

MCX/SEC/2219

May 26, 2023

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

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

**Subject: Transcript of the “Earnings Conference Call” with investor(s)/analyst(s) on Q4 FY-2023 results.**

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on Monday, May 22, 2023 at 16.00 p.m. (IST) on Q4 FY-2023 results.

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

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Multi Commodity Exchange of India Limited**

**Manisha Thakur**  
**Company Secretary**

*Encl.: As above*



# Multi Commodity Exchange India Limited

## Q4 FY '23 Earnings Conference Call

May 22, 2023

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**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**  
**MR. MANOJ JAIN – CHIEF OPERATING OFFICER**  
**MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER**  
**MR. PRAVEEN D G – CHIEF RISK OFFICER**

**Moderator:** Ladies and gentlemen, good day, and welcome to the MCX Q4 FY '23 Earnings Conference Call. We have with us today on the call, from the management, Mr. P.S. Reddy, MD and CEO, Mr. Manoj Jain, Chief Operating Officer, Mr. Satyajeet Bolar, Chief Financial Officer, and Mr. Praveen DG, Chief Risk Officer.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note, this conference is being recorded.

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

**P.S. Reddy:** Thank you. Welcome to all of you for this Q4 call and as well as annual accounts call. And we will go ahead and explain what has brought down the bottom line, okay?

You are aware that we have got very good results in the form of top line. And maybe after 2012-2013, it is the highest ever that we have achieved. And I'm sure all of you would be very happy to know that. But the technology solution not being implemented in time has proved to be a drag. And I'm sure those numbers, you all knew when we announced in January our results, there, we have already upfront spelt out how many crores of expense will be incurred for the Q4 as well as, for the current quarter as well, we have mentioned it. And we hope that we will put an end to this, and we are all working towards making this platform live before 30th of June. That's what has been, day in and day out, we are working to make it happen.

I think, considering that the number that we have, the profit number, and I think the Board has considered the maximum dividend pay-out is 25%, accordingly they have paid out, I think, has been kept as far as the policy is concerned.

I think, I will keep the session open for question and answer other than taking more time on this. Thank you.

- Moderator:** Thank you very much, sir. We'll take our first question from the line of Devansh Nigotia from SiMPL. Please go ahead.
- Devansh Nigotia:** Thanks for the opportunity. I just wanted to understand, we mentioned earlier the problem between integration of the clearing system in the exchange transaction. So, what is the progress over there? Because that's to be highlighted as a key constraint for the implementation of the change in vendor. So, if you can update us on that?
- P.S. Reddy:** Yes. I think, as I said last time also, the T7 and the Bancs integration is one which faced the problems. I think we.... almost all of them are being ironed out. And many mocks, we have run. And what we, in terms of test cases also, it is maybe more than 90%, 96%, 97% has been already clear, all of them. So that's the way we have worked, so maybe some extreme test cases are there, but we will be handling any way. But otherwise, we have done a good amount of testing. And we already started, I mean we have started today, the regulation testing as well. So hopefully, we should be able to go live before 30th of June.
- Devansh Nigotia:** Okay. And then you mentioned this 96% to 97% is clear. So, what is the -- I mean is it based on the coverage of vendors, or is it 96%, 97% based on -- I mean...
- P.S. Reddy:** Test cases are the...
- Devansh Nigotia:** So, test cases is the check list in terms of the software is running properly or regarding the coverage of the members?
- P.S. Reddy:** That's right. I mean now for each scenario, we have made various test cases. It runs into a few thousands, okay? So those are the ones which have already been out clear. That's what it is.
- Devansh Nigotia:** And which is still not clear? Is it still the integration problem...
- P.S. Reddy:** Not that. Not those issues. The extreme cases, some maybe, what should I say, a contract having multiple expiries in the same month, okay? So there are some of the hypothetical scenarios, okay? So those are the ones kind of.

**Devansh Nigotia:** Okay. And sir, in the middle of the transition, the exit of the Chief Technology Officer, so -- which is also slightly discomfoting. So if you can help us understand why that exit happened, that would be really helpful.

**P.S. Reddy:** Sure, sir. See, I mean he wanted to pursue his personal -- I mean, whatever the better prospects. But he did express in the past also his desire to leave, but we have persuaded him to stay on. And maybe the stress levels are very high. That may be one reason. That's what my personal understanding of it. And that may be the reason why he has left.

**Devansh Nigotia:** And sir, if in the case beyond June, let's say, if the software is not yet implemented in a hypothetical situation, how do you see the software expenses planning out when they be at a such higher run rate or even higher than that because I think -- I wanted to...

**P.S. Reddy:** Honestly, I have no clue about it. But we are committed, having seen also what kind of damage it is causing to the financials of the company. We are in no mood to what we call both for a kind of -- I mean, miss the deadline. That is the way it is. We are all making our efforts day in and day out. We are working on to it. So I think, I do not want to answer any hypothetical questions on that part.

