

MCX/SEC/2132

November 01, 2022

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-2023 results.**

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on Tuesday, October 25, 2022 at 16.00 p.m. (IST) on Q2 FY-2023 results.

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

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Multi Commodity Exchange of India Limited**

**Ajay Puri**  
**Company Secretary**

*Encl.: As above*



# “Multi Commodity Exchange of India Limited Q2 FY23 Earnings Conference Call”

**October 25, 2022**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q2 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. On the call, we have Mr. P. S. Reddy - MD & CEO; Mr. Manoj Jain - Chief Operating Officer; Mr. Satyajeet Bolar - Chief Financial Officer; Mr. Praveen D. G. - Chief Risk Officer. I now hand the conference over to Mr. P. S. Reddy. Thank you and over to you, sir.

**P. S. Reddy:** Thank you, Mr. Faizan. Are you able to hear me?

**Moderator:** Yes, sir, you are audible.

**P. S. Reddy:** Thank you for the introduction. I think this quarter, thanks to Options, we have done well, I must accept that and although there is a small dip in the volumes of the Futures, the Options have picked up substantially well and hope that we will be able to do better in the coming quarters and may be when we introduce more or more contracts also, that should help us to meet our expectations. I think I will leave the floor open for question and answers. Please ask the people to ask questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Reminder to the participants, anyone who wishes to ask a question may press \* and 1 at this time. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

- Mohit Kumar:** Good evening sir, congratulations on a very, very good quarter and excellent set of numbers. My first question is on the delivery from TCS.
- Moderator:** Sorry to interrupt you, Mr. Kumar, the audio is breaking from your line, sir.
- Mohit Kumar:** Is it better now, am I audible?
- Moderator:** Yes sir, please proceed.
- Mohit Kumar:** The question is on the delivery platform of TCS.
- Moderator:** Sorry to interrupt you, Mr. Kumar, the audio is still breaking from your line, request you to please be in a network area.
- Mohit Kumar:** I will get back in the queue, sorry.
- Moderator:** Thank you. We will take the next question from the line of Devesh Agarwal from IIFL. Please go ahead.
- Devesh Agarwal:** Good afternoon, sir and congratulations on good set of numbers. Two questions from my side, firstly, wanted to know the status on the transition to the new platform, so where are we on that?
- P. S. Reddy:** Yes, what is the next question?
- Devesh Agarwal:** And the second question is, sir, we know that you have extended the contract with 63 Moons for the quarter, so what were the commercials around this - for the extension of the contract with 63 Moons?
- P. S. Reddy:** Okay, as far as TCS platform is concerned, we have already started the UAT and we are planning to launch next month, the mock as well as the parallel runs and so hopefully, and it is what our plan is, it is what our desire is. By the end of this quarter, we should be able to go live is what our expectation is. As regards to the spend on 63 Moons, I don't think we will be able to reveal the commercials, but it is exorbitant. That is all I can say.

**Devesh Agarwal:** Okay, sir and in terms of the new additions to the platform, be it your changes in the monthly option Gold contracts that you are planning to do as well as our Gold spot exchange, all of this will be post transition to the new platform?

**P. S. Reddy:** Absolutely right, so all of these will be post go-live. That is correct. The impact of the extension will be felt in the next quarter, of course. That is obviously right.

**Devesh Agarwal:** Understood, okay sir, thank you so much.

**P. S. Reddy:** Thank you.

**Moderator:** Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

**Avinash Singh:** Hi, good evening, two questions from my end, firstly, if you can give some breakup of the operating revenue in terms of transaction charges on futures and option and other fee and related income, so if some further breakup of this operating revenue, that is number one? Number two is, if we see closely, I mean, a large part of growth had been driven by a huge surge in options in energy and, in gas and crude, now, how do you see this, I mean, how much of that kind of structural in nature how much of it can be attributed to maybe increase volatility around energy in this geopolitical developments, so these are my two questions, thank you?

**P. S. Reddy:** Okay, I will answer the second question first, in fact volatility is dipping, which runs any contracts for that matter, now whether sometimes it is the energy product, sometime it is the Gold, Silver and still sometime maybe metals, so I can't say that whether there will be any structural weakness or a strength in it. I mean it is the characteristics of the market, we must accept it. Maybe currently it is the energy which is substantially driving it, be that so, but it is the volatility which drives all commodity markets, so are we. So I will not be able to say that quarter to quarter is it structural change, no, it is not a structural change. That is the inherent characteristic of the market. As regards to the contribution of futures versus options, in futures we got about Rs. 62

crores in September quarter and options, we got about Rs. 43 crores. That is what it is.

