MCX/SEC/2309 November 17, 2023

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

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the "Earnings Conference Call" with investor(s)/analyst(s) on Q2 FY-2024 results.

Dear Sir,

Please find enclosed herewith transcript of the "Earnings Conference Call" with investor(s)/analyst(s) held on Thursday, November 09, 2023 at 16.00 p.m. (IST) on Q2 FY-2024 results.

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

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

MANISHA HARSHAD THAKUR Digitally signed by MANISHA HARSHAD THAKUR Date: 2023.11.17 19:02:02 +05'30'

Manisha Thakur
Company Secretary

Encl.: As above

"Multi Commodity Exchange of India Limited

Q2 FY24 Earnings Conference Call"

November 09, 2023

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

Moderator: Ladies and gentlemen, good day, and welcome to the Multi Commodity Exchange of India Q2 FY24 Earnings Conference Call. Joining us on the call are Mr. P.S. Reddy, Managing Director and Chief Executive Officer, MCX; Mr. Manoj Jain, Chief Operating Officer, MCX; Mr. Satyajeet Bolar, Chief Financial Officer, MCX; and Mr. Praveen D G, Chief Risk Officer, MCX.

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

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

P.S. Reddy: Thank you, Madam. I welcome all the participants in this analyst call. This quarter, as we, or rather in the current quarter, we have launched the CDP platform. This is what we have been waiting for, for the last two years and eight months. And finally, it has been fructified. And I'm grateful to the regulators, market participants, the clients and the TCS technology partners and other vendors who have helped us in scaling this height. Of course, my Board and… and Udaan committee members, they all stood rock solid and supported the management and the management team in this process of data migration or rather technology migration.

And more important, and I count on it many a times, the well-wishes of the shareholders and the other stakeholders of the MCX, who have been desiring that we should scale greater heights, and they wished me on so many occasions. In whichever way they could help, they helped and I'm grateful to all of them for supporting us.

And also grateful to all the people who have reposed faith in us, that we may fail once, we may fail twice, but not all the time. And that's how it happened. Maybe we were not able to meet the expectations on two other occasions when we planned to go live. But this time, we have been successful, and there's hardly any problem in the system that we are running. And we have completed one complete cycle of deliveries, expiries, margin competitions, whatnot. Whatever the complexity that is involved in running an exchange has been done, and successfully. Maybe sporadic events may be there confined to a particular member, and that we have been addressing. And we have, as late as yesterday, we have even addressed the latency issue also. And now it is much faster. And, I think, we are expecting the volumes to be, contracts, as much as we had prior to the launch of the platform, that is from -- in the first half of October, what are the volumes that we have clocked, we expect the full volumes to come back. This is on the CDP, that is, Commodity Derivatives Platform.

Having said this, I'm also seeing, I mean, this quarter, that is the quarter ending September, and the quarter ending December, will have a major impact of the payments that are made to the previous technology vendor, which is already disclosed to the market participants, and its impact is pretty huge. This is one important reason, for which reason the stock has -- I mean the financials have seen a hit.

The second one, of course, it's good to have a problem, in the sense that we had to contribute INR11 crores-odd, we have contributed to SGF. And the SGF contribution is needed because the open interest on the exchange has been increasing. That means people are sticking on to the platform, and they're keeping their positions open -- and they know that this is the platform where they have to hedge their risk, the commodities exposure that they have.

So obviously, that is the requirement, SGF is a requirement of these regulations. So, we have to comply with it, and we'll continue to comply with that. But it's not something, although, it is an expense, it's not something that we have lost this money in that sense. So, it is just parked maybe, in another bucket called SGF.

I would not like to take much of your time. Probably, as we go along, I will answer questions. Maybe more details will be furnished. I think I request you to open it for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: First of all, congratulations on the technology shift that has happened finally. And sir, my first question is, so as we have achieved the transition. So how we are seeing the pipeline in terms of product launches? Because as we have said earlier that we have a lot of approvals that you have received in terms of launches. So, if you can throw some light on the product launches? And also, I have a follow-up that I will ask later, sir.

P.S. Reddy: Okay. Product launches, yes, we have certain approvals, and we are going back to SEBI to get that renewed, okay? When I say renewed, it's not that it's expired or anything of that kind, but just to revalidate that we are going ahead with this launch. So, we are in the process of doing that. And once we do that, and thereafter, we will launch all the contracts.