**Moderator:** Thank you. We take the next question from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

**Devesh Agarwal:** Sir, carrying on with the same questions on technology. Basically, one wanted to understand in these 15 mocks that you have done, so how has been the traders experience? And what are the challenges that are being faced by them? And also in terms of participation, how many members have participated? And in terms of volume, what would that number be? Particularly, what percentage of volumes this number represent?

**P.S. Reddy:** See, we have been -- I don't know, whether 15 mocks is maybe the recent count you may have picked up maybe in the last one month or two months. But otherwise, it is much, much more if you actually see from the last October onwards. But having said that, in the latest recent round of mocks that we had, about 170 members or 180 members have participated and unique members.

But the closer we move, the larger number of the members will participate. Of course, we also ensure that all our big numbers were contributing major -- this one, are all participating. We ensure that, okay? And that's happening as much I can say to that.

**Devesh Agarwal:** Okay, sir. And sir, in terms of time lines, if you can share, last time you had told us that once the mocks are done, you also have to do an audit of the system, and thereafter, the transition can happen. So in terms of any milestone time lines that you can share?

**P.S. Reddy:** While mocks are on, we have already started conducting the cyber audits, okay? Some patch upgrades, whatever observations VAPT related, they're all undertaken, okay? So in that sense, it's already started, including the system, or it also has started. So these are all parallel activities. We don't need to wait for the mocks to start.

**Devesh Agarwal:** Okay. And sir, finally on technology. So this 96%, 97% of test cases, so would our transition depend upon achieving this number 100%, or these are numbers probably one can do the transition and then also can work around with some of these extremities that you are talking about?

**P.S. Reddy:** Yes. As we go along, we will -- and we still have the time, we are doing it. But it's not all -- not dependent, obviously. That's the way we take a reasonable call on that, not to -- I mean these are all -- for us, they are all -- incidents may not take any at all.

**Devesh Agarwal:** Okay. And a couple of business questions, sir. One, this NSE has recently commenced trading on the CME-backed crude oil and natural gas contracts, same as MCX. So how do you see this -- do you see this as a risk for the business, or how do you see this development?

**P.S. Reddy:** Okay. As far as MCX is concerned, I think we should not take anything at a low risk. We will keep our words up and then constantly see what is happening on the ground. But what are the forward base of ADT or the kind of open interest that has built the participation that is happening? I think it is for everybody to judge what is happening on the ground. But as far as we are concerned, we are constantly on watch. We would like to protect out of any...

- Devesh Agarwal:** And sir, lastly, this premium to notional turnover in option segment and that has come out from 2.6% to 2.2%. And I think this has further slid to 1.9% in April. So, is there any change which is leading to such sharper fall in this ratio?
- P.S. Reddy:** See, it all depends on, as I said, whether the contracts are trading when you closed -- I mean near the money or in the money or out of the money, that's the way it is. And if the contracts traded are away from that, obviously, the premium will come down. But if it's something closer to it, then it will start paying more premium. That's the way it is. As far as the tariff slab is concerned, it remains the same. There's no change in it.
- Moderator:** Thank you. We'll take our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Just further a bit on the software thing. Do we need any regulatory approval for kind of transitioning this?
- P.S. Reddy:** There's no formal approval that is needed, but we need to follow the process. That's the way I look at it. As I said, the cybersecurity audit, system audit, etcetera, all this to be completed. So all that is in place. And of course, we are constantly in touch with SEBI and keeping them informed of the progress of the project.
- Prayesh Jain:** Okay. And with respect to the procedure further -- for further steps, after the mocks and the audits, do we have to run a pilot again, or how does that go?
- P.S. Reddy:** No. There's no pilot, as such. There's no pilot.
- Prayesh Jain:** So, from here on, only -- the only intent is mocks being successful, and you getting clearance on all the audits.
- P.S. Reddy:** That's right. And then -- so this is -- we keep what we call doing the mocks every day, going maybe from this coming Saturday onwards. Every day, we will be running the mocks. Even tomorrow, on day after tomorrow kind of thing, we also will be running. And the only constraint to some of the numbers is that, DC currently the, that is that the Data Current location, obviously, their lease lines are occupied with the regular business, 9:00 to 11:30.

So, they can do the test. They can test their DC connectivity only on Saturdays or on other holidays. That's where the maximum participation we see. But on regular days, weekdays, it happens via DR, but the participation is less. That's the way it is.

**Prayesh Jain:** Okay. And by when do you think you will have to start thinking about extending or negotiating further with 63 Moons, say, like what are the things that you will look at before going to -- or taking a call that now, we'll have to go back to 63 Moons for an extension?

**P.S. Reddy:** See, these are all -- as I said, the management is fully committed to get it done. That's what our desire is. Our Board is also seized of the matter. Yesterday, a day -- I mean, day before yesterday when we had a meeting, they are fully aware of it. And the Board will also meet maybe before we go live or maybe sometime next month early or so. And they will also take a view on this. Definitely, everybody is seized of this matter. That's all I can say.

**Prayesh Jain:** To further business opportunities, how do you see the -- what has been the UCC count? And how has that been trending?

**P.S. Reddy:** So I think this year, I think we have got a good number, UCC, 6 lakhs, 21 -- 6.21 lakh UCC is about 32% year-on-year. We brought them.