**Avinash Singh:** And the rest of Rs. 20 odd crores would be from membership fee and other things?

**Management:** Membership fee and if you are looking at consolidated, also it includes clearing corporation part. If you are looking at a standard loan, it includes membership and others, connectivity charges.

**Avinash Singh:** Thank you.

**Moderator:** Thank you. The next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead. Nikhil Abhyankar, your line is in top mode. Please go ahead with your question.

**Nikhil Abhyankar:** Yes, can you hear me now?

**Moderator:** Yes, sir.

**Nikhil Abhyankar:** Thanks a lot for the opportunity, sir. I would like to go back to the 63 Moons contract, so assuming that we do the same volumes as we did in this quarter, can you just give a rough estimate as to what will be the impact on our EBITDA for the next quarter and how confident are we?

**P. S. Reddy:** I will not be able to give those numbers, please. I mean that is as good as telling me what the commercials are.

**Nikhil Abhyankar:** Okay, and sir how confident are we of going live by end of quarter 3, with the new platform?

**P. S. Reddy:** The confidence level is high, God forbid if some unforeseen thing happens, we can't say, but then I think we are on that path to make it live, that is what we are fully determined to make it happen. That is what our teams are working towards.

**Nikhil Abhyankar:** Okay. Sir, my next question is about the higher other income as compared to the last quarter, it is somewhere around Rs. 18 crores as compared to Rs. 9 crores last quarter, so do you think this level is sustainable going forward and also we have got a lower tax expense this quarter, so any specific reason for it and what will be the tax rate for the entire year?

**P. S. Reddy:** See, we are moving more towards our portfolio in the YTM - yield to maturity kind of thing range, so we are moving more to some of the perpetual bond, some of them into the state development loans of the category 1 kind of states - Gujarat, Maharashtra, so where the returns are very high as compared to what is the other money markets or other short-term funds are yielding. So, you will see that kind of impact, and if this interest rate started, yields have started going up in the last quarter, in this current quarter, from sometime in June, July onwards it started, so we are accordingly taking advantage of the market.

**Satyajeet Bolar:** And the tax rate would be like this, tax is as per the .... on the budget, so it should be on these levels and once we go live with the CDP project, then we will also get the benefit of the depreciation, which we have not yet factored?

**Nikhil Abhyankar:** So, should we estimate from it around 20-22% tax rate?

**Management:** Yes, may be around 23% would be right.

**Nikhil Abhyankar:** Sir, I have just one more question, I was just going through the annual report, so over there earlier you mentioned that we have got 20% stake in the new spot gold exchange in the gift city, but I think it has been reduced to around 14%, any specific reason for that?

**P. S. Reddy:** See, the investments are being made in tranches. Sometimes we have got delayed and we made it up, in the sense, it is that accounting entry. So, by 31st March couldn't make it, but then in April we have made it, so now currently it is 20%.

**Nikhil Abhyankar:** Okay sir, that is all from my side, I will get back in the queue. Thank you.



- P. S. Reddy:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.
- Prayesh Jain:** Yes, good evening everyone, first of all, wish everybody a very Happy Diwali and Happy New Year and secondly, congratulations on great set of numbers. First question is on the crude oil part, where, in the previous quarter, you had mentioned that the regulatory is definitely considering something related to the SGF and margins aspect, so any further developments there?
- P. S. Reddy:** On the SGF, no further developments, because RMRC meeting in SEBI is yet to take place. Unless that is done, this issue will be kept pending. Let's wait.
- Prayesh Jain:** Secondly, on the EGR, BSE has received an approval, what's the status with MCX?
- P. S. Reddy:** See, as I told you, we are not comparing with anyone, I think we have gone ahead, let them go ahead and we have our own assessment of this market, our own assessment of it. As we said, the domestic spot exchanges, gold exchange will start doing better or well, only if there is a GST consideration for the first depositor. Now, just to launch and then make that we are the first, it is fine, I have no problem, we are the first or second is not important. Once you launch, you should do successfully, that is what it is. So we will do it once our TCS platform is stable and once we go live on CDP, then we will focus on the spot.
- Prayesh Jain:** Okay, sir, third question is on the TCS again, in case if we are not able to implement the TCS platform by December, does the current extension of 63 Moons allow you to further extend it by another quarter?
- P. S. Reddy:** We don't know because this is hypothetical at this point in time and you shouldn't be telling, I mean all alternatives are possible that is the way I see that. I am not ruling out anything.
- Prayesh Jain:** Okay, alright, thanks, that is all from my side.

