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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 Q2 FY-2022 results.

Dear Sir,

Please find enclosed herewith transcript of the "Earnings Conference Call" with investor(s)/analyst(s) held on Monday, October 25, 2021 at 4.00 p.m. IST on Q2 FY-2022 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

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Digitally signed by puri ajay
Date: 2021.11.01 11:56:28 +05'30'

Ajay Puri
Company Secretary

Encl.: As above

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"Multi Commodity Exchange of India Limited Q2 FY 22 Earnings Conference Call"

October 25, 2021

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"Multi Commodity Exchange of India Limited Q2 FY-22 Earnings Conference Call"

October 25, 2021

MANAGEMENT: **MR. P. S. REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER
MR. PRAVEEN D G – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Multi Commodity Exchange of India Limited Q2 FY22 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 the MD and CEO, Mr. P. S. Reddy. Thank you and over to you, sir.

P. S. Reddy: Good afternoon, everyone. Thank you for joining in Q2 call. The results as you have seen are disappointing to myself and to my colleagues and to the board as well. Thanks to the peak margin regulation that has kicked in, which went on increasing the peak margin from 25% to 100% on 1st September, which was started with 25% in the month of December. Then went on to March and then June and September.

And now that the players also got used to the peak margin is going to stay and nothing is going to change and we are able to see some revival in the month of October, and it is almost all our ADT has touched Rs. 29,900 crores so far. But in the quarter, it has come down to Rs. 25,797 crores as against Rs. 28,000 crores in the previous Q1.

Similarly for the half year from April to September this year it was Rs. 26,896 crores or Rs. 26,900 crores as against Rs. 31,000 crores almost about Rs. 31,000 crores in the corresponding period last year. But one important thing that has happened as you all know our auctions volume is picking up. As a result, the auctions have a revenue potential in the sense that one-third of the futures, I mean rather the options 100% is equivalent to maybe one-third of the brings in futures revenue. So, we had about Rs. 9,000 crores ADT in options in the current month, which brings in equivalent to Rs. 3,000 crores of futures ADT.

So, when I said that in the month of October, we are almost all Rs. 29,000 crores. You can take an additional Rs. 3,000 crores as ADT such that it will be almost around Rs. 32,000 crores in the month of October. Again, the October figure I am seeing. But I am not taking the September figure, which is equivalent to about yes, it was in Quarter Q2, it was Rs. 6,000 crores but has not yielded us any revenue because we started imposing the tariff on options only from 1st of October.

So, this is one redeeming feature that we have. In terms of number of traded clients, that is the unique client codes, it more or less remains the same. It is about so far traded around 314,000 as against 315,400 or so in the corresponding period of last year.

So, that is the way it was. In terms of ADT, you all know that the bullion was contributing contributed rather almost around Rs. 10,000 crores and then followed by NG. This is about for the half year I am talking about Rs. 9,000 crores and it is Agri also we started doing relatively better. It is about Rs. 500 crores as against Rs. 268 crores corresponding period of last year, that is April to September. So, these are the numbers that I have.

In terms of new contracts, we have introduced probably you are aware of it. Our index futures contracts are really doing well without any support. We have almost clocked Rs. 500 crores turnover in the month of October and we expect it to do still better because we recently launched energy index futures contract.

This is one part of it. The second thing is we are also planning to introduce more new products subject to regulatory approvals of course. We proposed NG options contract, which is with SEBI and electricity futures you all know the dispute has been resolved by Supreme Court. Now that we expect SEBI to consider our proposal. And then the third one is the Steel TMT bar contract that is also we are looking forward to.

Again, we have filed our, you know, contract specifications with SEBI for approval. Hopefully these new products also will start, you know, as and when we launch, they will also start adding to our ADT. Again, as I said that not that management is satisfied with the performance whatever it we have done in this quarter coupled with obviously the Treasury income has come down partly because we moved out of the tax-free bonds and booked the profits and then that profit was booked obviously in M2M basis, in whichever quarter that was that it quotes.

The second is due to low interest rates obviously. So, these are the two ones which have impacted, but now I will give it to Mr. Bolar to explain some of these.

