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BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.

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Subject: Transcript of the conference call with investor/analysts on Q2 FY2021 results

Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on October 29, 2020 at 4.00 p.m. IST, on Q2 FY2021 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited

Ajay Puri
Company Secretary



“Multi Commodity Exchange of India Limited Q2 FY-21 Earnings Conference Call”

October 29, 2020



MANAGEMENT: **MR. P. S. REDDY - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

**MR. SATYAJEET BOLAR - CHIEF FINANCIAL OFFICER,
MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

**MR. PRAVEEN DG - HEAD - CORPORATE OFFICE &
PROJECT, RISK OFFICER
MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Q2 FY21 Earnings Conference Call. As a reminder, all participants' 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 - Managing Director & Chief Executive Officer. Thank you and over to you, sir.

P. S. Reddy: Thank you. Welcome to the conference call on the Q2 Results. Good afternoon, ladies and gentlemen. This quarter has been reasonably good. I would say really good in terms of ADT because in the first quarter we had only clocked about Rs. 23,129 crores ADT but in this quarter we had about Rs. 38,000 crores ADT.

As a result the first half has almost all days as exists what we achieved in the last year. The first half we had about Rs. 30,875 crores ADT as against Rs. 31,055 crores in the corresponding last year, that is April to September. So that is really a good sign. Of course it is falling short by may be Rs. 200 crores or less than Rs. 200 crores but it is a reasonably good catch up we have done as against the last year.

Now having said this, even the month of August has really done well and of course in the month of August we had about Rs. 43,262 crores ADT and what primarily is driven this market is the bullion and more so of silver and that has done really well. And crude oil we are still expecting some kind of what you call communication from SEBI for lowering the margins. It is not happened as yet. So once that happens probably we can see some kind of adding up of numbers from crude oil.

Otherwise rest of the products are more or less being at a same level as we had in the last year and of course in the case of base metals there was an impact because the physical deliveries especially in the first quarter deliveries were not so effective because of the restrictions on the warehouse operations etc. but in the month of again August, September there is a huge improvement.

For example in base metal is about 7,271 tons of ADT clocked in August. About 6,678 tons in the month of September. So that is a very good number and we are doing that progressively and we are improving those numbers. Going forward I am sure we will be able to rather I am hopeful of maintaining this kind of trend as we move forward also.

Although the volatility for precious metal contracts has come down but definitely still there is lot of opportunities and it is still driving the markets. This being said now that the traded unique client codes so far there also we are seeing a very good trend. In the first half H1 we have already clocked about 310,689 UCCs as against last year's 268,000 UCCs. So that is a very good growth I would say as against what we thought that pandemic will really hamper probably had there been no pandemic we would have done still better. That is the way I look at it.

I am sure going forward also we will be able to do better UCC numbers will be clocked. These are the few numbers that I thought I should give and now may be I will leave it to my CFO to speak on some of the other products. But as we go on answering the questions, I will be speaking about other developments that are taking place in this space. For example we launched about in bullion index and Metldex which called Bulldex is called Bullion Index and Metldex is Metal indices, which was contract and both of them are at this point in time in a very nascent stage but they are really clocking satisfactory levels of turnover and participation.

And in fact in Bulldex about on an average daily 125, 130 members are participating it and in Metldex about 80 to 100 participants are there in terms of member brokers. UCCs are gradually increasing it. That is a very good development. At this point in time we are not charging and obviously we will not be able to do it. May be till 31st of March we will not be charging.

It is not going to be forever like this. I am sure we will be charging it. Then only we will be taking into consideration into our financials. But till then yes, we need to support those contracts.

I think I will now ask my CFO, Mr. Bolar.

Satyajeet Bolar: Thank you, Mr. Reddy. Good evening. Our topline for this quarter as compared to the last quarter there is an increase of 12%. As Mr. Reddy said this quarter has been very kind to us. With this turnover we have been able to clock for the first time since the introduction of CTT, a transaction income of more than Rs. 100 crores in this quarter. That is for us a significant milestone.

We hope that we will be able to maintain a reasonable trend going forward. Expenses have increased as compared to the last quarter mainly on two accounts. We have made a provision for variable pay in this quarter which was not there in the first quarter. So there is a provision for variable pay for Q1 as well as Q2 and we have also incurred certain additional expenses in connection with the launch of our Bulldex. So there are certain marketing expenses that was incurred.