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

**Amit Chandra:** Hello, yes sir, thanks for the opportunity. Sir, my question is on the concentration that is there in the options trading, so 95% is from crude and natural gas, so don't you think that now, as you have mentioned in the previous question also, do you think there is a risk wherein other contracts are not taking up or is it structural by any chance or is it structured in that way that we are focusing more on these two contracts and in terms of pipelines which other contracts are in the pipeline, which we have to launch?

**P. S. Reddy:** Is it a risk, obviously concentration is a risk. That is true with other leading exchanges where they have only one single product, may be index options or something like that and may be energy exchange has got only electricity, but I mean, it comes with that structure itself, I mean investors have accepted that Yes, it is like this and as I told you volatility drives the market, you have seen last year in 21-22 also, the gold and silver markets, those products have done exceedingly well and this time it is energy, sometimes it could be metals also. So I think we are not worried on that. There is no competition. The point is, within India there is no competition, but if somebody wants to trade in these products, they come to the exchange only. I can understand this concentration may be a risk if there is competition.

**Amit Chandra:** And sir, in terms of the participants who are trading, so have we seen substantial increase in the retail participation especially on options or is it the structure is similar to that as in futures or is it substantially different from what it is - the futures?

**P. S. Reddy:** We have seen a good great number of investors participating in terms of trading UCCs. Till this end of this quarter, in this current financial year, we have 3,74,000 UCCs have participated. As against corresponding period last year 3,13,000 UCCs, 3,14,000 and little less than 3,14,000 UCCs last year and that is the big number and if you see Q2 to Q2 comparison, last year July-

September, it was 2,19,000 total of futures and options and this year in Q2, it is 2,91,000. So, that is the way it is.

**Amit Chandra:** And sir, my last question is on the technology part, sir you mentioned that next month, we are going to start a mock trading on the new platform, so it is mostly end of November, so you have only one month which is December to transition from old to new, so don't you think that like one month is very less time to do all the testing because, as you mentioned that we only have three months of extension, so beyond that may be, we have not thought of that or like that there is no clarity on that at this point, so your thoughts on that and also how is the attention in the internal IT team has been over the last say, like 6 months, has it gone up like significantly in the last 6 months?

**P. S. Reddy:** Coming back to the, I said next month doesn't mean next month end, okay, so I mean you are presuming that it is next month and that kind of thing and then one month is available, it could be well in the beginning of the first week of the next month also. So that is the way. We are conscious of your time limit. That is why we are trying to make it live as early as possible and make mock runs also as early as possible and this is the top most priority of the management and nothing else, let me tell you and on the second question, attrition, I think it has tapered off now in the current quarter I would say, but yes in the previous quarters, it was on the higher side, but now it is tapered off.

**Amit Chandra:** Okay sir, thank you and all the best.

**P. S. Reddy:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sumeet Rohra from Smartsun Capital. Please go ahead.

**Sumeet Rohra:** Yes, hi sir, thank you very much for giving me the opportunity, sir, if you can just help me understand few things, what is the cash today we have on books, firstly? Secondly, sir, you know just check my ignorance, but I am pretty new to your company, so I will just ask you a few things. So sir, basically if you

could help me understand that you said the operating revenue is about Rs. 60 crores for future and about Rs. 40 for options and Rs. 20 was the others, sir can you please help me understand that since the options is the new part, so how do you basically see this evolving, because normally options are very well traded all over the world in terms of volumes, so how do you basically see this Rs. 40 crores-kind of options shaping up? And sir, thirdly, you know I read somewhere that SEBI may soon allow FII to start trading commodities, so has that already been allowed or that has not been allowed yet, sir?

**P. S. Reddy:**

Okay, I will take the second question and third question, how does the options will shape up, options revenue, because currently it is 60 versus 40 kind of thing you are saying it. What I understand is that options are the future for that matter for all products may be. We are gradually introducing more and more products and which one will pick up fast and then which one will pick up trading as it is currently happening in the crude and NG, and I think it all depends on the volatility and the margining system, and the margins are under the underlying futures, the margins are very high whereas options, it is very less. That is the reason why it is darling of the market and I think as we go along we will see some kind of traction in other products and options will also start picking up and in the realization rate is also good in the case of options. It is better than what we are keep assuming it that, you know or keep saying that one third of options give one third revenue as equivalent to the future. That is what I say, but that is realization is better than what we have been presuming it, and the third thing is the....

