as 258 trading days last year.

Having said this, let me also say that the total clients traded in this current financial year is increased by 14%. Last year, we had unique client code, what I'm talking about is, 4 lakh are the ones which we traded last financial year. This year, we have 4.57 lakh this year we have traded so that a decent progress given the kind of challenges we have faced in the first quarter, you are all aware first quarter our numbers were very depressing. The situation was like that. And the number of full trading days were also substantially reduced because of COVID. And we have recovered from that and we've come a long way. Thanks to our all stakeholders who have supported us through this difficult time.

The number of unique n average client's traded stated on a daily basis just a marginally come down, it's about 62,000 we used to have, and now we have only 55,000 clients who have traded. Again, the crude oil negative pricing in the month of April has impacted for a long time and it dragged our revenue substantially. It's only sometime in the month of December, we have recovered from that all sort of the negative pricing. And still, we couldn't recover because the margins are at 20% as against maybe internationally it's about 10% to 15% of course depending on the volatility in the stock. These are the few numbers that I have. But thanks to the COVID, new ways of living, new ways of learning, to do business has come and our expenses have been brought down, that's where Mr. Bolar will say, he will explain to you. So, something which we could control, if I have no control on the top line at least I should have control on these cost. So, that we will be able to do justice for the working.

Then you have some of the numbers concentration of members to total turnover. Last year, we had about top 10 accounted for 52.38%. And this financial years we have almost 60%, this concentration has increased primarily due to algo players coming in and some of the smaller players or maybe some of the players who have retail base have gone out because of this again crude oil negative pricing. There is a huge client reduction in that crude oil contract, but otherwise other contracts are reasonably doing well. So, this is something which concentration has increased and we are working on it, we are making plans to bring back some of these members, some of their associated persons into the trading system, this is one part of it.

And there is also obviously as I said algo players concentration has increased, it was '19-20 we had 37.15 now, in '20-21 we have 41% algo players concentration and new algo players are also coming at this point in time they have not taken membership, but they have come via a big broker it's an internationally reputed firm and still some more are waiting to join in the current financial year. This being what I said and the mobile trading this also shows that, more-and-more people participating, retail participation this can be one indicator. In '19-20, 20%, 21% rather, has come through the mobile trading, the turnover has come through. And in the '20-21 we have 27% transactions have come through the mobile trading.

Again, the new clients who have joined this year have contributed almost about 24% to our ADT. That's a good number as against last year about 18% have contributed, that's a good progress that we got. These are the numbers that I wanted to give you, now over to Mr. Bolar who will be speaking on the financial results. Yes, Mr. Bolar.

Satyajeet Bolar: Thank you. Mr. Reddy and good evening. As already published the financial you would have seen it, there will lot of queries I'm sure, just wanted to touch base. At our top line for the full financial year there's a drop of 9 crores, mainly on account if you would have also, you would have examine our quarterly results, mainly our income from other sources, which consists of treasury income, because of the volatility in the debt market which fluctuated substantially during the quarter, we have been able to book around 11 crores as compared to around 20 crore to 23 crores that we generally book, but on the flip side as Mr. Reddy said, we have been able to keep our expenses under control and risk. So, our direct expenses also we've been able to recover about 10 crores, operational and other expenses we've been able to recover 4 crore. This is an addition to the provision that we made for the CSR, because the government has changed the mandate for CSR in January '21, in which they've mandated that we have to make provision for CSR expenses of earlier years, in case there's any unspent amount. So, our CSR committee met, and sanctioned the amount, but unfortunately because of COVID, most of it could not be dispersed. But we made an additional provision of around 4.14 crores to be precise, in the quarter ended March '21. So, this was the major reason for a slight quarter-on-quarter operational expenses have shown an increase in that, but the biggest hit is because we took a hit of 15 crores on quarter-on-quarter on account of the taxation.