**Moderator:** Thank you. We take our next question from the line of Deepan Shankar from Trustline PMS. Please go ahead.

**Deepan Shankar:** So firstly, so what was the contribution of options and futures in the total revenues for Q4 FY '23?

**Satyajeet Bolar:** Please give me minute. Option, futures and 49% from options.

**Deepan Shankar:** Okay. Got it. And what are the steps we are taking to scale up the contribution of bullion and base metal parity in the option segment?

**P.S. Reddy:** See, I think in the case of bullion, it is increasing. Again, it is the volatility, which is going to bring all these people back to the counters. The more important is the -- I mean, in the recent past, what we had seen in the silver has substantially done one. We have seen a lot of inflows into our vault. In fact, in

the clearing corporation, the vault income has also done better. It happened in 2021. Also, silver was having a boom there. So similar things we have seen it also.

So while we are doing our awareness programs, etcetera, I think the trigger will come only when there is a volatility, but when the volatility comes, then obviously, everybody will remember how to secure themselves from such volatile exposures.

**Deepan Shankar:** So even base metals, sir, are we planning to launch more such contracts in option?

**P.S. Reddy:** See, base metals, we had what we call the contract in zinc as well as in the copper. And of course, nickel is not doing well to whatever has happened in LME. We have requested SEBI for a, what we call mini contracts in those our two products as well. Probably that can give a fillip to those contracts. Options will take some time to come of age in this particular segment. But what -- if you noticed it, the open interest has been increasing in these contracts as you're going to see the previous few years. I mean it's a marginal increase, but then it does -- it did increase.

**Moderator:** Thank you. We take the next question from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:** Sir, I wanted to understand regarding the software charges. So the new software that we are developing from TCS, what is the total cost of it? And once they go live, how much cost will it be capitalized? And how much will be taken into the P&L? And quarterly, what would be the AMC that would be charged to the profit and loss making, sir?

**P.S. Reddy:** Madam, I think we have never disclosed the total cost of this one, because of the confidentials in the agreement. But whatever you will experience and should the -- working progress is there, that you can obviously find out. Then maybe something more will come into that capital work in progress, or it will be stopped capitalizing if we go live in the month of June. It will happen in the June quarter, and so we will start seeing that.

But having said that, having AMC is a single digit in the first one year. Anyway, there's no AMC in terms of warranty. And thereafter, AMC will kick in. And as long as we keep on paying AMC, then the perpetual license kind of thing for us. So there's nothing a big number that's coming to the P&L.

**Swechha Jain:** Okay. So basically, the entire cost will be capitalized, right?

**P.S. Reddy:** That's right. substantially. But then you must also look at the AMCs on the software licenses, not license of the PCM or the bank. I'm talking about the application like maybe DB2 or license, the database licenses, Linux licenses. These are annual. So they will also come in. That's... but they cannot be capitalized. That's the way it is.

**Swechha Jain:** So sir, can you repeat on that, AMC on what cannot be capitalized? It could not get it...

**P.S. Reddy:** These are all operating licenses. That is the data bases, and maybe Linux is one, and maybe some Microsoft licenses may be there in some other segments.

**Swechha Jain:** So which will come in the P&L, but the major cost of the software is going to be capitalized, right?

**P.S. Reddy:** That's right.

**Swechha Jain:** And we'll start capitalizing when we go live, right? Once we go live from that quarter...

**P.S. Reddy:** That's right.

**Swechha Jain:** Okay. And is that for AMC single digit, right? It's not a major cost.

**P.S. Reddy:** That's TCS. Software...

**Satyajeet Bolar:** After one-year warranty.

**Moderator:** Thank you. We'll take the next question from the line of Lavanya Tottala from UBS Investment Banking. Please go ahead.

**Lavanya Tottala:** I just wanted to check on technology again. So how much time usually the audits that we have currently started, how much time that usually that takes? And we were planning parallel run after the mock. So how is -- I mean did we do parallel run, or is it yet to happen?

**P.S. Reddy:** See, let me explain what you mean by parallel run, okay? Parallel on mean essentially, you take the trade data and their orders and then see, pump into the trading platform and whether the output, which comes in the form of trades, so pump in orders, you get the trades, of the faster data and whether it is coming out correctly. And if there is any deviation whether there are valid reasons which explains such a deviation, that's one.

Then you pump in the 63 Moons data of trades and then again, see whether all calculations are coming out correct or not in terms of margins, obligations, etcetera. So that is a parallel activity. We don't need to wait. We can do it on the whole -- I mean it's a whole data. Whenever the trades have taken place in the past, that data, you pick up and do it. And that's what we have been doing it. So that is already there in place.

**Lavanya Tottala:** Okay. The success rate of our current platform based on the historic, what is that, just like how you have given for 96%, 97% on test cases. So, if you look at that way on historic data, so what is the success rate of current platform?

**P.S. Reddy:** I didn't get you. I'm sorry.

**Lavanya Tottala:** No, I'm asking like if we have put in the test cases into our -- the software, the success is 96%, 97% now, right? So, if I put -- just like how you have explained now, if you are taking my historic data and trying to see your calculation...