Satyajeet Bolar: Thank you, Mr. Reddy. And a very good afternoon to all of you. As the MD said, our revenue from operations as on a consolidated basis stood at Rs. 83 crores. Other income stood at Rs. 16 crores which totaling at Rs. 99 crores. So, there is a 5% drop in revenue from operations and a 25% drop in other income. Mainly as we explained in our previous call also in July that we would be moving out from tax free bonds. So, the first tranche of tax free bonds has been sold and we have moved it to ultra-short-term funds and we will continue exiting from tax free bonds in its balance in this quarter.

And as interest rates increase, maybe in the fourth quarter, we will be able to park it in appropriate paper to take advantage of the increase in interest rates going forward. But we have been, I mean if you have seen our costs, we have been able to control our costs. The cost has been kept under control.

There have been no bumps in the costs, so that is a positive for all of us that we have been able to keep costs under control. If you have seen in the fixed costs has been kept under control. So, there is no surge or no extraordinary items in the costs. The costs have been under control.

I will be glad to take any further questions during the conference. Thanks.

P. S. Reddy: And one more important source of income, especially in the subsidiary which has taken a hit, is the storage or warehouse storage or vault income. Earlier there were huge amounts of silver, which were kept again because of the opportunities were accordingly there provided. Maybe there was the MCX is giving better returns than the spot markets. So, there is a huge metal lying in our warehouses.

So, we earn certain amount of percentage of warehouse charges or vault charges. That has got gradually depleted because those opportunities vanished, and the traders have removed those assets from the vault. So, that is one major reason why the subsidiary income has gone down in this. Now I will leave it open for question-answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, two questions. First sir, on the new products. I think you mentioned 3 products. The first one I could not get the name. I think while electricity futures still TMT bar contract and the third one can you please specify the name?

P. S. Reddy: NG options. Natural gas.

Mohit Kumar: Okay. Secondly, sir, is it possible for you to, you know, lay out the potential value of, you know, the electricity futures and Steel TMT bar contract and NG options and what are the timelines we are looking at for launching these three products? A tentative timeline?

P. S. Reddy: Yes, we will I mean subject to regulatory approvals we will launch in this financial year, no doubt about it. But potential I will not be able to spell out any kind of numbers we will not be able to indicate.

Mohit Kumar: Secondly sir, on the given that the peak margins are behind us now and we have seen some improvement. What are the key things one should look forward toward this in the near future apart from the new products? Is there any chance that the margins of crude will go down and what is the current margins on the crude as of now?

P. S. Reddy: Yes, you see, the crude oil margins were in fact reduced. Earlier we had 20%, 21% and it was reduced to 10%. Again, the momentum there. So, we increased it to 15%. So, how do we deal with this? There is as I explained in the past also, if the margins are less and if open interest increases, there is a need to increase the SGF cover. That is a Settlement Guarantee Fund cover.

So, there is a working group consisting of exchanges. We have submitted to SEBI, a working group report. How dynamically we can contribute and then withdraw also. Currently it is only one way street. You can only contribute, but then you cannot withdraw it.

So, something of that kind of proposal that has been given in addition to many other suggestions. Who else can contribute, all that kind of things? There is a lot of unanimity among exchanges on these issues. So, we have submitted our report to SEBI, which is actively considering it.

So, once that decision is taken on those working group recommendations, probably we can keep on contributing to SGF and again take it back once the open interest goes down. You know that kind of thing can happen. At this kind of time in that risk management scenario we will be able to reduce the margins to the initial margin levels whatever SEBI has prescribed as per the business rules.

So, that is what the way we look forward to. So, the second thing that we are looking at it is the index futures contract and the options contract or something which we would like to aggressively pursue it. And hopefully we will be successful there as well.

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

Devesh Aggarwal: Firstly sir, the traction that we are seeing on the option side is largely in the crude oil contracts. Almost I guess 85% to 90% of the volumes are in crude oil. So, is it you believe the margin requirements that we have on the future side, that is kind of pushing volumes on the options? Or this is a new market that is getting developed?

P. S. Reddy: I would say it is a new market that is getting developed. The one reason is because of very high margins people from the trading I mean, some of the investors have withdrawn from trading in the crude oil contract, mean futures contract. Now the brokers are handholding them to bring in via the options route. So that is how it is helping. The peak margins is another regulatory change, which impacted and I think in this options I think just paid a premium that is the end of it. That is the way it is.

Devesh Aggarwal: Okay. And on the power derivative side, sir, now the power exchanges that we intend to start, any broad timeline that you can share?