The more important at this point is, the steel TMT bar contract. That is something which we propose to launch at the earliest. And let's -- and I will spell out and of course, we will inform the market participants well in advance when we launch other contracts.

Amit Chandra: And sir, we have the Index options approval still we have received at the early part of the year. So, like for the Index options, we will have to renew it again from SEBI? And also, what is the possibility of the weekly options because we are also thinking of reducing the tenure of contracts and also launching some shorter duration contracts because, if you see what is happening on the other exchanges, so the whole volume is shifting to shorter duration contracts. So, what is your view on it? And how the regulators is actually looking at it from the commodity angle? And also on the like mutual funds, PMS and FPI participation, we have seen some traction there, but still, it's very small on a portion of the overall volumes. How do you see that improving? And after the launch of the new platform, can we see some traction there?

P.S. Reddy: Yes. So, the first question is with regard to Index options. Index options regulatory enablement was done. We have never said that we have applied it or got it because you need again, there also, INR1,000 crores of -- there is a -- I mean we have to of course, make an application. Given the kind of volume that we have in this, we have not made an attempt as yet. And so regulatory enablement is what is done. That's the only thing that has happened. So, we have not as yet applied.

Coming back to the other contracts, as I said, we will be launching them as and when -- I mean, we need to see the ecosystem also. And accordingly, we will launch them. The smaller contracts, yes, it is required, tenure, and we will -- the smaller means in terms of tenure of the contract, should be not monthly or bimonthly, it could be smaller. And I think that is something which, we had one contract, gold options for monthly contracts on a bimonthly contract. That is something which we have to, work on that, and then we'll launch that. And the small, still smaller ones, will be fortnightly or weekly. I think that is yet to be taken up with the regulators for approval. So, this is what it is.

Amit Chandra: Okay. And sir, in terms of the increasing competition, I know we have the dominant market share. But the regulators allowed the other exchanges to launch options and despite they were not fulfilling the criteria for the launch. So how do we see it? Is it a risk for us in the -- like in the medium term? And also, in terms of the SGF contribution based on how SEBI has been approaching this and asked all the exchanges to increase the SGF on the equity side also. So based on that calculation, 5% of the total amount of exposure that is there has to be there in SGF. So based on that, the exposure that we have, the SGF comes to around INR1,100 crores or INR1,200 crores, Sir. So, do you think that SGF will move in that direction?

P.S. Reddy: Well, with regard to the first question, whether the competition is scary, and well, we would like to live in the comforts of monopoly -- but then, competition teaches us, or strengthens our will power, as our ways of doing business, and that's how we are fortifying ourselves. So, to that extent, yes, we are not worried as much as it is made out to be. But yes, we have to be on guard constantly and then see whether we are slipping anywhere on the business front and then take necessary steps, corrective steps if there are any slippages.

On the requirement of SGF, I'm not too sure where this 5% requirement has been prescribed. There is a formula at this point in time. And currently, the requirement, we have been -- whatever keeping, is about INR560 - INR570 crores of SGF required. That is a minimum required capital. And as such, you add what you call penalties and others, the SGF cover is almost INR744 crores, we have.

So let us see, as we go along, we need to keep on strengthening it. Probably, members also contribute. This will further get strengthened. But that should be made mandatory across the exchanges, then only there will be no regulatory arbitrage. Otherwise, it will be -- it will not be good.

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

Devesh Agarwal: Firstly, many congratulations on successfully completing the transition to the new platform. So, my first question is, we have seen some moderation in volumes, post the shift to the new platform. If you can share some details of whether this is on account of some lesser functionalities on the new platform compared to what we had on the older platform. And is there any path, still by when you will be able to give the complete functionalities to the market?

P.S. Reddy: I don't attribute this to any functionality, okay? Those functionalities we have seen actually when we have decided -- taken a decision not to release those functionalities. We have taken how many members are trading, how many clients are trading in that, there's hardly any number, okay?

I mean in one of the contracts it was six clients were trading, okay, six members were trading, and that to volume was about INR20 crores, something of that kind. So, it doesn't make any sense for us to launch that contract, actually, such kind of things are coming in the way of a scale-up of the technology, okay? And I will explain maybe a little later as to what is the scale up that is happening. That's one part of it.