When we met last time in December, I'd mentioned that we were advised that we have to take the tax calculation would be based on the budget. So, when we did the budget working for the whole year and the taxable income for the whole year, compared it with the budget and there's a provision that we made, so we are a taxable income as per the Income Tax Act, but it was a MAT entitlement. So, because of that we took a credit and there was a credit of 4 crores. So, when we actually closed the year in March, so there's a turnaround of 11 crores in the income tax. So, there's basically a hit of 15 crores that we took on a quarter-to-quarter on the income tax figures. Otherwise, on an annual basis we have been flat. In spite of the COVID situation and other the trying times that we've all gone through as Mr. Reddy said a lot of expenses have been controlled under traveling, advertisement, we have stopped advertising in the print media under his guidance and now mainly into digital and electronic so print media has stopped to a large extent and all other expenses where ever we could we have reduced it. So, there's a big fall in the expense part.

I'll, be happy to take detailed questions on our financials. And tax as I mentioned earlier the main reason for the tax was in December, when we closed, we had a MAT entitlement, which resulted in a credit of 4.52 crore. And when we close March for the whole financial year, because that's the tax calculation was done through the whole financial year, where not only a tax under the normal tax, also we have been able to utilize a MAT credit of 8 crore. So, last time when we closed financial of March '19, we had a MAT credit of 20 crores. So, out of the 20 crores, we've been able to utilize 8 crore. And the average rate of tax is around 18.62%, which we have been consistently saying it is around 19% to 20%. So, this year also it's around 18.62%. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

Mohit Kumar: Sir two questions. Firstly, you said that your operating expenses are in control, how much of that is sustainable or do you think this will increase as we go forward in FY22?

Satyajeet Bolar: Yes, if we look at our operating expenses, one is the employee cost. So, the employee cost would remain, obviously we have to invest on employee so that could be the. This year also, we should remember that we had the negative pricing, so because of the negative pricing we had an additional expense of almost 2 crores on legal and professional. So, hopefully going forward, we would not have that expense. And we have been able to substantially save on traveling, which I assume would continue because of the COVID situation, advertisement, business promotion. So, I have a feeling if we change the way we conduct our business, so probably these expenses would be going forward also, we will be able to contain them, reduce them.

Mohit Kumar: What is the update on the trading software, which was any update which you can share?

P.S. Reddy: Yes, sure. We have gone ahead with the TCS, you are aware of it. And we have drawn out the milestones for three drops essentially three deliveries, which will happen and those ones will be completed as we planned. And we are looking at going live sometime in the month of July. And that is what at this point in time, our contract is there till September 22. And so far, the progress has been very good, a satisfactory putting that way.

Mohit Kumar: Does that changes our cost item, cost line items as new contract?

P.S. Reddy: Should be my view, but then immediately it doesn't because maybe it's some depreciation will also take place on the assets that we buy. And over a period of time, maybe three to five years' time, it should change the way that we are accounting for these expenses.

Satyajeet Bolar: Because when we said we will be employing additional staff from our side for the IT, so those expenses would go up. But once we go live and we're able to amortize what we can, then the useful life of the, useful life will be amortized. But, the running cost would be drastically reducing.

Mohit Kumar: Okay. So, your running cost will go down, but amortization will go up am I right in saying that?

Satyajeet Bolar: Yes, because whatever the project cost, we will like to amortize it because technology being so gets developed and it keeps changing so frequently, that we'd like to keep it at a reasonable rate and amortize it over six to eight years. So, obviously, there would be some increase in amortization costs.

Mohit Kumar: Understood sir. And as in FY22 which are the products you thing you will be introduced and which are the growth drivers you looking forward to, just a last question. Thank you.

P.S. Reddy: Our, main flagship contracts will continue to do well and we are trying to deepen those products lines also, there's no doubt about it. And we will be launching few more products, especially our contract BULLDEX and METLDEX just last year, sometime in August, we launched in the October, we launched the METLDEX. Now they have seen good traction, they are doing well and from 1st April onwards we started charging also, on the transaction fees, and we expect these products to do well in the current financial year. And this is one important thing. And we will also be introducing some more products subject to regulatory approval, one is the aluminum alloy and then another one is the steel rebars and let us see, once we get the necessary approvals then we will be able to launch before the September of this year. These are the lines of business that we're looking at it.