And we have made additional provision for tax. So net-net as compared to June on a consolidated basis we are almost marginally ahead. On a standalone basis they have dropped but from the warehousing income there has been a substantial increase in warehousing income from the clearing corporation side.

Otherwise the clearing corporations are as we mentioned in the last meet from June onwards they have been consolidating the accounts on line to line basis and accordingly the treasury income as they earn on margin funds are also included in the revenue from operations. The tax has been a bit on a standalone basis a bit high this time but going forward we did like to keep it at around between 23% to 25% though at this time this has been a bit high because of some short provision made in the earlier quarter. So we have made a provision in this quarter.

But the expenses have been under control excepting for the variable pay as well as for the advertisement and marketing expenses that have been incurred. And last time we had a substantial gain in our treasury income which was a one off case as we discussed last time. It was a one off case which when we were discussing in the call we agreed that it will be very unlikely that we will be able to continue with this such incremental gain that we got in June 2020.

So in this quarter we have not because the interest rates being what they were in this quarter they were very tight and there was hardly any notional gains that we meet on our investments in tax free bonds. Even in the mutual fund it will not make much notional gains. Therefore we ended up flat at around Rs. 17 crores on our treasury income as compared to around Rs. 50 crores that we made in our Q1.

So that is why there is a drop in other income. Otherwise it is as I mentioned thanks to the ADT of Q2 operational income has grown substantially. I think I will leave it now to Mr. Reddy.

P. S. Reddy: I think now we will keep it open for question-answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Sujit Jain from ASK Investments. Please go ahead.

Sujit Jain: Sir, in terms of the structural drivers that we had spoken about which we are trying to develop, bank brokerages etcetera what is the progress? One can see bank brokerages such as ICICI Securities put out commodity products on their portal. What is the portion of standalone brokerages currently in the total volume and what is the contribution that is coming from PMS's mutual fund and including the bank brokerages that they have started?

And few quick queries on what are the delivery volumes and what is the current margin in crude and what is the progress in option volumes and as well as you spoken about warehousing income and marketing spends if you can quantify?

P. S. Reddy: On the mutual funds, two of them have already started. It is about Rs. 80 crores is their open interest that they have in this. And I will not able to disclose exactly as on who is holding what etcetera but it is about Rs. 80 crores is the open interest that they have. And two of them have started as I said. And still to take place because there was about 7, 8 of them are there who have an exposure to commodities especially the precious metals

and for them to change the existing schemes they have to go back to their investors or unit holders.

So it is not happening. Probably when they launch the multi asset funds or new fund offerings, then probably they will be able to provide for this. This is one. And the brokerages especially the institutional brokerages as you rightly pointed out ICICI has already started. They are ramping up and it will take time.

Time means of course they have their own targets to fulfill no doubt about it and because some of the changes that we have implemented that is in terms of negative pricing related also the software development that we have deployed and some of the changes are being deployed by the broker front end and they have to do that at their back offices also.

Some of them have not done but then as a trading system we have done it. So some of those developments are taking place in some of these institutional brokerages also. So that is the reason why some of them have not been able to launch. So that is a priority number one for me activating institutional participants. And AIFs, yes, there are already good number of AIFs are already there on the exchange platform.

I am not disclosing all that numbers as such. As I said they are not going to create volume, they are going to have open interest and stay there because they have then exposure. That is all. They are not traders in that sense. So they are participating. PMS have not come as yet. The most important is may be one or two are there but then I am not saying good number that have come.

That is the reason I am not taking them into consideration as if they have come and one major important issue is that the GST because if they take any commodity delivery and then cash and carry if they do it, the GST is an issue and we have already presented to the government to make the GST especially the iGST we wanted them to issue it and make it applicable so that the players being wherever they are the iGST is good enough.

But then under the GST rules because the warehouses are located at Thane or wherever it is. Probably both the seller and buyer is treated as if they are the local in that particular state where the warehouse is so they have

to issue that GST. And they may not have GST registration in that particular state. So these are the issues which we have already taken up with the government to simplify this and we are hopeful that they will address these issues.

But again on the crude oil as I said that I think it is about 130% is there as of now and we have applied to as I said SEBI and we are likely to hear their decision may be early next month. That is the way we are looking at it. On the issue of warehousing income, that goes into what you call the Clearing Corporation. It is almost of about Rs. 4 crores. That is the way it is. Almost Rs. 3.25 crores and the new charges are also been now reset to levied from administrative charges. Probably that is not seen as yet because just recently it was imposed.