Yes, as I said, the period from 1st October to 13th October, if you see, the volumes were, options especially, they were pretty high. If I'm not mistaken, it is 1.3 lakh crores, 1.3 lakh crores around, the first part of it. And yes, after launch, there are some issues some members face that there are more to do with the some of the latency or some of them may be related to, what we call, some data packets, order packets, not the trades, getting delayed response, okay? These are the things that were experienced. As I said in my introductory remarks, they're all fixed, behind us. I'm sure we will see good volumes provided there is volatility. That's important. The underlying fact is that.

Devesh Agarwal: And secondly, sir, I think I missed, what did you say about the monthly gold option contracts. Is that what something that you have taken up with the regulator already? And can we see that this will launch over the next two-three months?

P.S. Reddy: Yes. I said that contract is already there, and renewal is what is applied. And we will get it and as and when we get it, we will be able to introduce.

Devesh Agarwal: Okay. Also, sir, this 16, October, you would have capitalized the amount for the new platform to the CDP. And I'm assuming from third quarter, the depreciation and other related costs will come in, into the P&L. So, can you share what is the total amount that has been capitalized and over what period would we be amortizing this?

P.S. Reddy: No, I think when we announce the results for the third quarter, we will definitely give those details. But more importantly, this is amortized over a period of five years to eight years. That's what has been the policy, depending on the item.

Devesh Agarwal: All right. And finally, sir, on the SGF contribution, which we've seen in the month of September and again in October, INR14 crores, any -- basically numbers, that you could share that would this be more of a recurring theme going forward? And should you build some INR20 - INR30 crores of quarterly kind of a run rate for this?

P.S. Reddy: As I said, this is not something which is an expense. Although, it is accounting treatment as an expense, it's not going out of our hand or anything like that. And it is required for the growth of the business, is what is -- what we are looking at it. And so, we need to look at it positively, not as a negative. And whether -- is it going to be a recurring or not, I will not be able to comment, the reason being is, in the last three years, we did not contribute because the open interest did not go higher. Now as I'm speaking, the open interest is almost 40,000 crores, maybe in the last several years, maybe five years, six years, eight years, maybe it is the highest ever. So maybe prior to CTT, what was the number, I don't have it readily. But at this point, in time, this is something -- it is a high-water mark is what we are clocking, I think the other day saw even 43,000 crores also. So, if the business is grown, people retain their open interest, I mean, for trading next day, whatever it is. I think it's good for us. Good for us, more-and-more traders will be attracted. The open interest is one key criteria, key parameter. Otherwise, only day traders will be there. So, coming back to the question, will it be a recurring? Yes. If it keeps on increasing it, open interest, it will be recurring. But if it stays at this point in time at 40,000 crores or 43,000 crores, whatever it is, then it will not be recurring.

Devesh Agarwal: Understood. And sir, finally the accounting question and then I'll go back to the queue. First is the interest income that we earn on this SGF balance, you said we have INR740 crores of SGF balance. Does that flow to the P&L, or it does not? And the expense that we incur in the quarter, this quarter we incur INR10 crores, INR11 crores, do we get tax deduction on this?

Satyajeet Bolar: Yes. I just take it. Yes. So, the interest income that we earn on SGF is ploughed back to SGF. It's not routed through the P&L and the contribution that they made to SGF would be an allowable deduction in our income tax return.

Moderator: Thank you. We have our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Congratulations on a successful transition of the software. Firstly, on the -- just a data-keeping question. What was the options revenue in the quarter?

Satyajeet Bolar: Yes. So, during the quarter, we are INR82.8 crores on options.

Prayesh Jain: And for the half year?

Satyajeet Bolar: I don't have the half. Yes, so it's INR82 crores plus INR64 crores.

Prayesh Jain: Okay. Got it. And sir, just continuing on this SGF bit. You mentioned that you had a hit a high of INR43,000 crores of open interest. So, what are the next thresholds levels do you -- would you see before you would have to contribute incrementally to this SGF?

P S Reddy: See, whatever is the high that we have got it. I said INR43,000 crores, it's around. It's not a -- I don't have the exact figure right now. So, the high-water mark will always remain, and if it is below that, then we don't need to contribute. If it crosses in the new -- what the high-water mark is kept, then we have to actually contribute.

Prayesh Jain: Okay. And sir, in this transition -- before this transition, there were certain aspects of the regulator regarding -- one was, obviously, the SGF -- partial withdrawal of SGF. Second was, I think the -- if you have a net position on the equity side, you are allowed to give net margins. But on the commodity side, you have to have margins on both the positions. So, you wanted that kind of approval as well.