Moderator: Thank you very much. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: So, I have two questions. One is regarding the volumes that we saw from the 1st of March against the upfront margin norm increase. So, if you could tell us the impact of this increase in upfront margin norms, if any in the MCX volume, because we have not seen similar impact in the equity markets in a big way. That is one question, and second is the spot gold exchange that is being talked about and there is a consultation paper also which has been initiated. So, MCX what can be the opportunity for MCX and if there is somebody else who operates that spot exchange what will be the impact on our future modules. These are the two questions.

P S Reddy : Sure. On the peak margin, yes we did have an impact in the month of March when it went up to 50%, our ADT you must be knowing about 26,000 crores and in the month of April we have seen about 25,000 crores but then May is seeing definitely a better growth. Yes, other things being equal the peak margin did impact our volumes, no doubt about it. And we did represent to SEBI looking at the commodities markets are in a nascent stage they should consider the development of this market and the impact that it's causing on the liquidity and the depth in the market. That is one part of it.

And probably, we have also seen so many, introduction of so many regulatory changes, market also takes time to adjust to that, that is another way of looking at things. But the peak margin effect has not fully come because only 50% is implemented, another 25% will become operative if there is no change in the SEBI regulations from 1st of June and then again another 25% from 1st of September. So, as it unfolds we are to discover this impact of it, that's the way I'm looking at it. But we are trying to reach out to a lot of hedgers and other participants in the market to deepen it and also bring in the necessary liquidity.

We have also requested SEBI to look at relaxation for the FII participation in the exchange traded contract. That's one area which we are looking at it, unlike currency market you have maybe up to some 100 billion or so, they have not required to have any exposure to currency, they are allowed to trade. So, a similar request has been made, we should allow FIIs up to some point without there being any exposure in the underlying commodity, should be allowed to participate, that is true for EFEs, Eligible Foreign Entities, EFEs so, the SEBI is examining it, let us see what changes will come through those, regulatory changes what will happen I do not know but then let us get that. That's one part of it.

Then comes to the spot gold exchange, the way that it has been constructed is the spot exchange will may operate within the same exchange as a part of the segment or it would be a separate exchange and that is a concept paper that is being floated at the same time, these gold spot exchange transactions will happen via a depository receipts in the sense, the gold will be deposited in the vault, against which electronic receipt will be created those receipts will be traded in the securities market on the exchanges as if they are deliverable contracts, of course they are but then physical delivery will not take place on the exchange platform. Will it have any impact? My answer is, it will only help us to grow, increase our networking effects will have a better impact on the exchange business rather than any negative impact.

Yes, technology is an issue that is where we are trying to work out how soon we can have that technology put in place, especially when we are changing over our vendor for these services, these are all the challenges that at this point in time we are dealing with, but I am confident that we will be able to launch once our platform to deal with this is ready. Thank you.

Ansuman Deb: Sir, one continuation on that part is what you mean to say is that, if we have a separate spot exchange, let say it is jointly run by the exchanges or some other exchange running it, if normally should not have an impact on our future volumes that we have?

Satyajeet Bolar: Absolutely, that is our understanding.

Ansuman Deb: Okay. And one more thing regarding the variable cost that you mentioned sometime back in the last question, you said drastically it will go down the software cost saying that, and the EBITDA would have an uplift and the PAT nearly, I am saying that EBITDA wise it will go up right that is what you mean to say?

P.S. Reddy: That's what we expect.

Satyajeet Bolar: Yes, that's right. Once the new system is put into place that is our clear understanding.

Ansuman Deb: Right. And sir just last question, spot software thing, can't TCS do the same thing or we need to produce fresh tender or fresh somebody?

P.S. Reddy: I am sorry?