Once that also started collecting may be you will see some more revenue coming. But it is not very big number but then, yes, little-by-little makes a great difference for us. On the warehousing deliveries you are asking, well, it will be 1% or 2%, it should not be very big. That much I can tell you that. The volume in the sense, the open interest you are talking about, is that correct? It is not a traded this one but in terms of metric tons I can tell you.

Sujit Jain: That is okay, sir, you have given us a fair idea as to what percentage that is on the total.

P. S. Reddy: And as an exchange we are supposed to be a delivery is loss for those hedges and just to ensure that prices are in sync with the spot market prices especially when the contract is expiring. That is the way that set of deliver will make these prices converge. That is the way it is. What are the other questions?

Sujit Jain: Marketing expense in Bulldex?

P. S. Reddy: Marketing is about Rs. 96 lakhs has been spent on this one because about 15 days before and then after so is Bulldex we have incurring an expenditure. So much is there. It is Rs. 96 lakhs.

Sujit Jain: And one quick question is on who are the top players on the exchange? We presume they are standalone brokerages.

P. S. Reddy: When you say standalone, I do not know what you are exactly meaning.

- Sujit Jain:** National brokerages such as Motilal, Edelweiss, IIFL, Angel etcetera.
- P. S. Reddy:** Yes, that is right in that sense. They are also listed companies and some of them are, yes, such are the members. Yes, you are right. But they are also algo players are there. Again may be standalone but then very big international algo players are also there. A huge retail broker is also there. They also come in the top 5 brokers. That is the way it is. It is very good, yes.
- Sujit Jain:** And one quick clarification, you said the negative pricing is still not incorporated and hence the products are not getting launched by brokerages?
- P. S. Reddy:** Some of the brokers have not done it. I am saying. We have done that.
- Moderator:** Thank you. We have the next question from the line of Yash Nerurkar from PPFAS Mutual Fund. Please go ahead.
- Yash Nerurkar:** I just wanted to understand the progress done in terms of the gold contracts. You just mentioned something about the bullion and silver doing well. So I just wanted to understand the gold, the mini and the petal contracts which you have?
- P. S. Reddy:** See all the futures contracts are doing very well. There is absolutely no problem on that. It is only the gold mini options which we have introduced of course LES is also introduced recently. And BSE/NSE also have launched their LES in the same contract, identical contract.
- So that is where we are looking at not great traction in that. But otherwise our bullion contract is doing well. For example, in the first half current year the bullion has clocked about 19,000 ADT of which 8,900 and that is almost to 9,000 is by the gold and 10,000 is by silver. So they are doing well in the first half.
- Yash Nerurkar:** And secondly, I just wanted to check with the progress which you have on Mjunction because in the previous call which you had you mentioned that MCX will be signing sort of an MOU of 50:50 JV between Steel Authority of India and Tata Steel. So how is that progress coming out?

P. S. Reddy: It is like this. Mjunction is promoted by Tata Steel and SAIL. Now with Mjunction we said we will sign an MOU, we have already signed. Now that we are preparing jointly as per the MOU feasibility study report on that and complete end-to-end including the financial viability etcetera. All that is target date is sometime in January. Once it is done I will take it to our board and thereafter the next steps we will take it.

Yash Nerurkar: And the last question. In the previous call again you had mentioned about how MCX wants to be a recognized brand similar to LME. And lots of initiatives were taken. So like what is the progress of that and is there anything else that we have sort of ?

P. S. Reddy: Yes, see we have already put up on our website for refiners both the gold refiners as well as the lead refiners to apply. We have received applications and technical audits have been completed in the case of gold and in the case of lead technical audits are under progress. In the case of lead once again after the technical audit is completed a tester reports are required. That means almost about 30 tons, 35 tons of lead is to be sent to some consumer who will use this metal and then certify for his consumption this material is meeting their requirements.

That is the way it is. So that is called testers. And most of the testers will be inverter manufacturers, battery manufacturers etcetera, big ones. Then after this is received, we will be empanelling them. So this process for gold it was to complete by end of November, that is what our target date we have kept it and for lead it is December. So it is progressing as per the time lines and we will be announcing it by that time line.