P. S. Reddy: I do not think I ever said that power exchange we will start. It is a futures contract we wanted to launch on the price, which will be settled on the IEX prices. We have an exclusive agreement with IEX for about two years at least. So, we will be working on that. As soon as the regulatory approvals are received, we will start launching on it. But meanwhile, the seed marketing is going on and we are developing the ecosystem creating awareness in the ecosystem.

Devesh Aggarwal: Okay. And this would be purely financially settled contracts, right?

P. S. Reddy: It should be. We do not know. See that is what our submission is a cash settled contract to SEBI. Because there is a vibrant spot market is there. So, it is for the regulator to decide how they would like to move forward in this.

Devesh Aggarwal: And any update on the gold spot exchange?

P. S. Reddy: Yes, there is an international bullion exchange. We have already started participating in the sense that it is yet to be launched, but otherwise all the three exchanges and two depositories together have set up, and the mock trading is going on. That is one part of it. It is yet to be inaugurated, and I am sure that will also be a successful venture subject to government granting certain concessions, I think which may happen. That is likely to happen.

That is one part of it. In the domestic side, just recently SEBI has announced sometime in September, the regulations are yet to be made, but then in the press release that we understand that there is either you can start as a segment within the exchange, or you can start a separate exchange.

I think we are evaluating those options and I think it is work in progress. That is right.

Devesh Aggarwal: Okay. And in terms of technology sir, for the spot exchange, do we have something ready or are we still evaluating options?

P. S. Reddy: No, as I said, when we are evaluating options, whether it should be a segment or a separate exchange, that is the component also, important component also that the committee will be taking note of it.

Devesh Aggarwal: Okay. And the contact that we had sir from the UK entity, the UK software developer, the case, any update on that and have we written off any money on that account?

P. S. Reddy: No, we have not written off any money as of now. We have already signed the settlement agreement. And I think pending that, under the settlement agreement, certain deliveries are expected. We get the software, and we will release whatever the payments that we have withheld. We have withheld certain invoices. No extra payment, but for whatever invoices that they raise, some of them we have withheld, and these two have to be settled. Then obviously it will be withdrawn from the Singapore International Arbitration Center.

But currently it is underpass, and the agreement has been signed between two of us. The execution of the agreement is in progress.

Devesh Aggarwal: Okay and the last one, sir, from my side. The update on the TCS migration technology and how much have we spent so far on that?

P. S. Reddy: Mr. Bolar?

Satyajeet Bolar: I will just give you an update on what we have spent. It is presently we have shown it under capital work in progress intangibles under. So, it is around Rs. 50 crores is what we have spent.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: Sir, my question is again on the electricity derivative. Just wanted to understand because IEX prices the spot based on the units unlike most of the exchanges work in India based on the value rupees crores. So, I just wanted to understand whether, whenever we launch the electricity derivative will be based on the units traded or it will be based on the rupees course or value traded basically?

That is the first question. And within the electricity derivatives, just wanted to understand globally if you have done some study, what is spot to financial derivative market size and finally wanted to understand the revenue sharing model or MOU, what you have with IEX? Means whatever transaction income we have, are we required to share it with IEX or not?

P. S. Reddy: Okay, I think first question I did not fully understand. Because we have a value the turnover is there and then the trading lot will be obviously in units. Whether it is a megawatt hour unit or whatever that be. That is the contract specifications. And the charging mechanism on IEX is per megawatt hours and ours will be based on the ADT. Now the IEX or rather what is the international size, it is almost about 7 times to 8 times these spot markets in terms of ADT or turn over, if you look at it.

So, if the spot exchange is 100, that will be 700. That is one and the second the other question is with related to the revenue sharing. Yes, there is a revenue sharing. It is about if I am not mistaken 10% in the initial stages.

Sanketh Godha: And the second question was basically on the domestic gold spot exchange and not the GIFT City one. So, just wanted to know the updates there because SEBI has come out with the final regulations. So, just wanted to understand how are we placed and in participating in the gold domestic spot exchange?

P. S. Reddy: Just before you stepped in and I somebody else also from IIFL, I have answered that. What I said is that, you know, the SEBI has said that either you can launch it as a separate segment within the exchange as a separate exchange, and we have already done what is the segment means what is the exchange means and there are many commonalities in terms of hardware, software as of things, separate segment means, it is the same thing as starting a separate exchange.

And probably you do not need to have a big governance structure like an exchange. So, segment also follows the same principles in terms of separate hardwares and people and separate membership for the segment, etc.