And thirdly, there was another thing where you were looking for interoperability of margins between BSE, NSE and MCX. So, any of these talks that would have started with the regulator? Or how should we see this kind of evolving over the next two or three quarters?

P S Reddy: I'm sorry, I think you need to repeat…

Prayesh Jain: Sir, before the transition happened, I think we were in discussion with the regulator for two or three aspects. First one being the partial withdrawal from SGF. Second one was the fact that the way we see it on the equity side where you have to have margins based on your net positions rather than margins on both long and short positions. Here on commodity side, do we have to give margins on both the positions, is what I have been made to understand. So, whether that can be sorted with the regulators?

P S Reddy: Yes. See, one is that on the SGF withdrawal, I think there's a circular that has been issued. But how much is the minimum -- as far as our requirement at this point in concern, it is going up and up only. So that is why I said it's a, happy to have a problem, but the calculation of it is what we are approaching, the subject matter to SEBI, that methodology has to be changed, is what we have been asking. That has not as yet been addressed, that's been under consideration. This is one part of it.

The second part of it is interoperability of the margins, that is, again, has taken up very actively. I think there is an industry standards forum has been established. And I think many of the participants from the members also and the members and associations are -- the member associations are also actually involved in that. So, the recommendations are going to SEBI for their consideration. That is what...

Prayesh Jain: Okay. And sir, with regards to FPI's participation, what is the kind of traction we are seeing? And do you see this business to be a meaningful contributor, say, three years down the line? And obviously, one of the hinderances to this was the technology transfer, and now that's behind. What are the things -- what are the enablers that would be needed from your end to kind of scale up this business?

P S Reddy: Yes. One is that the FPIs look for expecting a DMA to be given. I think we are already there, on the DMA. We have to release it to the market. I think the system is getting stabilized. I don't want to disturb it at this point in time. But sometime this quarter or early next quarter, definitely, we will release DMA facility to the FPIs, that is going to happen. So that is what they are looking forward to. That's one part of it.

The second part of it is, there are a lot of HFTs, who have taken the membership on the exchange, and they are on sidelines because they don't want to incur IT development on the old platform and new platform. Now they are all, now actively looking at it. I'm sure, we should be able to get traction out there as well. And that's another area which we are looking forward to having, as we go along.

Prayesh Jain: But in the medium term?

P S Reddy: But -- I'm sorry?

Prayesh Jain: Sorry, continue Sorry, sir.

P S Reddy: In the medium term, yes, we expect FPIs to contribute substantially for this market.

Prayesh Jain: Are there any specific products that the FPIs would be more attracted towards?

P S Reddy: No. As of now, they are interested in cash or cash settled products only. And algos also they will be playing -- I mean, they will be interested in algos also. But then they will come through via some members only. That's what the DMA is specifically for, but then they will manage themselves. That's the way it is.

Prayesh Jain: The last question on the -- just on the P&L side, you have a higher depreciation in this quarter. Any specific reason or how should we build this going ahead?

P S Reddy: See, while we are what we call implementing the CDP, a lot of assets, which are maybe less than 1 lakh, etcetera, are required, like laptops, etcetera, desktops and other things. So that's what we have provided for, in this one quarter itself, so that it will not be -- I mean that's the policy. We've gone by the policy.

Prayesh Jain: So, this will not be a recurring run rate for... CDP, right?

P S Reddy: It will not be. But anyway, in the current quarter, having implemented the CDP, you will see a bulge out there.

Prayesh Jain: Yes. Except CDP, this would be the run rate. Over and above that, we will just get a CDP depreciation.

P S Reddy: That's right.

Moderator: Thank you. We have our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, my fundamental question is that, if you intend to launch weekly expiry options, we need to have a weekly futures, right, because our options devolve into futures. So, if you don't have these weekly futures, we can't -- can we launch weekly options? That's my first question.

P S Reddy: Yes. Okay. When I say it's weekly options, it's not weekly expiring it. It is a -- maybe four monthly contracts having different expiry dates, is what the whole concept is, okay? Because you can't have any way under the SCRA, less than 11 days contract, okay? So, it will be a monthly contract expiring every week – one, one contract will be expiring. In any case, the underlying futures will be there. It's not necessary once it expires, the futures have to necessarily expire in the next two days or three days. That's not the requirement.