Moderator: Thank you. We have the next question from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

Rohit Balakrishnan: So sir, just I had few questions. So one we have launched these index futures bullion and metal so we can see the volumes, the ADT that is there on the website but just wanted to sense on Bulldex especially because that has been launched more than a month now. So how have you seen in terms of what has been the reception, is it along the expectation that you had and when do you think that you can start charging at what threshold levels you have mind for both Bulldex and Metldex if you can just broadly share that? So that was the first question. Should I raise all the questions or?

P. S. Reddy: Go ahead.

Rohit Balakrishnan: Okay, the second question was in the earlier con calls you have also mentioned about probably having a spot exchange for bullion. So I just wanted to understand that as well. I was reading somewhere that some World Gold Council is probably planning to set up a spot exchange in India. So I just wanted to understand where are we on that? And if there are any competitors doing that? The third question was on this technology platform so we have this contract with 63 Moons.

I just wanted to know when will this end? And once that ends what is the next step do we have any plans to insole the technology and may be do it on our own? And the last question was on the numbers. One, there has been a significant decrease in the other current financial liabilities of about Rs. 200 crores odd which has led to a decrease in the cash flow from operations. It become negative this quarter which is unusual for our business. So just wanted to understand what is happening on that?

P. S. Reddy: The other three questions right now I will answer. One is the government has decided to float a spot exchange in the Gift City so we have waited for regulations to come. I believe yesterday or day before yesterday the Gift City Authorities, IFSCA has finalized or approved the regulations. We have not yet heard on those regulations, we are not seen because they have not uploaded as yet on the website. So definitely we will be there in the play, in the Gift City, no doubt about it. That is what our desire. We want to be.

So let me see the regulations and then accordingly we will do that. As of now we are not too sure whether only one entity will be allowed or multiple entities are allowed but whichever way it is, then we would like to have a role in that. That is what our desire and we do not know how they will short list if there is only player. But it is too early for me to say on that but we have an aspiration to be there.

Now World gold Council whether they will participate, they will be definitely if they are there, they will be there in Gift City not in the domestic area within this, they will play only in Gift City not otherwise. Obviously it is not permitted in the inland market. So if they are there it is fine we are already in discussion not for any spot exchange or anything, we are in discussion in terms of what is their thought process on it, how do we

if we have to setup exchange what kind of planning needs to be. All that stuff we have been, it is happening for the last many months I would say.

So it is not new. They are also discussing with everybody else also. So it is not for any setting up of themselves setting up any exchange. That is the way it is. Then comes to the Bulldex volumes, Bulldex and Metldex volumes, charging. As I said till 31st March we will not be charging. Only yesterday in the board meeting they have approved it. Initially they approved for 3 months then we are seeing that it is in a nascent stage, it requires support.

Because currently the cross-margin benefit is not given by SEBI and they said that you apply after six months. So once the cross-margin benefit comes, almost all 75% of the cost of margin will be reduced, if they have exposures in the underlying products also. Then it will be a big play. So as of now it is not there. Like they are a standalone product so they are trading that the participants are dealing with it.

So we are a very keen to have the cross-margin benefit. Then obviously it will fly. Till then we want to reduce the cost of trading that is why we thought we should not charge the transaction fees. So is the case with Metldex. Of course Metldex has been launched just recently on 19th October. Then comes to the technology platform. On the technology platform we have already floated an RFP. The existing contract will end in September 2022 and the RFP is there on the website and good response we are getting it.

Let us see the RFP if it will be in terms of process it has to be completed by end of January. And we have to sign the contract. That is the way the timelines we have set out. So let us wait and see what will happen.

Satyajeet Bolar:

With regard to the cash flow, there is a cash outflow. This is basically I mean in our Clearing Corporation we receive lot of cash margins from our members so during the quarter when you do a comparison from March to September, so the members have taken back cash margins. So the cash margins have reduced in the Clearing Corporation. We are presently at around Rs. 480 crores as compared to an earlier figure of March of around Rs. 700 crores in cash.