**P.S. Reddy:** Yes, it is explainable in -- I mean the deviation in terms of trades is maybe decimals, okay? And the reasons, we know it. And when it comes to the margins and other things, they have to be to the 'T'. There cannot be any deviations, okay, obligation and other things.

**Lavanya Tottala:** Yes. So, the current platform, the deviation is minimal for most of the...

- P.S. Reddy:** I didn't understand. Current platform means what? I mean you -- what the current platform generates everyday obligations, members pay, and everything happens pay in and payout.
- Lavanya Tottala:** If I compare my current platform to the one which we are testing now, the deviation is minimal in terms of marginal expression.
- P.S. Reddy:** That's right. That's it.
- Lavanya Tottala:** That means that is it -- high probability that we'll be able to shift because the historical...
- P.S. Reddy:** And it's not minimal. As I told you, it is exactly the same should happen as far as the parallel run is concerned. It cannot be a deviation, okay? So when it comes to trade, there can be a deviation because orders and trades, there will be certain functionalities which we have it in T7. Some kind of functionalities, they are not there, etcetera. For which reason, there may be deviation. That deviation happened to be in a few decimals. That's what I'm saying.
- Lavanya Tottala:** Got it. Okay. So is it right to assume that there's high probability that we'll be shifting to the new platform within the time line?
- P.S. Reddy:** Otherwise, also, we have to shift it, and we are -- that's what we are making all of these efforts.
- Lavanya Tottala:** Okay. So, for the audits, how much timeline that we are looking at to finish the audit that started now?
- P.S. Reddy:** Audit supposed to take -- I mean it's already started, I mean, so it cannot be more than maybe two weeks, maximum three, that's it.
- Lavanya Tottala:** Okay. Got it. Just on the tax part. So, we had higher tax in this quarter. So, anything specific reason?
- Satyajeet Bolar:** Ma'am, see, as for the accounting standards, when we prepare the company's budget, so the budget is prepared at the beginning of the year, right? So, when we had prepared the budget, there are certain expectations, and so when we come to the last quarter, it is prepared as per the actuals. So obviously, there is

a difference because we had anticipated when we prepared the budget that we would go live, so the depreciation charge would be high. And the budget will not revise, and therefore, until December, we have to go by the budget and not by the actual. When you come to the last quarter, we have to go by the actuals. That's why there's a difference. But if you look at the budget and the income tax rate for the whole year, it is at around 23%, which is in line with what we had said at the beginning of the year earlier.

**Lavanya Tottala:** So, that will be the same for the upcoming year also?

**Satyajeet Bolar:** And see, this year also -- yes, more or less, yes.

**Moderator:** Thank you. We'll take the next question from the line of Vivek Sethia from HDFC Securities. Please go ahead.

**Vivek Sethia:** So the two questions I have are relating to the expense side on the financials. One is pertaining to the software service expense. So just a technicality on that, like you just explained about live trading, right, sir? I want to rephrase it and ask it to you again. So say, for example, in the current live environment, have you tested the TCS software along with the 63 Moons software on a live basis in a live environment? Is that testing still going on? And if not, when do you expect to start doing that?

**P.S. Reddy:** No, it doesn't happen anywhere like that anywhere in the world, okay? What they do is actually, they take the data of the existing system are pumped in there and then see whether the trades are coming out properly or not. And so is the margins, etcetera. That's what the parallel run is all about.

**Vivek Sethia:** But does that happen on that immediate basis when the orders come in, or does that happen at a later time?

**Moderator:** Thank you for patiently holding. Ladies and gentlemen, we have the management line back in the call. Please repeat your question, Mr. Sethia.

**P.S. Reddy:** No, I understand. Yes, you tell -- I said that's how parallel run is done. That's what I said to Mr. Sethia.

- Vivek Sethia:** So, I want to ask, that is does, say, for example, if the trade happen now, is the testing happening like now on that platform, or is happening here after some time?
- P.S. Reddy:** No. It's not done that way. So, what's essentially asking is every order going into 63 Moons, is it parallelly going into the T7 is what you're put, understand. No, no, it doesn't happen like that. It is not happening like that. We have taking old data. Yes, it won't happen. We are taking the old data, old trades, old orders, okay? We're trying and pumping the identical orders in the same sequence in each orders have been generated and then see the output of it.
- Vivek Sethia:** Okay. And for Q1 because this extension goes into Q1, what ex the software expense should we estimate for Q1? Will it be the same as Q4 or high or low?
- Satyajeet Bolar:** We have already given the figures in December.
- P.S. Reddy:** January. And INR81 crores is what we have signed up for in the current quarter is what we have explained.
- Vivek Sethia:** Yes. So, we can see the expense to be INR87 crores. So, what is this incremental INR6 crores about? And will that be there in Q1 again?
- Satyajeet Bolar:** No, I didn't get you. We did INR87 crores. On a consolidated basis, it's INR81 crores, plus the GST and all that. So, I mean INR87 crores is I didn't get the INR87 crores part.
- Vivek Sethia:** 874 million?
- Satyajeet Bolar:** I beg your pardon?
- Vivek Sethia:** Is it INR 81 crores plus GST, that's the total software expense, right?
- P.S. Reddy:** I mean they are asking where is this INR 87 crores?... Where did you see that...
- Vivek Sethia:** It's in the financials, right?
- P.S. Reddy:** INR 87.94 crores, that is Q3.