Ansuman Deb: For the spot software, for gold spot if we had to, if you were to apply to SEBI to do a spot thing, because we are one of the, we have right to win also over there. So, over there can't TCS do the same thing?

P.S. Reddy: Yes, TCS also has a platform, in fact as a part of our contract, TCS has also platform but then what is the time it takes to put that in place is a major question, isn't it. So, when we floated the RFP we have said we need the following products also be available. But again, some customization will be involved, integrating with the existing platform because this is a futures platform that will be a spot platform means it is on a T+2 basis the deliveries will happen. Okay, and settlement process will be different out there. So, TCS can do it but whether they will be able to do it in 10 months, 12 months or 24 months is a challenge that is what. And currently, our focus and attention is the CDP main platform And we do not want to disturb that, that some what may we would like to do a good job out there.

Ansuman Deb: Right sir. And sir in terms of spot management of spot exchanges, are we better placed than our peers in terms of spot facility?

P.S. Reddy: See it is too speculative to say that, I would not like that but then we have already as I connect to the physical market to a great extent. So, we would be able to leverage that, that's the way I would like to put it.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, what is liability of 342 crore we have reduced this year in current financial liability, earlier it was 759 crore now it is 407 crore?

Satyajeet Bolar: As part of a clearing operation we get a lot of margin so, these margins are collected in the form of collaterals as well as in cash. So, during this financial year as compared to March '20, there's been a reduction in the cash margin of around 350 to 400 crores. But earlier out of the total margin we used to get around 93% in collateral now it is around 88% in collateral. So, that is the basic difference in March '21 and March '20.

Ravi Naredi: And sir since our currency market is now vanish so any efforts are we are doing to revive that currency market again for the MCX platform?

P.S. Reddy: I am not able to understand because we were never in currency in that sense as MCX.

Ravi Naredi: MCX were doing currency before you acquired, in old region.

P.S. Reddy: MCX-SX that is a different company altogether.

Ravi Naredi: Yes, so any plans with that?

P.S. Reddy: We have no relationship.

Ravi Naredi: Yes, it is okay, but any plan to currency market to start at MCX platform?

P.S. Reddy: As of now we don't have and first, for anything you need technology and technology is the backbone of this business. So, let's have a hold on that, then we will do that. Whatever plans we have we will think we can do.

Ravi Naredi: You have TCS with you then what is the afraid of technology, he can best provide the technology in the world now?

P.S. Reddy: No, you are absolutely right. But first we need to cross that first, take that first step, we need to do that. So, once we deploy it in live here, then we will think of all those.

Ravi Naredi: So, anything in your mind or board's mind to start or nothing yet present?

P.S. Reddy: As of now there is nothing on our drawing table.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: Sir just to clarify on this TCS contract again. So, it's very clear that it is a buy contract, it's not a subscription contract and you will only pay them some maintenance or support charges every year, correct?

P.S. Reddy: Yes, see the way it is, it is about 1+5 years and we will pay as long as you continue to pay the AMC then it's a perpetual license.

Susmit Patodia: And nothing is linked to your turnover or your top line, the AMC is already fixed?

P.S. Reddy: Nothing. Yes, AMC is fixed, and the annual increase in the AMC is also fixed it's very nominal.

Susmit Patodia: And what would be the outlay at the beginning, is that a number that you can disclose?

P.S. Reddy: The contractual terms do not allow us to disclose that numbers in terms of.

Susmit Patodia: Okay. And my second question is, if you can just tell us as the margin requirement increases, it also adds to your own cash balance which you can gain other income from?

P.S. Reddy: No, margins can be paid even using the bank guarantees, etcetera. So, not necessarily in the form of cash.

Susmit Patodia: Okay. So, what percentage of the margins in the new regime is coming from non-interest earning assets?

P.S. Reddy: That's what he said, last year it was 88% was in non-interest earnings assets now it is 95% is in non-interest earning assets. Although the margin has increased in fact, it's more or less the same last year also 5500 crores approximately. So, the margin amounts remained the same, but the composition got altered.