- P. S. Reddy:** I hope that answers your question?
- Rohit Balakrishnan:** Yes, so just one follow up I had on this technology platform. So that means we are not owing to have an in-house technology, is that understanding correct?
- P. S. Reddy:** No, that is not the way. If you look at the RFP, the way that we have said is we are looking for a source code kind of thing. So instead of developing a brand new application probably it is better to take something which is already tested elsewhere and if that comes with the source code or perpetual license something then we will go on building on that. That is the way it is. So we do not have a vendor dependency going forward. But at the same time we want a resilient platform. That is the way it is.
- Moderator:** Thank you, sir. We have the next question from the line of Deepak Agrawal from Axis Mutual Funds. Please go ahead.
- Deepak Agrawal:** I wanted to understand on the broker concentration. So is our understanding right so like Angel Broking got listed recently and in their PPT they say they are almost 28.4% of the commodity volumes in India. So first of all is our understanding right that they are so big as a percentage of our overall volumes?
- P. S. Reddy:** Well, I will not be able to disclose any individual this one. For me the top 5 as of the corresponding period of last year it was only 40% top 5 and current year, current first half that is from April to September, 47.59%. So the concentration has increased and that is the way it is at this point in time.
- Deepak Agrawal:** And sir, are there any restrictions because I do not know whether that at a particular level they need to be kept as a percentage of the total turnover of the exchange because frankly I am coming from a concentration risk perspective? Are there any caps by SEBI?
- P. S. Reddy:** No, there is no concentration at this stage. There is a concentration at client level what you call limits are there, broker level limits are there for each product. It is not that overall, no.
- Deepak Agrawal:** So technically it can still at this 47.59% of the top 5 guys can still keep on going up, right? Because at least there should be something that so what

are the limits so like at the client level it can be what, certain percentage of the open interest of that particular commodity, right?

P. S. Reddy: Yes, it is not even the open interest. Every year there is some calculations takes place as to what is the total production, what is the imports. So together they will look at is the total this one. On that the limits are decided so much only can have an open interest. That is further broken into the client level this one.

Moderator: Thank you. We have the next question from the line of Aksh Vora from Raj Financial. Please go ahead.

Aksh Vora: Just wanted to know how is the options segment doing? In last couple of years since we launch we were pinning down some hopes on the big volumes on at front. Is that playing out well or it is still in an nascent stage and we still think that big volume is still far away?

P. S. Reddy: Well, the ADT I have in the first half is about Rs. 900 crores and the corresponding period it is about Rs. 1,300 crores. And this includes of course COVID period also. That is the way it is. Sorry, corresponding was Rs. 906 crores last year and the second quarter in fact it has done really well about Rs. 1,300 crores, Rs. 1,100 crores like that. That is the reason why the Q2 was Rs. 1,147 crores.

Although the first quarter was Rs. 651 crores, second was Rs. 1,147 crores so the average happen to be Rs. 908 crores. And if the clients are increasing the clients' participation almost 24,000 they have participated. So as against the last year is about 17,000. So that is a good number of growths in the UCCs. That is the way it is.

Aksh Vora: But overall sir, if you see in last couple of years we have done something very remarkably in all the categories like say brining out some very good products and from SEBI side also the participatory has been increased. So we are still not able to see that volume traction going up the curve as it should go aggressively probably. I am not getting what is stopping or what is impacting the volumes or should it be a gradual growth we see or we will be able to see or it will be some spark that should be visible in couple of years?

P. S. Reddy: See if you see currently again I am drawing in equity markets, it is an index options which are may be occupying a large chunk of the trading that is taking place in those exchanges. So we have just launched in the index futures contract and may be it will take some more time for us to launch index options. Then probably you can expect a substantial growth. But when it comes to the specific individual product growth it is all depending on the relative volatility in the underlying products and the cost of trading in that etcetera.

So yes, it also keeps me on my toes especially the growth in these option contracts, performance of these option contracts. We are trying our best to see that it grows. That is why we have introduced LES in 100 gram gold because the 1 kilo bar means in terms of duration it is a bimonthly contract, tenure is longer and it is 10 times more than this.

So we thought it is a smaller one will fly but then other competition has also imitated the identical contract. So that is optional goods. The underlying remains the same gold. So we have an LES but then let us see it is not still doing as well as we expected it.

Aksh Vora: And sir, just last one. You did not touch upon like do we see once that probably the index options products or we were expecting such kind of volume spike in options when we launched it. So do we finally see those kind of big volumes jump or aggressive volume growth coming in next couple of years or the growth part would be similar to what we have seen in last 6, 7 years or so probably of somewhat of gradual?

P. S. Reddy: It is too early for me to say about option on the index futures because that is not even permitted at this point in time by SEBI and we have just launched the index futures contract and let us take it forward and then grow then we can definitely look at the other aspect of it. But at this point in time it is not permitted either.