- Vivek Sethia:** No. If you look at Page 2 of your results PDF within expenses, the second part, software support charges and product license fees, INR8,738 lakhs.
- Satyajeet Bolar:** I'm sorry, that includes product license fees. That includes the fees that we pay to CME.
- Vivek Sethia:** Okay. So INR81 crores, it's for 63 Moons and balance is to CME other license. Okay. And just one more question on the other expense side, like I have been seeing for the past three years or the fourth quarter, the other expense is always on the higher side if you look at it sequentially. So, is there any specific type of expense that happened in Q4? Like why is the expense higher in Q4, the other operating expense? And based on that, like how should we estimate the other operating expenses for each quarter, if you could give us a rough idea?
- Satyajeet Bolar:** See, if you look at the other expenses, I'm looking at it from the stand-alone, it's INR11.63 crores. And for December, it was INR10.63 crores.
- Vivek Sethia:** On a consolidated basis, it's INR14 crores and INR12.8 crores?
- Satyajeet Bolar:** Just give me a minute. So consolidated basis, what the clearing corporation does is there any expenses towards CSR, which they take at the last quarter. So, there are CSR expenses in the last quarter.
- Vivek Sethia:** Okay. Fair enough. So, this is just the CSR expenses because of which the other operating expenses are higher in Q4, right?
- Satyajeet Bolar:** Yes. That's one item. That's a maybe item. I got it INR14.33 crores as against INR12.84 crores, that's right? In figures. Yes, it's basically because of -- the one major chunk is the CSR expense.
- Vivek Sethia:** Sure. Okay. And if you could just repeat the breakup of options and futures revenue for Q4 and FY '23.
- Satyajeet Bolar:** The Q4 is 51% for futures. And obviously, the balance is options. And if you come for the full year. Full year, it's -- yes, full year is the same. 59% and 41%. Futures is 59%. 41% is option.
- Vivek Sethia:** Future is 59%, and option is 41% for FY '23.

- Satyajeet Bolar:** For the quarter, it is 51% for futures and 49% for options.
- Vivek Sethia:** Understood. And just one more thing on -- okay, yes, you've answered that.
- Moderator:** Thank you. We take the next question from the line of Karthik V from Investec. Please go ahead.
- Karthik V:** So when I look at our options volume in crude, is the fact that there's a cash settled a primary driver for higher options activity in the crude segment? That is question one.
- P.S. Reddy:** Yes, go ahead. Question one.
- Karthik V:** The second one is we see some huge seasonality in terms of how the futures have been behaving. And when we take a step back and look at the overall evolution of our options, it looks like a lot of our futures volumes is now getting cannibalized by options. We've not seen any revival there despite reasonable volatility in underlying commodity. So, is it right to say that the futures are now getting cannibalized by options and futures and hence may continue to decline as a proportion? That is one.
- Is there an upward feeling with respect to the options-to-futures ratio that we usually see because even in NFC, there is a, let's say, 15x or 20x of an upper limit to where options trade versus the underlying. Those are the three questions on the product segment. I have one more on the tech transition, which will come 1Q and to these times.
- P.S. Reddy:** Okay. First of all, there is no such limit. The last question first. That's point number one. The second issue is that whether futures is getting cannibalized. My answer is, without futures, there will be no option because these are options on futures. And it may be a temporary phenomenon as the options has picked up very recently in the last 1.5 years. I think it is yet to settle down in terms of realization from the members that futures is, as much important as the options is.
- And whether it is a cash-settled product that is going up, no doubt, cash-settled products are the darling of the market. And there's no doubt about that part of it. That's all I can say.

**Karthik V:** And sir, globally, do you see any other markets where commodity options are a large component of trading activities?

**P.S. Reddy:** Usually, options are 20% of the futures, but it is on the reverse side. That's the way it is in India. And that is true in the equity markets also. You must have seen that.

**Karthik V:** Okay. And I want a few clarifications on the tech transition. It looks like you are essentially embarking on changing the entire matching algorithm. Is that the right way to categorize the transition that you're currently doing?

And secondly, if in future, if there is any issue with respect to matching and effectively price discovery, would the exchange be liable for it?

**P.S. Reddy:** First of all, it is wrong to presume that we are changing the matching algorithm. The reason being is, that this T7 platform is already built in the other exchange, and they are running all that. So, price, time, priority remains the same, and that is the cardinal, our holy grail of the matching medium. It is just that certain types of orders are not permitted. So, the match -- that orders don't get matched here. And obviously, upfront, we don't permit such orders. So that is the only difference. Otherwise, there is no change in that. So, what we have here is T7 is there in the -- in BSE. They are running it, the same matching logic.