Susmit Patodia: Right. And sir my last question is, if you can give us an update on what about the banking channel, there has been much lower than one would have imagined the pickup there, so what is stopping them, is there an API issue just give us some details?

P.S. Reddy: See, often we get to know that, one is that put it this way, there are three parts to it like one is the speculators and arbitrageurs and the other one is the hedgers who and maybe somebody who takes delivery also. Here the challenge is of the GST for many of them even if somebody wants to take a delivery and then keep it and then as a financial player, if they are earning good amount of interest, then they would like to participate but then they need to have a GST registration the moment it takes delivery and even for those who have already have a registration, there are issues with related to GST because they may not have registrations in various states where we have delivery centers. And that is another challenge so, these are the ones we are trying to resolve and we approached the government to make all transactions on the exchange as GST transactions unless both buyer and seller are in the same state. But then that addresses only those ones who have, who have GST registration, but a lot of others do not have but still desired to do this. And trade, we have another alternative which we are proposing now, we thought through and we discussed with the tax consultant and took their approval also on the draft note, as we are collecting STT, CTT, stamp duty, etcetera maybe whether the clearing corporation can transpose itself in this place, and then see whether we can do something there subject to government's approval of course. So, we are looking at we're trying with various ideas and PMS participation is also to that extent got restricted because again the same reason, if the PMS has to hold in the individual account, the delivery of stock that they are getting it, then each one should have a GST registration that is a challenge. So, let's look at it, let us see how we will be able to break this deadlock or break this barrier. But, all that I can say is some of the banks for example ICICI just today, I learned that they have launched the mobile app. So, we're looking at wherever retail participants can come using these kind of devices. But the same way what happen in equities, today we are not anywhere close to the equity markets development. So, these are all products are introduced by these bank broking houses, probably greater participation will come. Thank you.

Moderator: Thank you. The next question is from the line of Amit Khaitan from Nirmal Bang Securities. Please go ahead.

Amit: This is Amit from Laburnum Capital. Sir my question is around two questions. One is on the technology side again. So, I understand you can't disclose the upfront amount, but could you give a sense of, and the annual what you call running cost right, if I understand correctly it is around 50 crores per year on your software charges. What could be the savings there on an annual basis once the new platforms implemented?

P.S. Reddy: It's substantially, you understand the substantially lower, that's the way I see. Substantially lower.

Amit: But like, you can't put some figure around it may be from 50 it will come down to what 30?

P.S. Reddy: No, even much less.

Amit: Got it. And second question is around, so if I look at your value participation of data that you had share on the exchange, the participation by hedgers is very small. So, what steps are you taking to deepen this end of the market and why the large corporate are not hedging on your exchange, what is international exchange like? I want to understand what is preventing them from hedging on MCX? Is it liquidity, is it some regulatory issue?