**DG Praveen:**

FII participation.

**P. S. Reddy:**

FII participation, the regulations are out, but you know, still this is our understanding of it, if they want to participate without any delivery being taken or any kind of such thing, they should be able to participate well in time now itself, but if they want to participate in terms of cash-and-carry arbitrage opportunity, if they want to take advantage of, probably, they need a GST registration, etc., which again is a challenging thing for them and then probably they need to have custodian also in place if they want to trade in

such kind of strategies. Maybe, we have to wait and see, but again, as I said, our focus this quarter is not acquisition of more clients, if they come it is fine, but our focus is on technology and if you want to make it live, come what may at any cost, may be the CDP, commodity derivatives platform line. That is what our ambition is and regards to the cash first one.

**Satyajeet Bolar:** Yes, own cash in our books is around Rs. 900 crores, this excludes over the margin money and other money that the clearing corporation gets down, net worth is Rs. 900, which is represented in cash.

**Sumeet Rohra:** Okay, perfect, okay and sir just one more thing if I may ask you, may I sir?

**P. S. Reddy:** Please...

**Sumeet Rohra:** Okay sir, basically if you can help please understand that today how many products are we offering and off the revenue can you give the top 10 products I mean if by revenue we offer, and how many more products or commodities are we going to reduce going ahead?

**P. S. Reddy:** No, 2 energy stocks and then 2 of the bullion, that is 4 and then 5 base metals, these are the ones which accounts for the maximum. That is the way it is.

**Sumeet Rohra:** Thank you so much sir and are introducing more products or commodities, whatever?

**P. S. Reddy:** Yes, we are on, they are in the pipeline, we will do that. Electricity is one such product.

**Sumeet Reddy:** Okay, thank you, sir.

**Moderator:** Thank you. The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

**Subramanian Iyer:** Hi, everyone, thanks for the opportunity and congrats on a good quarter, so I had three questions. The first one is that it is more related to the operating revenue breakup, so you mentioned about other revenues being about Rs. 20

crores, so if you could give some more color here on what is changing here because in the first 3 quarters of the last year we had this number around Rs. 13 crores odd, the last 2 quarters this had been around Rs. 16 crores and there has been a good jump to Rs. 20 crores, so if you can provide some more color on this, on what is the composition and what is moving here? That is the first question, the second question is about product dynamics, so we are seeing a good pickup in options with respect to crude oil, but we have not seen pickup in options with respect to gold and silver which are more dominant in future as well as basically crude is not doing that well in future, so if you can explain some product dynamics here on why this differentiation and if at all there can be something that can shift from futures to options in the future, from futures to options why would that happen? And the last question is more about the investment books, so you mentioned that you are moving to YTM investments, do you have an option of essentially not marking-to-market instruments that are designated to be held to maturity, so thereby eliminating the volatility in your P&L, so that is the third that I wanted to understand?

**P. S. Reddy:**

See, the second question I will answer first. You are right that crude oil, thanks to the high margins that have been imposed, then investors found an alternative way of taking advantage of the volatility in the product, so they moved over to the options, and in a similar way even the NG has also picked up, but that is not true with gold, okay, as in - gold and silver, so the futures only are doing it. My hunch is that it was the high margin costs which have led to this kind of shift, but having got used to that kind of shift, whether they will move back to the futures, if the margins are reduced, I am not too sure about it. I will not be able to predict that and if there is any other reason that could make them to take a decision, make them to move out to the futures, I think we have to wait and see on that part of it. Now, the other products obviously as we introduced in the gold also, we are planning to introduce monthly options contract. Probably, that will reduce the tenure of the contract also. You need to look at that part as well. If the tenure is also high and then the contract value itself is also very high, obviously that will keep the participants out and hopefully if we make it monthly contract, that will be brought down

by us, premium will be brought down, so that make it attractive. So essentially, it is the cost of trading whether be that premium, be that margins which will drive make the people to choose the product. Then, the first one of course regarding the breakup of it, the other income breakup, he will tell you. The last question again related to whether HTM, I think that is we have changed the policy of our investment policy. There, we mentioned that all these instruments can be kept under held to maturity. Anyway, you speak.