**Karthik V:** I see. So, what we are trying to grapple with, and excuse me if my understanding is poor here, is if you're using the same matching algorithm and, in fact, if you own the rights for the underlying technology from 63 Moons, except that their support is not there for you to really take advantage of. What is the role of TCS here in terms of the entire overhaul that is happening? If you could maybe explain it in that regard.

And lastly, from a regulatory approval perspective, when do you approach SEBI to approve for this transition? Those are the last questions. Thank you.

**P.S. Reddy:** Yes. And see that -- as we have a license from 63 Moons, we have also license from T7 -- not from T7, TCS to use the application. Not that we have any other kind of source code or access to the source code. So obviously, the -- only they can fix it, or they can only enhance it. So, in that sense, it remained the same.

And in terms of TCS services, yes, they will continue to -- at least for 6 years, it is already there. And going forward also, as we keep paying the AMC, we have a perpetual license to use it. That's the way it is.

**Moderator:** We take the next question from the line of Subramanian Iyer: from Morgan Stanley. Please go ahead.

**Subramanian Iyer:** I just wanted to confirm a few numbers. So on the tax rate, for the next year, should we be assuming something like 21% or 22%?

**Satyajeet Bolar:** Yes, I won't be able to tell you upfront what, but I'd just like to tell you 2 things. One is that we are now from a -- once we go live, depreciation would kick in, right? So the depreciation part would be a major part of that. So that will obviously impact our tax working.

Second thing is that we do not -- earlier last year, we had investments in tax-free bonds, which we do not have. And we do not have now presently any long-term capital loss, which we have fully adjusted. So going forward, it would be at the same range at which we are presently at -- had for financial year March '23.

**Subramanian Iyer:** Got it. And you gave the breakup of futures and options in terms of percentages given that we don't have that transaction fee number, I'm just confirming what I get by doing some calculations based on your numbers. So futures is INR55 crores. Options is INR53 crores, and the operating revenue is INR25 crores. Does that make sense?

**Satyajeet Bolar:** I've got future at INR55 crores, and options is INR52 crores.

**Subramanian Iyer:** INR52 crores, okay. That helps. And lastly, the loss from associates' number was slightly higher this quarter. I mean what's that number exactly?

**Satyajeet Bolar:** That is because we hold -- see, last year, while we had invested in IIBX, IIBX was not an associate. Our investments as on 31st of March was below 20%. But this year, our investments in IIBX, the international exchange in Gift City, it's an associate. So since they just started operations, they've undergone -- they're making some losses. And our share of the loss has been reflected in our consolidated financials.

- Moderator:** Thank you. We take next question from the line of Sanjay Kumar from ithought PMS. Please go ahead.
- Sanjay Kumar:** Just a clarification on a previous question. So breakup of the revenue of INR133 crores, futures is INR55 crores, options is INR52 crores, right? And transaction income was -- other income was?
- Satyajeet Bolar:** The other income is a balance of 133 minus 108.
- Sanjay Kumar:** Okay INR25 crores. Okay. So my question was on the many contracts that we had applied for. So have we launched anything in pipeline? And lastly, we said that we need certain minimum volumes in futures before launching the options for the same mini contracts. So any time line for that?
- P.S. Reddy:** Yes, we have already launched 3 mini contracts, the moment we got this 1 in metals. And we also launched in crude oil as well as NG minimum -- the mini contract. Just we have asked them for nickel and copper, and that's one. And we have also got approval of the steel TMT bus, and once we go live in the new platform, we will be launching that also.
- Sanjay Kumar:** But these are all the futures, right? And we are launching options also for these mini contracts.
- P.S. Reddy:** No. Then you have to have a minimum volume of INR1,000 crores to launch...
- Sanjay Kumar:** INR1,000 crores, is it?
- P.S. Reddy:** That's right. Average.
- Sanjay Kumar:** And any update on the coal ministry on the coal exchange, sir? Is it that or the electricity derivatives?
- P.S. Reddy:** I think they have put up a statement. The coal minister has put up a statement of plan or whatever it is in the current financial year, what they're going to do it. One such important and relevant for us is the permitting the coal trading and spot exchange. And they said, we will put it in place by the end of this year. During this current year, that's what they said. It's there on their website.
- Sanjay Kumar:** And the electricity derivatives?

**P.S. Reddy:** Well, that is a jinxed contract, I would say, because we have not got anything so far, although we have been pursuing. And hopefully, we will get something out of -- let's see. We are pursuing it.

**Sanjay Kumar:** So final one, if you look at the broker concentration, it seems to be very high, like Angel alone has 55% market share in commodities. So what is driving this? Are we putting in efforts to make it broad-based? Are you comfortable with the kind of concentration that we see?

**P.S. Reddy:** I think that is wrong. That's not correct. It is not that -- we are seeing top 10 accounts for so much, so much, so much. Top 5 accounts for so much. I don't think we have taken out any name from anybody.

**Sanjay Kumar:** Okay. This is the data from what Angel gives. The claimed that they have 55% market share in commodities.