So, we are evaluating both the options and we will be taking before our Investment Committee and others and accordingly taking a call on it.

Sanketh Godha: So, my question is basically we will be eligible to launch the gold spot exchange or SEBI will decide who is potentially can launch a gold spot exchange in the country means are we the final company or we are among the final companies, or it is still that evaluation stage has to go through?

P. S. Reddy: No, it is one among the exchanges. We are one among the exchanges, that is the way it is.

Sanketh Godha: And one among them. We can potentially launch it, right, sir? Or we will launch it basically?

P. S. Reddy: No, you see there is no limit in there. There is no restriction. BSE can start, NSE can start, MCX can start or BSE, NSE, MCX can come together if it is a separate exchange also or it is a segment. each one of us can start. I mean which model we choose is it is left to us.

Sanketh Godha: And most likely when it will be implemented? As per the regulatory process?

P. S. Reddy: No, regulations are not out as yet. Still the watt regulations have to be made and watts have to be admitted and the Regulations have to be amended. SCRA to be amended because this gold receipts have to be declared as a security. As of now it is not done as yet. So, the intent is there and then road map is getting created.

Sanketh Godha: And finally, one more thing on electricity derivative. You had said that this product can be potentially launched by end of this fiscal year, right? That is the way I understand. Is my understanding correct, sir?

P. S. Reddy: That is right.

Sanketh Godha: Okay and finally on energy index, we are charging like metldex and bulldex or if you are still not charging it?

P. S. Reddy: Same tariff.

Moderator: Thank you. The next question is from the line of Abhimanyu from GrowthX Capital. Please go ahead.

Abhimanyu: I have two questions. Firstly, is there any guidance on what can be the turnover of electricity futures on the exchange and secondly you said that there is an exclusive agreement with IEX for at least two years. So, would this agreement be extended in the near future, and could you share some more specifics about this agreement as to what role each of you would be playing in this? And in case of any disputes happening in the futures contracts, who would have the authority to regulate these?

P. S. Reddy: See SEBI and CERC are the two regulators where CERC is responsible for the spot and the forward contracts and SEBI is responsible for futures contracts. And that has been decided by the Supreme Court by a way of consent terms. So that is closed. The second, I will not be able to tell you, as I said that what will be the turnover, etcetera.

But some gentleman has asked internationally what is the kind of relationship or a kind of volumes between spot and then futures. It is EEX is one example, European Electricity Exchange, and the spot exchange there and that is most vibrant market, and it is most around 1:7 ratio for every Rs. 100 crores turnover, there will be Rs. 700 crores is there. But that is a highly matured market in that sense.

So, this is the way it is and in terms of agreement, yes, it is an agreement which we signed almost all in a year ago and which we have notified to the markets also by way of with BSE notified and it is like we are settling the trades using the CME price at the expiry of the contract, we will be using the prices of IEX for settling the trades on the exchange platform. I hope, I have clarified?

Abhimanyu: Yes.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital Advisors. Please go ahead.

Lokesh Manik: My question was on electricity derivatives and again most of it has been answered by you. Just one small clarification. You mentioned that the revenue that you will earn is basically on the ADT. So, will this be as a percentage of ADT or will it be fixed price per lot, which would be in megawatt hours?

P. S. Reddy: You see, we will not change only for this contract our revenue tariff model. Currently we have for every Rs. 1 crore almost Rs. 200 to Rs. 210 something of that kind. We are earning or to be precise. Yes, that is the way it is. It should be that way only, nothing else.

Lokesh Manik: Okay, so our revenue model will not change?

P. S. Reddy: It will not change.

Moderator: Thank you. The next question is from the line of Girish Shetty from Banyan Tree Advisors. Please go ahead.

Girish Shetty: Sir, I just wanted some clarification on the previous participant. You mentioned 10% will be the revenue sharing model. So, 10% of what exactly is my question?

P. S. Reddy: So, 10% of whatever revenue that we are on out of this electricity futures contract. So, let us say we earn say Rs. 10 crores. So Rs. 1 crores will be given. That is the way it is.

Girish Shetty: So, Rs. 1 crores will go to IEX you are saying?

P. S. Reddy: That is right.

Moderator: Thank you. The next question is from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: So, I just want to understand that the gross margin thing which was started for index futures, do you think that it has been helpful for index volumes or why is it taking time for index volumes to pick up in your view? Any light there, sir?