P.S. Reddy: It is a good question I will tell you why one is that the credit lines that are available for brokers arrange for international markets he takes it as a challenge and the brokers are not able to do that maybe even if there is a credit line avail the tripartite kind of agreements are not permitted where broker will also ensure that the client does not default for the securities, the money that he has taken. Second part of it which is equally important is here you have to on a day-to-day basis you have to do the M-to-M in those again because of this credit lines that issue does not arise you invest in that contract and then forget about it maybe as your inventory requirements or call for it you will keep juggling that number of contract that you buy or sell and all that stuff, but then that challenge is not there because broker takes care of it using that kind of a credit line that is M-to-M, may be the company may be giving just one collateral that is all in the form of whatever bank guarantee or whatever that they need to give. Another important thing which we also has learnt is that some of them want to have a dollar denominated contracts and ours is a rupee denominated. We do explain that even the currency risk is also taken care of it because we have in a rupee denominated contract, but their point you should leave it to the choice of the investor whether they want to have it in the dollar or dollar denominated hedging or they want to do it another leg of currency risk mitigation or they may not do it at all the currency risk, they may not see any problem out there. So, the bigger organizations are going for that. Third which is equally important is the foreign contracts do not have as much as liquidity as we expected it. Obviously liquidity cannot be provided by the exchange as such we can provide a platform; we can provide a robust risk management system and then do the participants to trade expect that participant to trade. Here, I would like to highlight government has banned, RBI these gold to be hedged in overseas markets. As a result, the whole business is shifted on to the exchange platform and that is why it is doing well. Although it is my ask or it is my desire we are not saying that such a restrict to practice be adopted, but at the same time we would like the corporations to take a serious look at it how to develop the domestic industry, but not withstanding the participation of this people still we are able to attract the MSME medium and small players essentially because A our contract size is maybe one-tenth of what has been traded in international market so it suits their requirements and second is that they may not have the access to the foreign currency etcetera where they will be able to dwell in international markets. So, they are able to do the business in the domestic market, but at the same time if we bring in the smaller players as we grow bigger and bigger we will definitely have the benefit of their participation and a pool liquidity pool will increase on the exchange platform, but one important thing which also you need to bear in mind is some of the bigger players who have LME registered for example metal brands they are already trading on the exchange platform they look it as a last resort. If they think that if they have to clear the month end stock which are lying on that and MCX price is good they simply sell the contract and then deliver the metal and it happened many times. So, it is not that they are not doing it, they are doing it very selectively I would say and there should be an opportunity for them to do it that is the way they are doing it, but yes hedging they have not used it in the way that I desire and I hope and we have been engaging with them all along and one I would say one way or the other whichever way you call it one way or the other they are not doing it bigger players this is my submission, but again I have said earlier before in another sometime ago that we have made a representation to FIIs who can become a financial player, increase the depth in the market and similarly EFEs without exposure. Today London or CME wherever the players are playing they do not have the players do not have exposure in London or in Britain or in US. They have in some other countries still they are permitted to hedge in those markets. Similarly, Indian regulators also we desire them to permit these EFEs and others without exposure also they should be able to participate then the depth will increase.

Moderator: Thank you. The next question is from the line of Karthik from Investec India. Please go ahead.

Karthik: Our options market share in Bullion has actually gone down and we see that BSE has been doing well, any reason why?

P.S. Reddy: In fact, yes you see the options turnover on the exchange platform on MCX and the open interest that is with the exchange versus the turnover of whatever it is you are talking about and the open interest without open interest creating any amount of turnover has no meaning let us understand that is the way we do the business works. Now, we have at times even 3 ton or 5 ton what you call open interest even with whatever turnover that we have it and there you can count on kg 20 kg, 30 kg even less than that. So, 3,000 crores is the turnover name sake, but the open interest is 20 kg, 30 kg. Our sales maybe 400 crores turnover, but you have an open interest of 4 tons, 5 tons so it makes a great difference.

Karthik: Secondly in general the options business has been taken off as much as one would have anticipated especially equity options do so well in India as such and with the recent regulatory changes in terms of devolvement also options have been taken up as much, any understanding there what is going on?

P.S. Reddy: Yes by and large these are you are right these are retail product and some of our contracts especially for Gold for example one kilo gold and what is the value of it and the premium of it itself is substantially high and the tenure is also long because it is a two-month contract. So, as such the premium paid is substantially high. We expect these options contract to be more of a retail products than for any hedgers or big corporate or anybody who are in this business. So, we need to bring down the cost of premium and unless we reduce the contract it will not happen and that is why we are introducing other products and then we would like to launch maybe again depends on some of the technological changes that are happening on 100-gram gold that we have contract if option is launched, options on futures we would like to launch not on option on gold and probably it may find some traction.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline Holdings Portfolio.

Deepan Shankar: So, firstly are we expecting deep volume decline when the final phase of credit margin requirement implemented in 1st September and are we seeing trend of retail investors shifting more towards the options in that case?