**Satyajeet Bolar:** As we explained in the July call that we are moving into held-to-maturity category of investments of bonds, so we are amortizing this over the length of the instrument and we have invested a substantial amount in state development loans as well as in perpetual bonds in primary as well as in the secondary market during this quarter. All of these instruments are held-to-maturity. So we will not be capturing any impact of the mark to mark and your second question with regard to other income, so the other income include mainly treasury as well as during the quarter we have informed the market that we have an arrangement with Chittagong Stock Exchange in which we have been providing technical services, so we have been able to book, we have provided services and we have booked certain income on the services that they have provided to Chittagong Stock exchange.

**Subramanian Iyer:** Understood, thanks a lot and best wishes for future quarters.

**P. S. Reddy:** Thank you.

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

**Lavanya Tottala:** Hi, thanks for the opportunity sir and congratulations on good set of numbers and I just want to understand in continuation to earlier question that in options, is there any difference in participants who trade gold and silver as compared to crude and natural gas because there the members are already comfortable with options, but gold is not yet, so is there any difference in the set of participants who trade in different products and also within crude, do

you see higher preference for short duration like one month contracts over two months because the premium would be lower there?

**P. S. Reddy:**

Yes, in crude anyway it is a monthly contract, so as such the premium will be lower, but the contract is also not very big as compared to the gold. Today, you have about 50 lakhs of rupees, 1 kg, so that is very high and so yes, is there any difference in the participation, there are many common, no doubt about it, but as I told you, for those ones who are day traders are some of them who want to take advantage of volatility, they look at deploying, let us say, 1 lakh rupees in gold and how much money they can make, versus deploying the same 1 lakh rupees in crude oil, how much more money or how much more contract they can take and then benefit. So, that is the comparison they do. Obviously, the fund requirement will increase when it comes to the gold and whereas when it comes to the crude oil and natural gas it is less. So, it is pure economics of it, nothing beyond.

**Lavanya Tottala:**

Okay, got it, and just a clarification sir, crude we have only monthly contract, there is no two-month contract?

**P. S. Reddy:**

Yes, there is no bi-monthly contract.

**Lavanya Tottala:**

Okay, got it and can you help me with this revenue split for the last quarter in terms of options, futures and the membership fees sir?

**Satyajeet Bolar:**

During this quarter, the September quarter, we earned Rs. 64 crores from futures, Rs. 43 crores from options.

**Lavanya Tottala:**

I mean Q1?

**Satyajeet Bolar:**

Q1, it is Rs. 66 crores in futures, Rs. 27 crores in options and then Rs. 2 crores would be for the membership, and another Rs. 2 crores of connectivity.

**Lavanya Tottala:**

Got it, and last thing, after launching, I mean after we shift to the new platform TCS, what would be the timeline that you would be looking at launching the new product like the monthly gold options which you are



looking at, what would be the timeline after shifting to the TCS that you will be launching the new product?

**P. S. Reddy:** As far as possible, we would like to launch in the first quarter only. That is within 3 months of the launch.

**Lavanya Tottala:** Okay, got it, thank you so much for the opportunity.

**Moderator:** Thank you. The next question is from the line of Ansumen Deb from ICICI Securities. Please go ahead.

**Ansumen Deb:** Yes, good evening and thanks for the opportunity. I have two questions, one is on the portion of your UCCs who are using options, you kind of indicated that number if you can share the penetration of options within your universe as of now? That is one and second is, sir, I just wanted to understand that in your contract with TCS, is there any punitive clause of delay or any accountability in terms of, from the TCS side, in terms of being delayed or something?

**P. S. Reddy:** I think it is already there, the penalty clause is there, but every clause has got its own limitations, if you can't take out the entire contract value, isn't it, in any contract, so there is a penalty clause, no doubt about it, okay. Now, this is one part of it. In terms of UCCs, you are asking, in futures you have a total of 2,36,000 are getting traded, 2,36,900 are trading and in options above 2,13,000 are trading. Now, the unique between the two are 3,74,000, is that clear?

**Ansumen Deb:** Yes, as I like, just to be clear that the, so basically the entire universe who is trading futures is also trading more or less options as of now?

**P. S. Reddy:** Not necessary. That is what I am saying, we can't draw that number comparison and then deduct it and then you can't.... that could be a separate set, this could be a separate set, that is why I am saying 3,74,000 is the unique.