Moderator: Thank you, sir. We have the next question from the line of Pranav Mehta from Valuequest Investment Advisors. Please go ahead.

Pranav Mehta: Just a follow up question on this RFP for the new trading software. So as you said that you are looking for an open source code kind of a thing where you can build on it and the aim is to reduce vendor dependency. So this is

what I got from your comments. So does that mean that we have like decided that we are not going to renew the existing contract with 63 Moons in terms of the existing software?

Or can they also be part of this RFP process? That is the first thing. And secondly, does this also mean that eventually like whoever we decide to go ahead with so eventually we will end up owing the IP for this software and we would not have these kinds of licensing arrangements that we have currently?

P. S. Reddy:

I think it is too early for me to say what it is and how it is going to be negotiated. And I may be asking for x but then everybody may not willing to share with x but then they may give y. That is the way it is. So 63 Moons are also eligible to apply and I am sure they too want to participate. That is the way it is. So once all the bids are evaluated then accordingly there is a criteria technical competence and the financial bids.

There is some weightage has been given. And these are disclosed in the RFP document and detailed RFP document is given. The open source is what you are talking about is essential to mitigate the cost of licensing of like your Microsoft license or Oracle licenses. This kind of things will not be required to go on a maintenance of that kind of product. That is the reason open source is being asked for.

But yes, we do not know how many will give license or how many will give source code or how many will not give, how many agree for perpetual license, how many agree for a tenure based license. I do not know. It is too early for us to say anything. We have asked for it. That is the way the requirements have been specified. But let us see as we go along.

Moderator:

Thank you, sir. We have the next question from the line of Haresh Kapoor from IIFL AMC. Please go ahead.

Haresh Kapoor:

Sir, just comprehension for the quarter as such I did not follow couple of things. One is your other income being lower, why is that and what should be the trend? Second tax rate has been higher. You have kind of I think taken some more but you have kind of recognized that part. So how should we kind of look at that? Third, you kind of spoke about some part of

employee cost, some part of the other expenses and even tax which you could not recognize in Q1, recognized in Q2.

If you could just quantify it and just talk through what have you done what is the thought process there? And fourth, on the crude side I think we have been hearing about you are trying to get the approval so that from SEBI etcetera so that you could reduce your margin requirement and all of those things. But it is kind of long now so you have been trying to do it previously too. So could you just comment why is there a delay and why has this not really started right now?

P. S. Reddy:

I will answer the last two questions. The other two Mr. Bolar will answer. On the crude oil thing, look there is almost all may be 100 or 200 scenario analysis go on. In the stress test results the scenarios are there, different scenarios and SEBI has been asking us different scenario analysis we will create and then give them. This is the way it looks like and this is the kind of margin that is needed to mitigate the risk in the system.

So this back and forth is happening and meanwhile we have also sought some details from CME, Chicago Mercantile Exchange and they took time for to give some information with regard to negative pricing handling etcetera in their Risk Management System. So all these kind of discussions are happening and also other exchanges how they dealt may be in Dubai or in Moscow, in Singapore Exchange etcetera. So these kinds of discussions have taken time and obviously SEBI will take a considered view after taking all these inputs. I think it has come to a final stage of dispensation. I am sure we will have as I said early November, early means in the next, in the month of November we will have their judgment in this regard. So once that is there in place I am sure we will be able to get that contract going also.

Haresh Kapoor:

Just one follow-up on this. Sir, this November you seemed to be more confident now on the timeline. So is it that more or less the back and forth that was happening in terms of their requirement that has been submitted and it is just about the last leg of communication that is pending or there are some more back and forth that still have to be done?

P. S. Reddy:

No, that is almost all done like kind of things. So that communication is done now the final decision has to be taken. Now on the employee

provisioning, if you look at this because of COVID sometime in the month of May we had a board meeting and in fact COVID impact also we have announced. So looking at that we thought we should not provide for the variable pay for the employees, performance linked bonus or whatever you call it and provisioning only not that it is paid or anything. We will decide payment obviously after achieving the targets whatever the board has set that.

So that is a separate part of it. So in the first quarter it will not provided and together it is provided in the second quarter which is happens to be Rs. 4 crores and odd. So the last year also around the same volume has been spent about Rs. 8 crores and Rs. 8.5 crores has been spent. So this year also it has been provided on a similar line expecting that kind of thing.