**P.S. Reddy:** No, maybe a specific commodity, that probably -- that's where they may given. But top 10 members account for Q4, 63% is the concentration, top 10 members.

**Moderator:** We take the next question from the line of Anand Ladha from HDFC Mutual Fund. Please go ahead.

**Anand Ladha:** Sir, my question might be repetitive, but if you can answer it, that would be helpful. So, if I had to look at our balance sheet, the capital work in progress and intangible and progress taken together is INR170-odd crores. This is the amount which we are spending for the -- on the technology side? And also, if we were to amortize or depreciate this amount, it will be depreciated over what period of time?

**Satyajeet Bolar:** Yes. So, this would be over a period of 6 to 8 years, and the figure doesn't include what we will additionally spend. What we have made, either we have paid up or we have made provision for capital expenditures in 31st March. So, there will be some amounts which will still come in one thing before we go live. This is a substantial amount, and this will be spread over 6 to 8 years.

**Anand Ladha:** Okay. For the tech sector, we would only have AMC fees in our P&L going forward.

**Satyajeet Bolar:** That is for the new system. So, we have -- one is for the first year, we won't be paying anything to TCS because it is under warranty. The second year onwards, AMC will start. But for the operating licenses and application licenses, we'll have to pay the license fee. So that would come -- that would be there. And in addition, they would be at the back end. So, the back-office view, I mean, for nontrading, we would need -- we'll have our own IT system, isn't it? So, you have to maintain that also.

**Moderator:** We'll take your next question from the line of D Anand from White Oak Capital. Please go ahead.

**Moderator:** I'm sorry to interrupt. So, we are still not able to hear you. You may come in a little close to our network area and then ask your question again.

**D Anand:** Well, speaking of that, I'll come back in the queue.

**Moderator:** We'll take a next question from the line of Devansh Nigotia from SiMPL. Please go ahead.

**Devansh Nigotia:** Just wanted to understand the test cases are 96% to 97%, but why is the coverage of members participating in the mock trials is 180 out of 600? That is one. And another is that can you -- I mean are we seeing any reluctant from smaller members who participated in mocks? Can they show -- can you not participate actively? Is that a possibility? And can that also delay our timeline?

**P.S. Reddy:** Okay. See, actually, on any given day, about 380 members to 400 members only participate. That's point number one.

Second, on the exchange. All those 600 numbers are there, they are all many - - some have surrendered, some have, what we call, remaining active, etcetera, etcetera. So going by the registered numbers, maybe that's misleading, that number. So -- but the active is about 360, 380, sometimes 400, maximum, like that. So that's one part of it. And now we are actively engaging them. And whose ever is contributing maybe, I would say, 95% of the business, they are all there, kind of things.

So, we are very focused on it, no doubt. But we tell them to come over. We handhold smaller players actually. We want all of them to be on the platform. And I think as we come closer, they will come. That's one point.

Second thing, we have not changed anything, but the APIs remain the same. As a result of which, they are confident that it will happen. That is the way it is. The APIs remain the same for many.

**Devansh Nigotia:** Okay. And sir, just a re-clarification on the capex amount that you mentioned, so it has been increased up by INR50 crores in intangible and INR10 crores in savings, and directionally -- indirectly look like the INR300 crores, INR350 crores capex that you are expecting to do with in TCS. So, can you help us understand that this INR60 crores, which is already capitalized... for additional expenses to TCS, will be over and above this or it includes these already?

**P.S. Reddy:** As far as TCS expense still balance is there. But we can't tell you, quantify it, and then this much will be there. But yes, whatever we have shown is so much we can disclose.

**Satyajeet Bolar:** The substantial amount of the... That's what is substantial amount of the entire project cost.

**Devansh Nigotia:** And the maintenance capex, how will it -- going forward, how much will be the maintenance capex? And also then you mentioned that there is a system refresh, which happens within 5, 6 years. And you also highlighted that the quantum of capex is significant. So, can you directionally help us understand what is generally the quantum? Let's say, we have been with 63 Moons for such a long period of time. If I consider a similar situation, how much this refresh of capex that happens after any -- what kind of quantum look like?

**Satyajeet Bolar:** The capex, it would be a continuous process, isn't it, of -- there's a continuous process of refreshing the technology, hardware and soft -- hardware that would be continued. So, we won't wait for 3 to -- I mean at the end of 5 years or 6 years. So that will keep happening. And the TCS part, again, after we have presently 6 years, 1 is under warranty and then another 5 years. So, then we'll -- and understand, for the 5 years, it's still single digits in crores but all single

digits. Now obviously, it is linked to the consumer price index. So, it would be accordingly factored.

**Devansh Nigotia:** So historically, that maintenance capex has been around INR20 crores. Going forward, how do we see that number shaping up?

**Satyajeet Bolar:** It would be difficult for me to give you a point of view and figure at this point of time.

**Moderator:** We take the next question from the line of Mitali Shingla from Jagani Investments. Please go ahead.

**Mitali Shingla:** So, my question is apart from performing an audit, what are the other factors that can prevent you from launching the new system?