P. S. Reddy: See if you see in the recent past the index volumes did pick up, okay. The only gross margin benefit is one of what should call variables, which help in picking up the volumes. But then volatility in metals for example has significantly helped us to ramp up, you know, these volumes also. So, if you see our metal index is doing better than the BullDEX which traditionally BullDEX supposed to be doing better because the bullions are always the darling of the market. But yet the metals are doing well.

And the second important thing is the margins in these are lower than the actual underlying commodities. For example, the energy index just recently launched. Although 75% is crude oil and then 25% weightage is for natural gas and the initial margin is 10%. But individually, if you see their margins could be higher. So, people will go for energy index contracts rather than the underlying assets.

So, there are many dynamics which decide from time to time depending on the business opportunities that traders see.

Lavanya Tottala: And the other one is any update on bank subsidiary brokers I think ICICI, Axis have already started. Any update there?

P. S. Reddy: Well, all that I can say is ICICI is really doing very well. Month-on-month we are able to see a very good traction in this. And the others are still slow in joining. That is the way it is. And, Yes, many of them are citing their IT development being slow in doing this.

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

Sri Karthik: In terms of the electricity derivatives when you refer spot to futures ratio at 7X. Would that be the entire day ahead market or should that only be on the real time market? Because when you price your derivatives on the exchange will it be based on the real time market on IEX?

P. S. Reddy: It is all. Both day head and as well as real time together.

Sri Karthik: Not necessarily only the real time market?

P. S. Reddy: Yes, no.

Sri Karthik: Sir, the other thing which I am actually struggling to understand is the options to futures ratio across our three key products bullion, energy, metals is like extremely divergent. Bullion is about 10%, energy is almost 50%, base metals is like 1% or 2%. Why such a huge divergence between this ratio, sir?

P. S. Reddy: See in fact options contract did not pick up at all until recently, and I think only after the peak margins thing has kicked in and with the high margins prevalent in crude oil contract, this option contract has found favor. So, it is. I would say it is developing initially. For that very reason, because the turnover are Rs. 1000 crores ADT. Maximum Rs. 2,000 crores ADT. We did not even dare to start charging those contracts.

Every time some of you were asking why are you not charging, although it is almost around three years or four years. But then we had reluctance to charge because the volume is too low. Maybe we are nipping them in the bud, that should not happen. Now that we have gradually acquired it and I think every contract will get its own phase to grow, and I think that will correct it as we go along the market.

Sri Karthik: And you have indicated Rs. 100 for Rs. 1 crore notional premium. Is that the revenue number, right?

P. S. Reddy: No, what it is say is, for every I think for Rs. 1 Lakh, Rs. 45 is this one, which means Rs. 4,500 for Rs. 1 crore.

Sri Karthik: Of premium?

P. S. Reddy: Yes, Rs. 1 crores premium, Rs. 4,500 is the charge. Yes, that is right. Average is Rs. 45 we took.

Sri Karthik: Yes, but you were equating that on the notional value, which is why I asked?

P. S. Reddy: No. What we have said is which generally translate. If I have Rs. 9,000 crores options turnover, I get that is equivalent to Rs. 3,000 crores of futures' turnover, which gets me per crore Rs. 200.

Sri Karthik: Okay, one third is the translation?

P. S. Reddy: Yes, one-third is the translation.

Sri Karthik: And sir, like you have indicated this seven times derivatives for an electricity. Any indication globally on options to futures on commodity side?

P. S. Reddy: In fact, many places options have not done great, but ours being a retail market that is where we are looking at a greater thrust on this product.

Moderator: Thank you. The next question is from the line of Aditya Yadav from Transcend Capital. Please go ahead.

Aditya Yadav: Sir, firstly, if you could elaborate the reasons for us this futures turnover has taken, especially in the bullion segment has taken almost a 60% hit year-on-year. So, if you could elaborate the reasons for us? One of them you have discussed about is the peak margin requirements. But if you can share your thoughts?

P. S. Reddy: Yes, I am seeing this, but I am not able to see that there is a 60%.

Aditya Yadav: So, the data you have shared on the presentation on the slide 6, the bullion turnover last year same quarter was around Rs. 24,000 crores and this year it is around Rs. 9,400 crores?

P. S. Reddy: Quarter-on-quarter?

Aditya Yadav: For the same quarter year-on-year?