Haresh Kapoor: Rs. 8 crores, Rs. 8.5 crores for the first half has been provided in Q2, is that right?

P. S. Reddy: No, Rs. 8.5 crores is provided for the total last year, the entire last year. And the Rs. 4 crores and odd has been provided in the second half.

Satyajeet Bolar: So in H1 we have provided Rs. 4 crores and the entire burden came in Q2. I hope we have clarified that? The second query that you had was with regard to other income. As we mentioned in the last con call, June we have invested in tax free bonds, Rs. 263 crores. So because of the tax the interest rates that took place in June, the firming of interest rate we earn substantial gains, notional gains on a tax free investment as well as in our mutual fund investments.

Unfortunately in September and as we discussed in the last con call, there is no way we would be able to earn such gains going forward again and again in every quarter. Is not it? That will be very unlikely. So after seeing what their book in this quarter is actually what we have received in either when we redeem the investments in mutual funds or the interest income on our tax free bonds or on a interest income in PSU bonds.

So basically we have received all these. We have actually booked the income. Going forward I would expect I do not unless we see RBI cutting rates further which looks unlikely at this point of time when we read the RBI Minutes with regard to the credit policy. So it looks unlikely that they

would cut rates further at this point of time. So I would take the stand that we would expect these amounts to remain going forward, these rates that we have booked in the second quarter. And with regard to the tax, when we closed June we had short booked around Rs. 2.8 crores as in tax for the first quarter.

So we have booked that in this quarter and in the previous quarter if you have seen our detailed presentation that we have given to the exchanges, we had taken an excess provision of Rs. 1 crores. That we have made in earlier years in the tax. So that obviously is not there this time. And going forward this quarter also we have booked, we have utilized MAT credit of Rs. 2.85 crores. So hopefully going forward we will keep utilizing the MAT credit. As of now we have around Rs. 17 crores left of MAT so once we utilize that fully may be I think at this rate it will take another 5, 6 quarters. Once we close that then we will go to the present taxation rates.

Haresh Kapoor:

And sir, last thing if I can just ask. Sir, just in terms of the broker case regarding the crude aspect which is there. Now could you just provide an update where you are on that and what has been the development? We know that a couple of brokers had filed it so it is kind of been a while but if you could just update where they are on that right now as the year end began have you see some development there?

P. S. Reddy:

Now the case has gone to Supreme Court we filed in Supreme Court for consolidation of all cases because in High Courts it is scattered. Then Supreme Court has given an order, interim order all hearing should be stayed. And the second thing is they have also said that every applicant should be given a notice. So the notice has been served. The Court will hear about consolidating all cases for hearing in Mumbai.

That is what our ask was. So did SEBI. SEBI also has asked for the same player. So that is the way it is. At this point in time the hearing is awaited in Supreme Court and thereafter the consolidation part will be decided. As such the case will be heard by one of the High Courts. That is the way it is.

Moderator:

Thank you, sir. We have the next question from the line of Ankit Gupta from Alchemy Capital. Please go ahead.

- Ankit Gupta:** Sir, you said that the margins membership withdrawn from Rs. 200 crores of margins. So is not it a minimum requirement to trade on the exchange, how can we interpret it?
- P. S. Reddy:** What Mr. Bolar was saying is some brokers had given a cash margin. They have withdrawn the cash margin, they may have given bank guarantees or fixed deposits or some other collateral they may have given it. That is what the point he was making. So it is not for any single broker so much is the requirement. No, it is not the case.
- Moderator:** Thank you. We have the next question from the line of Mohit Kumar from Dam Capital. Please go ahead.
- Mohit Kumar:** Sir, just two questions. The first is on the electricity derivatives. Is there any progress sir, which you can share? And secondly, do we have any plans to intent to gas exchange this?
- P. S. Reddy:** On the electricity derivatives we are very active; we will be in the forefront. That is what I can say. And probably may be in a day or two you will hear some news about it also.
- Mohit Kumar:** And on the gas exchanges, sir, are we interested, or we do not want to intent to the domain?
- P. S. Reddy:** We are very much interested on the gas exchange. But how to go forward and doing it, we are yet to figure out as to the approach to that. We do not want to have it crowded also and at this point in time we are seeing the volumes on IGX. Let us see how we will move in that direction. But we have it anyway the gold spot exchanges something which we are keen to participate and as somebody said it is already there in the Gift City and two days before they have formed the regulations. We will be working on that.
- Mohit Kumar:** If I may ask which are your growth which are the likely products which can give you growth in the sense that the additional products which will give you growth in FY22?
- P. S. Reddy:** Well, index futures is something that we wanted it to grow substantially. This is one area which we are looking for it and as I have been saying it we are keen to pursue also some of the initiatives that we are pursuing at this

point in time like this spot exchange projects are there. That is something that we are very keen to pursue them.