**Ansumen Deb:** Unique, okay sir, I will sort it out and try to figure it out, no problem. Thank you.

- Moderator:** Thank you. The next question is from the line of Bharat Aggarwal, an Individual Investor. Please go ahead.
- Bharat Aggarwal:** Hi, thank you for the opportunity and wishing everyone Happy Diwali. Sir, I just have question on revenue breakup there is income from margin money, just wanted a brief detail about the same line item?
- P. S. Reddy:** No, income from margin money is essentially the cash deposited by them, we earn some interest, that is all and it will be in a money market.
- Satyajeet Bolar:** It is consolidated, which is managed by MCX CCL and the investments are made as per the SEBI guidelines, which is only in liquid overnight and fixed deposits.
- Bharat Aggarwal:** And what would be the amount right now, the margin amount?
- Satyajeet Bolar:** On 30th September, we had around Rs. 1,000 crores in cash.
- Bharat Aggarwal:** Rs. 1,000 crores and what is the payment that has been made to 63 Moons since H1 FY23 so far?
- P. S. Reddy:** H1 will be, it is obviously, as per the previous contract agreement, that was how much total?
- Satyajeet Bolar:** Around Rs. 28 crores.
- Bharat Aggarwal:** Rs. 28 crores has been paid, okay and what is the top 10 concentration right now?
- P. S. Reddy:** Sorry.
- Bharat Aggarwal:** The top 10 concentration by traders? Volume?
- P. S. Reddy:** One minute, yes, I think the top 10 accounts for the same like last quarter, is 66%.
- Bharat Aggarwal:** Okay, Thank you. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Rajesh Mehta, an Individual Investor. Please go ahead.

**Rajesh Mehta:** Yes, thank you, sir. Sir, my questions are on the technology platform and two questions. Sir, the first one is on the, there is a lot of market speculation under the quantum of amount that you paid to 63 Moons is, may be multiple times of what our quarterly payout are and if that is the case, do you think that next quarter profit would be materially impacted or things equal? That is the first one and the second is on the TCS delivery, sir, as per the last conference call if I am right they were supposed to deliver the entire product suite by end of September and then only mock testing would have been pending, but they have not yet delivered the entire product suite, so what is the confidence sir that they will be able to deliver it by November and then the testing can go ahead and then we will be able to launch on 1st January, before 1st January? Thank you.

**P. S. Reddy:** The first question, first, whether as I said, the charges were exorbitant, whether it will impact the next quarter, I think if other things being equal, obviously it will impact. Now, the other part of it is what is the confidence level as I said, we are already doing the UAT and it is progressing and we are keeping track of it and day by day we are able to see some good results out of it and let us see as I said, all options are kept open and we must make it live and it is kind of management's commitment, a do or die kind of situation, we would like to make it go live. That is the commitment from our side. That is the way it is, at this point.

**Rajesh Mehta:** Sir, just one followup, sir, in the light of things, would it have been better to have a slightly longer extension that just 3 months, I mean given that TCS has been added for 2 years and hasn't yet delivered the product suite for MCX, just wanted to know your perspective on it?

**P. S. Reddy:** I think all dimensions were discussed, I think accordingly this was the best possible extension we could have under these circumstances.

**Rajesh Mehta:** Thank you. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Harish Iyer, an Individual Investor. Please go ahead.

**Harish Iyer:** Good afternoon sir and Happy Diwali to you and your team, sir. Sir, my question is again pertaining to TCS contract and sir, what we have seen even internationally when someone replaces the vendor they run the systems parallelly for good amount of time, so that exchange avoids any failure in the future, I completely get your intention, sir, that you want to move to new platform, but doesn't that risk MCX for any future failure, since we will have a very short amount of time to move to a new platform and we don't have run parallel so far, even for the quarter?

**P. S. Reddy:** Well, we need to make an assessment, risk versus the expense that we have to incur also. Of course, we will take a careful assessment of the situation as we go along and how stable it is and obviously TCS will be giving L1, L2, L3, all supports they are giving in and we will be doing a proper assessment and we will be running the parallel runs also and depending on the quality of the parallel run, quality of the mock run, we will take this call.

**Harish Iyer:** Sir, thanks and sir, one more question, I understand and what you have said obviously you cannot appreciate the confidentiality terms and you cannot quote it, but sir and also considering that as you said you have to measure it risk versus everything and if we have to extend this contract, would that mean that the FY23 profitability would materially get impacted, everything remain same, sir?