P. S. Reddy: Yes, let me let me see. See last year if you have seen our ADT in this bullion ADT was almost around Rs. 38,000 crores, Rs. 40,000 crores. Notwithstanding the complete lockdown in the market because the physical markets were also by and large closed. And the only opportunity that the people were essentially to use the exchange as a platform.

That is one part of it. Another thing is there is a huge volatility internationally in these bullion products at that point in time. So, underlying commodities have a high volatility. Obviously that will translate into trading on the exchange platform. And third, which is again more important. At that time, probably this gold, the bullion was considered as a safe investment avenue.

So, obviously because of the rise in COVID, etcetera people were looking at this as one of the products where they could park their investments. So, price rise is because of the Covid and the lockdowns, etcetera. And not lack of having better economic growth and the other one is.

Aditya Yadav: Sir, if I understand correctly so you shared that volatility is a big part and agreed that last year we had lot of volatility in the bullion metals, especially after the breakout of COVID. But this is the quantum of fluctuation we can usually see with volatility that the volumes are swinging in the range of 40% to 60%?

P. S. Reddy: Yes. We have seen in the case of bullion as compared to last year. We have seen this. We have seen this kind of volatility. Otherwise, if you see the number of participants trading it in fact, it has increased. If you see the number of players, it has increased.

In the case of bullion in April to September Q2 July-September 231,970, people have participated in the April to September this year.

Aditya Yadav: And sir, what do you feel would be the normalized volumes on the bullion segment in the sense once the effect of these peak margin requirements and everything wanes out and what do you feel is the normalized volume, we should see in the building segment? Because we have not had those kind of difficulties like we had with the crude of, you know, suddenly escalating the margins? So, what is the normalized volumes you see at the current customer base you have discussed that the base is also increasing?

P. S. Reddy: We see around 15,000 to 20,000.

Aditya Yadav: We should revert in the coming times.

P. S. Reddy: It should.

Aditya Yadav: And second sir, my question is a bit of an extension on the electricity derivatives part. So, tech wise are we ready? Are we ready for that? Because it will be an onboarding of entirely new set of customers with the discoms and, you know, generators coming in. So, it will be an entirely new set of customers. So, are we ready with the tech for that?

P. S. Reddy: No, there's no separate tag on the same platform. You launch those ones. The futures contract remain the same, all the specifications and the trading platform remains the same and the brokers remain the same, obviously the ecosystem we are being, as I said, not transplanting this idea of hedging etc. and we are able to get a good response at this point in time, very good response, I would say.

Aditya Yadav: But that on-boarding process has to begin once the regulatory approvals come in this on boarding process has to begin for the discoms and everyone who are interested in.

P. S. Reddy: We have already started.

Aditya Yadav: Lovely, you've already started the on boarding process for customers?

P. S. Reddy: Yes.

Moderator: The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, two questions, first is Sir on the on the IEX on the derivative contract you said that to begin with you'll have 10% revenue share. Is the revenue share likely to decline over time and secondly in the PPT you mentioned about spot trading platforms for coal so is there something happening there right now, is there something we can expect over next 12 months.

P. S. Reddy: I am taking the second question first on the on the coal with Mjunction as I said, we are working on it and vendor has to give a presentation to joint representation he has to make and the report has to be submitted and once that is done I think we will take it forward that's the way it is. On the coming back to the revenue sharing with IEX. I said first two years it is 10% and then we will see how it moves.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: So just one more extension on TCS contract. So you said that you have spent almost 50 crores till date. So, effectively how much we are likely to spend on TCS when it gets fully implemented so that we can determine what will be the amortization of cost over five or six years, whatever we will do it?

P. S. Reddy: We have not disclosed the cost as yet as, the contractual obligations are there. It's not just TCS what he mentioned, if I'm not mistaken on the commodity derivatives platform. So partly the cost to the software vendor, partly the hardware that we have to acquire it. So on the CDP project you get a complete what you call the visibility, not the breakup. Maybe some time by September next year you will get the visibility in the in the in the accounts.

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

Amit Chandra: So the algo volumes know the percentage has been coming upwards. So is it now spread across the contracts or is it a specific to some contracts and also in the drop in the Bullion volume that we have seen was there concentration in terms of one member contributing a to the volumes that has come off or whether the drop has been broad-based because as we were saying that the retail clients or the UCC numbers still know continues to be a now very strong and the additions there are very strong but still we are seeing drop in volume, so this might have to do with, you know a larger member like going out of the system so can you explain that?