These are the ones which we look forward to fuel our growth may be in the midterm. That is the way it is. I am not giving just for the next one year but definitely next two, three years time definitely it will spot exchanges also going to pursue in the growth.

Mohit Kumar: Lastly on crude oil volume. So when do you expect it to get back to the normal levels? And how is it trading right now or what is happening in October?

P. S. Reddy: Well, it is about Rs. 3,000 crores is the average ADT, the crude oil. And the way that I am as I said that about almost 130% must be there. That is why it is not applying as it used to be. In fact if you see the corresponding period of last year, the first half if you see that crude oil was Rs. 12,000 crores. Currently it is Rs. 3,000 crores in the first half. That is H1 April-September at Rs. 2,922 crores and corresponding period of last year is Rs. 12,233 crores.

So there is a huge growth potential for us. We are looking for this relaxation in margins. Once they are put in place it will definitely fly.

Moderator: Thank you. We have the next question from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

Rohit Balakrishnan: Most of the questions have been answered. So just on taking forward this question about growth over the next three, four years, you have talked about spot exchanges being a very critical part of it. So I have a two part question. One is so do you expect spot exchanges to start coming I mean trading to begin in the next financial year I mean you are introducing products and sort of starting exchanges wherever needed? That was one. And in the spot exchange gold is the paramount thing that you are working towards, right? Is my understanding is correct?

P. S. Reddy: Yes, for both the questions, the answer is, yes.

Rohit Balakrishnan: The other question sir, again just on this overall three to four years growth path. So sir, index futures and how currently are ADT is around Rs. 30,000 crores, Rs. 32,000 crores. This quarter was very good obviously. But I mean

so how much do you think index futures can really add up because I mean you gave example of equity and in equity both index futures and options have obviously really pull the volume for the exchanges there. But in your assessment globally has there been a precedent where similar kind of products in global exchanges the success has been there for such products?

If you can throw some light that will be helpful. And what kind of volumes are you expecting? I mean in terms of let us say if we have to hit an ADTV of Rs. 60,000 crores, Rs. 70,000 crores a day from where we are? I am not talking immediately, sir, I am talking let us say three years, four years out. So is that possible I mean how much would that be contributing from index futures? And broadly sir, I mean you can change the numbers, I am just broadly asking.

P. S. Reddy:

I understand. Let me tell you global indexes wherever they are traded there is a difference here. Those are constructed by third parties like S&P for example. They have constructed taking one from ICE, another two from some other exchange, three from some other exchange etcetera. So it is not taking the same exchange. That is the one. So there are different time zones and they are traded differently and also people do not get what you call cross margin benefits or the margin benefits as such also because they are in different exchanges.

That is the way it is so whereas here we have this indices constructed based on the prices of the commodity which are traded on the exchange only, nowhere else. So this kind of cross margin benefits can be given and it will definitely fly. That is what it is. Now at this point in time the gross margin benefit is not available. For six months it will not be there, that is what SEBI's view was. Thereafter they have asked us to back this with the data and then come back. Then we will consider. That is the way it is.

So my view is these are like great potential to grow. There is no doubt about it. Great potential to grow, I repeat that. Now you want me to put a number as we go along and more than the index futures, I am looking for index option. Yes, it will grow but once the index options are also permitted, definitely that will take off.

So if you ask me with the global experience, again I am telling you because of this kind of structure of the indices, it did not fly and so ours is going to

be a unique experience to that extent. And I am sure we will be able to clock the kind of turnover that you are anticipating. That is also my desire. And I am sure we should be working towards that.

Moderator: Thank you, sir. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the conference over to Mr. P. S. Reddy - MD & CEO for closing comments. Over to you, sir.

P. S. Reddy: Thanks to all of you for very intuitive questions. And we will stay in touch and keep stay invested and as I said we will work towards the interest of all stakeholders and as we go along you will hear more and more good news from the company. Thank you so much.

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