Sanketh Godha: Got it, sir. That's perfect. And second thing, sir, now given we are missing contribution towards SGF, is there a probability that now we will reduce the margin requirement in crude so that futures volumes can pick up in crude because one of the reasons why we were reluctant to reduce the margins on crude is because the contribution goes to SGF. So, any change in the thought process there -- and what is the current margin requirement for crude?

P S Reddy: Current is 40%-41% for crude, about 30%-31% is for NG, okay, including the additional margin. But whatever contribution we have made is not to reduce the margins. In fact, the SGF requirement under scenario analysis, the expected loss in the event of all position, or 50% of the market positions are closed out, the expected loss arising out of that, is what is assessed. Again… the 40% and 30% margins are also adjusted. Still there is a shortfall. That is the shortfall, we have contributed. Yes, go ahead.

Sanketh Godha: Hypothetically assume tomorrow, your open interest increases from currently, what you alluded to at INR40,000-odd crores or so, to say, INR60,000-odd crores. So, which means that the INR11-12 crores what we have provided, will be provided in the next quarter too, right? Or, if I want to put it in this way, every quarter on an average, every quarter, you have 40,000 open interest -- 40,000 crores open interest, then this INR11 crores or INR12 crores will be recurring…item or if it goes beyond 40,000 only then it will come and hit P&L?

P S Reddy: As I said, the high watermark is what is taken into consideration. The high watermark was around 42,000, 43,000 or 44,000, I don't exactly have the figure. If it goes beyond that, okay. And beyond that, it's not just one day, it is the average for the entire month, okay? And for the average entire month is more than that much, the requirement will go. Okay. But so, in one month, say for five days it shoots up, then it again, it goes down, then we will not, may not -- the average may not be influenced. But also, we also impose additional margins whenever such kind of activity is taking place. So that will also come as a buffer to this SGF requirements at that point in time. And so, it is -- if in spite of those margins, if the members are trading, the clients want to retain their positions, open interest, it is only then and then if the average goes beyond high watermark, then we are required to contribute.

Sanketh Godha: But sir, this open interest is predominantly increased because of the options only, right sir, rather than futures, its increased because of options. So, if option volume continues to sustain the current trend and accordingly, the open interest goes up, then it should be assumed to be a continuous phenomenon. That's a fair understanding, sir?

P S Reddy: Well, options is contributing about INR20,000-21,000 crores of open interest and then future is contributing about INR20,000-INR22,000 crores to the open interest. Now within that, again, for futures maybe gold and others and then options it is crude, NG, so, it all depends on that.

Sanketh Godha: Got it, sir. And last one from my side, the data keeping question. Sir, if you can break down your operating revenues into income from float, connectivity charges and so forth, just to understand, how much of transaction income and other income, on the other operating...? Yes.

Satyajeet Bolar: The transaction charges was INR133 crores out of INR139 crores, INR133 crores came from transaction charges. And then the balance is membership fees, terminal charges, connectivity charges and all the authorized membership fees and all.

Sanketh Godha: How much was float income, sir? Float income…

Satyajeet Bolar: Float income in consolidated, that's around INR27 crores.

Sanketh Godha: I meant to say the float from the margin money, not the entire year?

Satyajeet Bolar: Yes. So sorry, that's not INR27 crores, INR23 crores.

Sanketh Godha: This is only from the margin money, right sir, not from the entire cash on book side?

Satyajeet Bolar: Margins only.

Moderator: We have our next question from the line of Lavanya T from UBS. Please go ahead.

Lavanya T: Hello. Congratulations, sir. So just wanted to check on AMC cost that you need to be paying to TCS from the current quarter. So, the current quarter will be having both the cost of TCS as well as cost which we need to pay to 63 Moons, which is INR125 crores. Both will be hitting in the current quarter, right?

P S Reddy: Well, as far as TCS is concerned, for one year, it is under warranty. So, till the next September, I would say, there's no payment.

Lavanya T: Okay. And on the admin cost, this quarter, we had higher cost of around INR32 crores. So, will this be the run rate going ahead or is it one-off in this quarter, given that we were transitioning?

P S Reddy: Admin you're saying INR32 crores?

Lavanya T: Yes. I mean, sorry, it is both, other expenses, other than staff and software, all combined was coming to INR32 crores.

Satyajeet Bolar: It is INR45 crores, if you take computer technology expenses and employee cost, INR27 crores, and then we have legal expenses and CSR and other expenses. So, it adds up to INR45 crores, and then you have another INR6 crores for depreciation which adds up to -- yes, it's INR200 crores. And then the other is all linked to our turnover, what we have paid to 63 Moons as what we have paid to CME, regulatory fees and contribution to SGF.