**P.S. Reddy:** We -- I mean, at this point in time, all processes are in place, and all the works are happening. And at least, I, myself, don't see showstopper. That's the way it is at this point in time.

**Mitali Shingla:** Okay. So, like after this audit, it's kind of like you can go live, right?

**P.S. Reddy:** That's right.

**Moderator:** We take next question from the line of Meet Jagade from Jagade Investments. Please go ahead.

**Meet Jagade:** Yes. So, my first question, if the TCS model, the software, which we have given the TCS, is the same order, which order of FT, right, financial capability. Like, the source code will remain with the TCS, and we will be paying this license fee. Then why we have -- why there was a need for changing the vendor? What was the reason in taking on this risk?

**P.S. Reddy:** See, we have floated a tender. Obviously, we are a public institution. I think in the past also, we have said, and it is open, even 63 Moons also would have been evaluated, and they would have also been scored a few higher points. I can tell you that. But then they chose not to participate. And tomorrow, maybe in the analyst call, somebody would have asked why I have not gone through

RFP route. I think we are a public institution where it is important that we go through the RFP route, and they didn't participate in RFP.

**Meet Jagade:** So, what I understand is the capex, which we will incur will be over and above the license fee, which we would have paid, right? I mean that would have been avoided if you -- we continued to this FT platform. Just want to get an idea.

**P.S. Reddy:** I'm sorry I didn't get you.

**Meet Jagade:** The capex, which we will be paying to this TCS, which we have already shown as capital work in progress and which will be capitalized once we go live, will have been totally avoided if we continued with financial technologies. Is that true?

**P.S. Reddy:** Well, there will be another different terms of conditions. We do not foresee what would have been those terms and conditions now.

**Moderator:** We take next question from the line of Rajesh Mehta, an investor. Please go ahead.

**Rajesh Mehta:** Sir, just a very simple question. We've been doing the software transition for at least overdue for 3 quarters now. And I understand that you don't foresee any showstopper. So, is it fair for investors to assume that come July 1, you will have the TCS live and running and that, therefore, we should not expect any -- or there is no thought, no process, no system right now to go back to 63 Moons for any contract extension?

**P.S. Reddy:** Look, all our endeavour is to make it happen, okay? That's what the interim management, the team and TCS, every one of us are committed. Day in and day out, we have been working to make it happen. Now I can't foresee any black swan events or some kind of nasty surprises coming. At this point in time, my -- with my understanding of the work that is going on, I don't foresee any showstoppers. But we wanted to make it happen. I understand the time is a constraint, and we are racing ahead of time -- I mean, in this time. And we should do what is the best possible under these circumstances. And we are doing it. We are not waiting for any kind of push or anything like that. We are just doing it. We want to go ahead. That's the way it is.

**Rajesh Mehta:** I appreciate that. Just a couple of things on this. From an investor perspective, when will we get the clarity? Would it be the last week of June when we will know whether there is an extension or whether we are sure to go live? Because it's cutting the edge too close at least as far as investor is concerned. So, I was wondering when will we, as investors, know exactly what the situation is?

**P.S. Reddy:** So, we will be issuing the market, what we call a circular, when things are done kind of thing. And we are constantly engaging also. So almost all whenever we hold, I mean, weekly price are 4 times in a week. We are conducting mock sessions. So, we're issuing it. And we are engaging with active member brokers, and we'll communicate.

**Rajesh Mehta:** Sir, on the last one on the TCS contract, sir, now that the contract rollout has been delayed by 3 quarters. On a hypothetical basis, every quarter of delay, does it add to your overall cost of the project and, therefore, the P&L debits keep on increasing whenever it goes live?

**P.S. Reddy:** I see there is nothing to do with -- it is impacting in our, what we call P&L because of the payment that we have to make to the current vendor, but nothing beyond.

**Rajesh Mehta:** Sir, the last question is purely to understand the logic of the transition. From a P&L debit perspective, we don't get any additional benefit to visibility, earlier 63 Moons contract. I am trying to understand whether on a functionality and features basis, the new software will provide any additional benefit to either the exchange or to the members.

**P.S. Reddy:** Look, the -- I mean the assessment when they made our technology, obviously, it is scalable and etcetera, etcetera. And obviously, T7 platform is proven platform. And Bancs independently has also a proven technology platform. And that's what the whole effort is to get a better platform for a good experience of the members, investors, etcetera. And then once this platform implementation is behind us, I think there's no looking back.

**Moderator:** Ladies and gentlemen, we have reached the end of the question-and-answer session. And I'd now like to hand the conference back over to Mr. Reddy for closing comments. Over to you, sir.

**P.S. Reddy:**

Thank you very much, and I understand that the technology platform is the one which is causing a lot of anxiety among the investors. And as management, as the management team, with all it might, we will throw behind it and make sure -- we are making all efforts, all our endeavour to make it happen and make it live before 30th of June. And we need all your support and that's what we are looking for all our stakeholders also to understand. Thank you so much.

**Moderator:**

Thank you, sir. Ladies and gentlemen, on behalf of MCX, that concludes this conference. Thank you for joining with us. You may now disconnect your lines.