P.S. Reddy: Of course, we did find some kind of traction in options due to the peak margin being imposed, but I cannot say anything at this point in time if the peak margins are increased to its fullest extent what happens to the turnover and the client base. My view is people do get adjusted and I think they got adjusted because already it is 50% and we do not fear any kind of decline or rather put it that way any steep decline in business, but at the same time we are trying to see how we can mitigate the margin pressure on the member broker. In fact, we have also given a suggestion where the intraday contracts may attract a lower margin the day and for open interest position may attract a higher margin because the overnight risk when the markets are closed and another markets are opened they attract a higher margin so that it will take care of the overnight risk, but the intraday contracts can have volatility-based margins. So, let us see some of these proposals will if they find a favorable response I am sure we will be able to address these issues.

Deepan Shankar: So, even if there is impact it could be short term, but over long term these things could be adjusted right assumption sir?

P.S. Reddy: Absolutely.

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

Devesh Agarwal: Firstly, again happening on this new margin rules so clearly there was an impact in March, but could you give some idea in terms of within the mix how it was whether the impact was much more for retail investor or the algo trade saw sharp decline so some idea on that account and when it has come back in May what has actually driven which is a segment of investors have driven bad debts?

P.S. Reddy: Obviously it will be more on the retailer rather than the algo players or proprietary traders, but then as you see the numbers again in the month of May the numbers are looking good. So, far the ADT maybe first few days of ADT in the month of May is 31,000. Yes April is bad 25,000 and other things being equal they will impact the peak margin, but if other things also play on the favorable side to offset the peak margin impact then we do not need to worry about this aspect at all.

Devesh Agarwal: Sir on the new software you said implementation is likely by July, is it you are talking about '21 or '22?

P.S. Reddy: '22. Our contract is there till '22 September.

Devesh Agarwal: So, from July' 22 onwards you will be migrate to the new software.

Moderator: Thank you. The next question is from the line of **….** an individual investor. Please go ahead.

Participant: I have two questions where are we on electricity futures and what are the products are we planning in coming days and second one what response or what traction are you seeing from bank subsidiaries eligible for commodity training?

P.S. Reddy: Yes on the electricity futures we have already submitted the proposal to SEBI and as I said still the matter is in the Supreme Court unless the Supreme Court passes an order the consent order that has been filed I do not think we will be able to launch the contract because we do not have an approval as yet. Now the meanwhile whatever is the background work that needs to be done that we have already done that. We are also engaged with market participants, engaging them to understand the contracts specifications and how they can benefit from this contract. We have also conducted lot of webinars with international players also and it has received a good response. So, this is the way that electricity features contract has done so far I mean it is just lying there. In fact, we have made a presentation to the regulators also. On the subsidiaries of the banks, I have already said in the beginning of this one some of them have seen a very good traction as against Q3, Q4 it has got developed doubled some of them and as I said that even today I learn that ICICI Securities has launched a mobile app and some more are going to do that, but am I satisfied my answer is no let be very candid about this. There is a long way to go as I said some of the concerns related to GST are coming in the way for them to sell aggressively to the retail investors and that is a challenge. It is not that equity share you open a demat account it goes in there and lies there. Here is a different kind of animal altogether. Even if it lies in the ComRIS which is a demat account, but still the material is lying in the warehouse for which one is identified and that one should have the GST registration this is a major challenge.

Participant: And new products we are launching this financial year?

P.S. Reddy: Probably you must have joined late, but then I have said that we are also planning to launch an aluminum alloy contract, planning to launch a steel long bars again subject to regulatory approvals.

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

Amit Chandra: Sir, in your initial remarks you mentioned under the algo volume the contribution is at 40% and if I see that this 40% was around 46% last year so it has been coming down so is the increase in margins the reason for that or if you see any other reason to it and also in terms of the index contracts the volume there is not picking up and also the share of the institutional participation in the overall volume mix is even less than 1%, so when we will see traction in this segment and also you mentioned you started charging for the index contracts, so is the rate or slab structure the same of future or it is different?