Lavanya T: So, the current run rate will be similar next quarter also or there is any one off is what my question was?

Satyajeet Bolar: Next quarter, we'll have a slight bump.

P S Reddy: Next quarter means -- just to clarify the current quarter?

Lavanya T: Yes, current running quarter?

Satyajeet Bolar: So, there would be certain AMC costs that will come in for our new system that has gone live for the operating -- for the licenses and all, that would kick in as well as the depreciation would kick in.

Lavanya T: Okay. There is an AMC, which will kick in, in the current quarter then?

Satyajeet Bolar: Non TCS.

P S Reddy: AMC relates to, let us say, IBM Db2 is our database, Db2 licenses or some Microsoft licenses. These are the ones.

Lavanya T: Okay. So how much will be that amount? Any broad range of that?

P S Reddy: I think only, next quarter only we will be able to give you that amount, or rather, when we give the results… December end.

Lavanya T: Okay. Got it. And on the new products which you mentioned that which we are going for renewal, one is steel TMT and Gold monthly options? Do we have anything else which are there already we have approved and looking for revalidation?

P S Reddy: See, I think it's not -- renewal is not the word, maybe some are under the renewal, but then some are actually say - go ahead, yes, now that you have now stabilized and then you can go ahead, is what we are looking at. And these are the two ones that we have looked at it. And maybe the cotton contract is another one, which we are waiting for some changes that the product advisory company has suggested. And that is one thing we are going to ask for it. And some mini contracts also, we have requested them to -- we have requested them for consideration. And of course, the electricity is another one, which is we have been waiting for -- but we will -- now the focus will be on business. For so many months, we have, what we call -- we couldn't focus on it, but now business, business, business, that's all. Maybe new products, new type of participants and new areas, engaging, and engagement with the financial institutions and etcetera.

Lavanya T: Got it. So maybe on this Steel TMT, any reference to the global markets, like how big is the steel market, like crude and natural gas is very big in global markets as well. So, steel any reference that we can see from other global markets, or how do you see the addressable market in India and...

P S Reddy: Various types of contracts are there. There are about iron ore contracts also there, in China and other markets. And steel bars are there, steel ingots are there. So, I think it's fragmented in terms of various products are concerned and value chain is concerned. Probably, I mean, I don't have readily that information. But Steel TMT is something which we are actively pursuing because there's a lot of construction industry and the infrastructure industry is booming. That is something which we are looking forward to.

Lavanya T: Got it. If I can squeeze in one last question. So, on the competition, so do you see if the competition reduces the prices of options or like the transaction fees, would they see more traction or like anything on the transaction fee or pricing that they can play around?

P S Reddy: Well, see the transaction fee as such that we have, is also very marginal. And I don't think that will impact, because liquidity is something which cannot be taken away from one exchange to another exchange by playing with these numbers. And we have seen in the past also, not that they have waived also, many of the transactions in the past, yet nothing happened. That's the way it is.

Lavanya T: Okay. So is the understanding right that even if they reduce option pricing, the liquidity in futures is what is more important?

P S Reddy: No, I'm not saying that the liquidity in options cannot be taken away by reducing the charges of the -- on the premium. That's all I'm saying.

Moderator: We have our next question from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: Congrats for the successful transition to the management. And a couple of questions on the SGF accounting. You mentioned about how it came in for the calculation this quarter, into the P&L. Is that an accounting change wherein we earlier used to directly route it to the balance sheet and this time around, it was to P&L, or this is just -- this has been the case earlier as well, if you can clarify?

Satyajeet Bolar: The last transaction, last transfer that we made – or the last contribution that we made to SGF was sometime in March '20, and it was routed through the P&L.

Chintan Sheth: Routed through P&L. Okay. Great. Okay. And second, on the capex front, if you can spell out now once the thing has been over, what will be the total capex list stand for the TCS on this new saving in migration? And total capex will be incurring for this full year - if you can spell out that?

Satyajeet Bolar: As MD mentioned that we'll take this -- it will be disclosed when we close our December results, we'll mention, we'll declare it at that time.

Chintan Sheth: So I'm not asking about the opex part on the, yes, on the capex side because in the earlier call also, in the Q1 call also we have been requesting this... But if you -- now that the transaction has been over…

P S Reddy: I think earlier also one more analyst has asked for the same thing. I think we would not like to disclose it at this point in time. It is there in the balance sheet of our result...