P. S. Reddy: In fact the larger members have not gone out of it whosoever members are trading may be they're trading less given the collateral that they have kept or the clients kept the collateral so the yes, the algo players are increasing and it will go on increasing it because recently maybe about two months ago we have introduced one algo player 20 IDs can be attached to 1 algo strategy something of that kind exact this one is not there before me, so as a result of each, others have also started coming in some of the international players. I don't want to take their names now. One more has become a direct member of the exchange and two more are expected to become members shortly now, so more and more algo players will come. Now where are they active? Yes, they are active in options, they are active in almost all the futures contract except may be agri and agri also maybe they are there in the CPO, but Yes, or I think CPO is the one, but otherwise they are there almost in all the contracts. Options definitely in options crude oil options definitely there, and the gold. These are the two.

Amit Chandra: In any of the contracts do you see any specific concentration of the top 10 members, or is it like equally spread?

P. S. Reddy: No, we don't see we don't see concentration.

Amit Chandra: On the technology upgradation that we are doing is the things as per plan so what timelines we have said earlier and what are the challenges we are facing in terms of the upgradation so everything is on track or there is some delays on that front. Also, if you can throw some light on the cost savings what were planned earlier and what exactly you're going to achieve.

P. S. Reddy: The program is on track, by the end of December we should be able to see the system to be in under UAT (User Acceptance Test) and thereafter will be doing the parallel runs, etc., and then we will onboard also member brokers to start testing the system all that kind of things. So yes, it is a very-very tight program, but at the same time we are able to manage and monitor effectively. The cost savings, yes, maybe in the initial year you'll be sometimes you need to write-off the existing servers and hardware and other thing because you are getting a new hardware and both may be there for some time and the next five years we will be writing off the new software also whatever the expenditure we are incurring and thereafter, the AMC is a single digit that is something which I have said earlier also and it will be very-very marginal that is the way it is.

Amit Chandra: Is there any kind of correlation between the volume pick up and you know the completion of this shift because is there any correlation to that?

P. S. Reddy: There may be a correlation, but there is no cause-and-effect relationship that is all I can say. If it goes up then it goes up then there's no relationship between the two, there's no cause-and-effect.

Amit Chandra: I don't know why I'm asking that is there any hesitance from the larger member that when the technology upgradation is done and it's up and running then maybe another one?

P. S. Reddy: No, there's nothing of that kind. As I told you, some of the algo players have already started joining that is what I am saying, new players are starting.

Moderator: Thank you. The next question is from the line of Arjun from Spark Capital. Please go ahead.

Arjun: Sir, it's a broad question with respect to my observations with electricity prices and how the spot market is behaving. We see that our spot market delivery majorly it happens in a day ahead market and there is no contracts or delivery that is for more than seven days or 10 days, the maximum is for a 10-day-period. So basically, there is no depth in the market and #2 the electricity prices are highly volatile, 5x to 10x of what crude prices that's what the volatility of electricity prices are and the intraday volatility or price volatility is very high. So, these electricity futures market is both provides venue for hedgers also to take participate to provide a long-term contract and also for the retail participants to benefit from the volatility, what is your view who coming into this electricity futures market? It is the government organizations or distribution companies that would stay for a one-month future contracts or will it be more of retailers who would want to benefit from this price volatility how? Whom do you think would be contributing or participating in this contract?

P. S. Reddy: See, you need all the players, you need speculators who are intraday also, you need hedges both the producers as well as consumers and you need financial participant who will do arbitrage opportunities between the contracts and as you rightly pointed out, electricity IEX or wherever it is traded you not only have on different times of the day, the volatility because the peak is different and off peak is different pricing and that's why they have divided into every 15 minutes, block for trading so yes, you're right. There will be so much of so much of volatility in this contract, but our focusing is substantially for the peak period and weekly average and monthly average prices is what we need to track it and disk discoms and other generators and there are many industries are there which are buying it and there are some industries where they have a captive power plants, but they are also supplying it when they have non peak load so they are also supplying. So we are targeting everybody I would say this way. We're targeting everybody who needs electricity as one of the key inputs for their business that is the way it is.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: One question Sir, on the steel side why don't we have hot rolled coil futures as a product I believe the hot rolled coil will be much-much larger product compared to the TMT bars.