P.S. Reddy: The rate is the same there is no change in that. On the algo players in fact as I said 19-20 it was 37.15 and average across various from quarter and current year it is 41% algo players so that is the way it is. So, peak margin has not adversely affected in the sense the algo players are there and maybe some of the retail players have gone out and that is the way this has impacted us that is why their percentage has also gone up that is the way I read.

Amit Chandra: Index contract volume not picking up and institution participation?

P.S. Reddy: No index contract did pick up in fact as I speak this month so far we have about 400 crores ADT and you can ask you satisfied my answer is no. As I said we are expecting what you call cross margin benefit between this particular contract and the underlying assets if you have what the contra positions in both the contracts underlying position and underlying contracts as well as in the index futures you should get the benefit that is one part of it. Second, we have already reached in some cases some instances are there where the individual contract size as a lot I mean the position limits are already touch. So, we have appealed to SEBI to relax those individual what you call contract position limits. So, if position limits are relaxed obviously some more position this lines we will be able to take it is like that.

Amit Chandra: And on the institution participation?

P.S. Reddy: On the mutual funds I think as I said last time I think 4 of them are there and at this point in time only 4 we are also pitching for Silver ETFs to be permitted in the industry so that they will be able to hold them using the sliver contracts on the exchange platform and let us see that is one thing that should be able to again bring in more volumes, but institutional participation as I have already said also this FY we made a presentation detailed presentation recently organized week ago or so where the EFEs, FIIs, PMS, NRIs they are all almost at about 60 people have gathered around the table and SEBI officials were present and they presented what are the issues that their challenges they are facing and what is the remedial measures that they are asking for. So, it has been already given I am sure SEBI is going to consider it favorably in the light of development that I mean they wanted their market to grow substantially. I am sure they will look at the same development path as they did in the case of equities.

Moderator: Thank you. The next question is from the line of Ravi Purohit from SIMPL. Please go ahead.

Ravi Purohit: Just wanted to kind of check one thing you had mentioned that started charging for index contracts or option contracts from this part?

P.S. Reddy: Index future contract.

Ravi Purohit: Index future contract the options are still not charging?

P.S. Reddy: No, options we charge only on the premium 1,000 crores is this one premium would be hardly anything.

Ravi Purohit: Sir, any thoughts on increased participation in the indices because if let us say earlier there were lot of transactions happening where the delivery was made mandatory, but now when you trade on indices there is no concept of delivery, so there was lot of speculative interest so to speak, have you seen any shift in that category?

P.S. Reddy: Index futures as I said it just started last year may be it is just 6 months old contract I would say and if the volume is in the month of May is about 400 crores and two-third is BULLDEX and one third is METLDEX and it will take some time to get this traction.

Ravi Purohit: I was just thinking out loud there is no mandatory I mean there is no compulsion for anyway to take delivery last year I think we had lot of issues in margins, mandatory delivery in certain contracts and so therefore this kind of becomes an interesting instrument?

P.S. Reddy: That is the selling point of this contract.

Moderator: Thank you. The next question is from the line of Siddhant Dand from Goodwill Warehousing. Please go ahead.

Siddhant Dand: I just wanted to clarify in the question that was asked before on the options contract traded on the competitors exchange, but if you keep gold we are not getting any volume over there very negligible volume in it compared to our competitors, so end of the day even turnover will matter over there because of the liquidity we will see shift in clients so everybody seeing that?

P.S. Reddy: I think more than anybody else we track on a daily basis and why daily even hourly basis and you should see maybe on any trading day what is the top 10 brokers who is doing what whether any trading taking place you just see that then probably offline we can catch up on it and how to analyze that volume.

Moderator: Thank you very much. Ladies and gentlemen that will be the last question for today. I will now hand the conference over to Mr. Reddy for closing comments.

P.S. Reddy: Thank you for sparing your time and we hope, and we will be able to do well in the coming quarters and coming year and not withstanding these challenges that we are facing. We will also see what are the other areas which we can improve and then develop and bring in greater participation to this platform. Thanks to all of you once again for participating.

Moderator: Thank you very much. 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. Thank you.