**P. S. Reddy:** We don't know at what price they will extend or I mean this is not like particular question, isn't it, I do not know what offer they will give and so how am I to say whether it will impact or does not impact.

**Harish Iyer:** Okay, thank you sir.

**Moderator:** Thank you. The next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

**Nikhil Abhyankar:** Thanks a lot for the opportunity again, sir. Sir, you mentioned that there is a penal clause associated with the TCS contract, so can you just mention the quantum of that contract, quantum of the penalty?

**P. S. Reddy:** No, I will not be able to. That is what I am saying, these are all confidential terms, how can we disclose it, it is not.

**Nikhil Abhyankar:** Okay sir and if at all, if you any accrued revenue through it, so when will we start booking it?

**Satyajeet Bolar:** Come again, I didn't get it. We didn't get your question?

**Nikhil Abhyankar:** These penalties, when will we start booking these penalties if there are any?

**P. S. Reddy:** No, probably instead of paying them, because the payments are not made to TCS as yet. They are all in tranches and depending on the milestones, so as and when my milestone is achieved, before releasing that payment probably we will be directing it. I mean, I don't know, that is we have to look into the terms of the contract and then accordingly do it.

**Nikhil Abhyankar:** Okay, sir, that is all from my side. Thank you.

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

**Sanketh Godha:** Thank you for the opportunity, sir. Sir, can you just give us the margin difference in options market in absolute percentage terms in options market versus the futures market, crude, gold and within futures, how the margins are different between crude and the other products, just to understand how this huge differential is leading to crude volumes to do so well? That is my first question sir?

**P. S. Reddy:** Hello, yes, see, in crude oil, for example futures of the underlying margin is currently about 30-35% and when the last 5 days' delivery comes, everyday 5-5 percentage points it will increase, so 30-35, 40-45, 50-55, it can go up to 55%. Now, in Gold, currently I think 12% or so again on the last 5 days it will,

delivery period, it will increase by another 25%. Now, these are all the futures activities. When it comes to options, the option writer will have a different, obviously the same margins will be applicable for option writer because each seeking exposure to deliver the underlying commodities, but whereas option buyer, either put option or call option, he has only option, so we will pay the premium. Now, how much premium he will pay and it all depends on whether it is in the money, out of the money or at the money kind of options. That is the way it is and it varies from product to product, got it?

**Sanketh Godha:** Got it, and second question just wanted to understand sir, if I look at historical data, the premium to turnover ratio if I want to calculate in options market, it used to hover in the range of 1-1.5% till 21 and this number suddenly has gone up to 2.3% in FY22, now it is in the range of 2.5-2.6%. Sir, just trying to understand the risk that this number if it goes back to 1.4-1.5 kind of a number, what likely impact it would be or what is leading to the number to be so high, around 2.5-2.6 compared to historical past around 1.4-1.5, sir?

**P. S. Reddy:** See, if the options are traded far away from out of the moneys, obviously the premium will be less. If it is closer to the money or in the money or around that then obviously premium has to be paid more, so since our transaction charges are based on premium, the premium it is high, then obviously our transaction charges will be high. Now, that is where we said earlier, some time ago, that we have estimated it to be getting as the revenue of the futures transaction. It is precisely based on that kind of conservative estimate 1-1.5%, but we are able to see a better premium, so obviously our transaction options are more trading at the money, in the money or near the money kind of thing, but not far away from the money. That is the reason.

**Sanketh Godha:** Sir, you have clearly seen a structural shift among the participants previously when options were not charging that people used to trade far from the month contract and now they are trading closer to the month contract and that is like a structural shift and therefore this number will remain around 2-2.5 forever, going ahead?