P. S. Reddy: We have done and some analysis market survey, I will call it a study you can say that and there are two things billets is one and it is hard to find for delivery because most of the manufacturers consume their billets, hardly any market in the sense who are willing to sell it and the other one is this CLT bars and so we are looking at the value chain. We are starting here because the number of players will be too many in this steel TMT contract so is the consumers a lot of construction I mean when I say construction not the individuals who construct a house, we are looking at L&T Infra any of those kind of giants who are in the business of infrastructure construction or use housing, construction companies, big companies. They all can look at this. At the same time we are also not catering only to the integrated steel plants. There are many others who are who are smaller but who have automated their processes whatever is the technology that that that is needed for ensuring the quality is guaranteed. So we are looking at empanelment of those kind of producers also to deliver on the exchange platforms. And we have already filed for one more contract, the aluminum alloy contract, which I think in the previous meeting or call I have mentioned it we are waiting for that approval also, so we expect these contracts to be launched in this current financial year. We will continue to launch other in the value chain products not that we will start with the only steel.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. P. S. Reddy for closing comments.

Moderator: Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

Ayaz Motiwala: One question on TMT bars and steel related so in terms of the exchange, what does the exchange facilitate the participants in terms of physical delivery, ensuring quality etc? How does that mechanics work sir for a product which can have varying quality and you know other sort of physical features because of being sort of metal oriented so if you could share some thought on that on how this would play out?

P. S. Reddy: We have a product advisory committee; they have given guidelines what should be the kind of standard bar that we need to be looking at and what are the other bars? I think 12 mm rod is what is considered as a as a standard bar and then we have looked at, I think Noida, Delhi is the place for base delivery center and then we're looking at a lot of integrated steel plants which are there about 7-8 of them are there, they are very keen to do this and a lot of players in the infrastructure construction they are very keen to participate and it's primarily to hedge their risk. And I think it will work well and we assure quality, quality is guaranteed today also, five base metal contacts are doing well. We assure quality that is being delivered, but at the same time we empanel the producers who can deliver on our exchange platform so we only accept those metals. So obviously we have a technical already done by something like Alex or SK Mitra, etc., that kind of people go do the process audit and then confirm to us there after the testers are empaneled and they use the metal and then say that yes it is of quality then only we will do the empanelment so I think it is an elaborate process. A fly by night operators can't command to the exchange platform and deliver it and wash off their hands. No, so we are we are doing a pretty decent job out there.

Ayaz Motiwala: that is very assuring sir. Just a side question on that would be that there are online discovery portals which also deal on a B2B basis, especially with the steel side of the business. So, as you said, the core purpose of participants here would be to hedge their risk or keep their spreads intact in the sense if they bought expensive raw material this people is running away. That's the purpose.

P. S. Reddy: Yes.

Ayaz Motiwala: Just as last question from my side. Sir we've talked a lot about this electricity futures as you said, the regulated one by CERC and the other by SEBI and the case is settled. As we note IEX also has a product called the real time market or RTM as they call it and you are potentially going to launch a future product very soon so from a point of view of participants as you said, Sir, that we need both suppliers and buyers as well as the necessary sort of a participants such as financial investors and speculators how would they differentiate between this me, asking this from a layman perspective on RTM versus the futures markets.

P. S. Reddy: You see the way I look at is as I said again, it's only for a hedging purposes and if somebody wants it, they have to go to the physical market like IEX platform and then there is also a National Grid Center, which tells you how much free capacity is available to wheel the power to the location where you want it, so we are not getting into that area anyway. This is primarily to help like somebody’s requirement is x MW hours over one month so they look at it and accordingly head gently so at the beginning of the month they may hedge for 100 MW hours and gradually they keep on reducing it and whenever they reduce it, they immediately go on buy it on the for the day on the IEX platform, but they should get the complete financial cover, so whatever that they have incurred expenditure on IEX, they will be able to cover it. That is the way it is. National Load Dispatch Center (NLDC).

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. P. S. Reddy for closing comments.

P. S. Reddy: Thanks to all of you for reposing faith in the management and the board and the company. And we will do our best. We will not miss any opportunity to ensure that the state shareholders and the stakeholders value is always enhanced. And yes, sometimes the market conditions are not conducive enough. I am sure everybody understands it. Business is not risk free, but we will take all steps to mitigate risk and promote business. Thank you. Thanks to all of you.

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