- P. S. Reddy:** I think it is too hasty for me to make that comment that we have made any structural shift, we have to wait and see and did it just one-year-old in that sense the option charging started last year September or October and it is too early for me to say anything on that.
- Sanketh Godha:** Got it sir, and like future yield which is 2.07%, so the option yield will be closer to Rs. 420-Rs. 430, sir?
- P. S. Reddy:** I didn't understand. Options we are charging about, average Rs. 45 for 1 lakh of premium. That is the fee....
- Sanketh Godha:** Got it sir, and last one, the investment book breakup if you can give how much is the SDL or held to maturity securities, you said the cash on investments of the book is around Rs. 900 crores and can you give the breakup of Rs. 900 crores into YTM kind of bonds versus last year and whether there is further more scope to increase it to YTM bonds?
- Satyajeet Bolar:** So, as I mentioned total corporates is around Rs. 900 crores, we have around 45% in perpetual bond and state development bonds and we also have around 5% in ETFs which are maturing in April 23, Bharat Bond. So the balance is short term which we are reviewing on a regular basis and as and when we get opportunities we are moving it to HTM.
- Sanketh Godha:** Sir, any cap you have set that is 45 can go up to 60 or 70 of the entire cash you hold?
- Satyajeet Bolar:** Depends on our liquidity.
- Sanketh Godha:** Okay, fine and last one sir, see given the mutual funds have started this ETFs, gold and silver ETFs, have you seen any traction on the exchange because of these ETFs getting launched?
- P. S. Reddy:** Not as yet.
- Sanketh Godha:** And what could yield to any increase in the traction sir, means any reason why it is not picking up?

**P. S. Reddy:** Well, we are engaging actively with them. There are some structural issues which we have written to the AMFI also to address those issues. They are taking up with SEBI and probably once they address those issues, probably they will be able to participate greater.

**Sanketh Godha:** Got it, sir. That is it from my side, thank you.

**Moderator:** Thank you. The next question is from the line of Chirag Maroo from Keynote Capital. Please go ahead.

**Chirag Maroo:** Yes, thank you for the opportunity. Most of my questions are answered. I just have two questions for now. The first one is, could you please tell me what is the ballpark figure that we are spending on the software of TCS and how much of that we have already spent? And my second question is like we have particular slabs for futures contract like up to Rs. 350 crores of contract we charge about 175 and beyond Rs. 350 crores we charge 75% and up to 350 crores we charge up to 260, so is there any kind of slabs in options contract too?

**P. S. Reddy:** Yes, coming back to the second question first, yes, there is a slab as I told you it is about Rs. 40 and Rs. 50 and subject to how much is the premium, we have that. We have two slabs in that, one minute I will get you... and then the first question is on the pricing, how much is the what you call contract value and other things, I mean we have been advised strictly not to disclose any of those numbers, but it will be substantially lower than what we have been incurring so far. That is the way it is. Up to Rs. 5 crores it is 50, up to Rs. 5 crores of premium it is Rs. 50 per lakh and beyond Rs. 5 crores of premium it is Rs. 40. These are the two slabs.

**Chirag Maroo:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.



- Prayesh Jain:** Yes, hi, firstly, you all had mentioned about launching steel contract, what is the status? Do we have the approvals and we are waiting for the TCS or where is this stuck right now?
- P. S. Reddy:** Yes, the approval is not in phase as yet, that is where we are waiting for. I think we should be able to get that. Let us see.
- Prayesh Jain:** Okay and just explained in the previous question with regard to the spend on the TCS, so if I look at the balance sheet and your intangible assets under development is Rs. 75 crores, is that pertaining to TCS and how much or what portion of it would have been... Rs. 75 crores is a number that we have it till September?
- Satyajeet Bolar:** See, that is the aggregate amount of what we are spending on intangible or the development and as...
- P. S. Reddy:** That includes the hardware also...
- Satyajeet Bolar:** No, only intangible, but it won't be fair, I mean asking questions less right....
- Prayesh Jain:** In different ways.
- Management:** In different ways, I don't think its appropriate to mention it.
- Prayesh Jain:** Okay, thank you so much.
- Moderator:** Thank you. We will take one last question from the line of Harish Iyer, an Individual Investor. Please go ahead.
- Harish Iyer:** Sir, just want to understand what would be we should take as an annualized figure for the other income considering now we have changed our policy, because otherwise every quarter it moves up and down, so is it possible for you to guide that what would bring changing policy and shift to our portfolio, what would be our annualized other income, sir?

**Satyajeet Bolar:** Only appropriate for me to give you a guidance, but you know as we have mentioned in the call, we are moving towards, wherever we can mostly, we will be moving to held to maturity, but remember in held to maturity only gets accrual, so that is the downside, right. If the interest rates start falling in the fourth quarter, then there is nothing that we will be able to record, to do only the accrual. That is something that we have to keep in mind.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. 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 and I think we have done well in terms of numbers, but my top most priority at this point, the entire team at MCX is, to make the commodity derivatives platform live and that is what our single most important target for this quarter is, and hopefully we will be able to make it. Let us see. 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 call. Thank you for joining us and you may now disconnect your lines.