Chintan Sheth: Correct, there won't be any addition if I can ask, CWIP if there is any increase in the second half?

Satyajeet Bolar: No material addition.

P S Reddy: That's right.

Chintan Sheth: Okay. And lastly, on, in terms of the premium to turnover in the options side that we have seen a decline over the course of time, how do we see this premium turnover to option turnover ratio? If you can explain what impacts this ratio over there, because of the ADTO keeps on rising, but not the premium ADTO to the equivalent extent of the overall universal ADTO. So, if you can help us understand how should one look at it, obviously, the there is an impact of the low volatility, but anything else you can spell out, or explain that?

P S Reddy: See, we have two slabs for the options premium. It is up to INR55 crores of rupees, INR15 per INR1 lakh is paid by the participants. And thereafter, the incremental premium on turnover above INR5 crores, much like an income tax slab, INR40 is paid. Okay. If you are coming closer to the INR40 means the options volumes are increasing, so the average is being coming down. But it will not go below INR40 because that is anyway the minimum charge. That's what it is. We have only two slabs.

Moderator: We have our next question from the line of Rajesh Kothari from AlfAccurate Advisors.

Rajesh Kothari: My first question is with reference to increasing the participation, whether it is from the distributors, the brokers. Can you just tell us what efforts we are taking to expand the distribution and participation?

P S Reddy: Well, see, on the member side, okay, it is coming down because of the members are consolidating their memberships, under the unified regime, membership regime of SEBI, to reduce their compliance costs, etcetera. So that is not the way that I look at this business. The number of UCCs that are trading, are increasing, whether traded through A, B or C, doesn't matter for us… traded through A and B is also fine with us. So, keeping that in view, we are focusing mostly on the number of UCCs.

While the business development team has the KRAs to increase the number of members, but as far as we are concerned, our focus is mostly on how many on quarter-on-quarter, how many more UCCs have come in. And at the end of the year, how many more UCCs have traded on the exchange. That is one part of it, one important. Second, the people who trade on the exchange, well, they are concerned about the cost. What is the cost of trading, of course, CTT STT we can't do, CTT or stamp duty, we cant do anything, that's given to everybody. So, the next thing is only to mitigate in terms of margins. The margins mean, committing more capital in some of this. So that is where this SGF contribution should come. We have not contributed as yet, except to the requirement that is needed. But if certain dispensations that we have asked will come, then automatically, the participation will increase. That is another area that we are looking at. In terms of fund houses, who are participating and then how do we increase that. There are certain asks from the fund houses, not from us, but the regulatory regime. We ourselves have actively taken up with the industry, as well as with the regulators, what is their ask and whether the task can be met or not. I think, very actively it is being considered by the regulator, these enablement's. And I'm sure once those enablement's come, more and more fund houses also will participate in it. Then another ask - another front, we are trying very actively is, the GST conundrum because we have various warehouses across the country. They are required to be registering it, because one doesn't move where one gets what you call, delivery. So that is one major, what you call, stumbling block, for participation in other contracts other than cash contracts. That's why if you see the vibrancy and cash contracts is more because of the only limited channels being available for such kind of participants. If the GST issue is also addressed, again, as I said, we are actively taking up at various forums and doing the needful. So once those things are done, probably we will be able to address and attract more participation. Thank you.

Rajesh Kothari: Sir, you mentioned that number of UCC, what you track. Is it possible for you to share some data that, what are how many UCCs today currently we have?

P S Reddy: Hello, yes, UCCs I will definitely give you. Okay. Praveen, you can explain that -- what is the -- Okay. You have to speak here Okay. One minute. Yes, it is there.

Moderator: Sir, we are unable to hear you.

P S Reddy: I'm not speaking. So that's it. Okay. In the financial year, year-to-date, last year, that is 2023, we had 3,74,000 UCCs participated, okay? That is from April 1, '22 to September '22. And the corresponding period now, in the current year, 5,84,400 odd are participated. So that's a big jump.

Moderator: Sir sorry, his line got disconnected. I'll take the next question from the line of Kamalesh Kasi from Pinpoint Asset Management. Please go ahead.

Kamalesh Kasi: Congrats on the platform transfer. Just a quick question from me. Over the past few months, have you seen any defaults on counterparties? Thank you.

P S Reddy: Absolutely, none. Maybe it's not just -- not just few years because for several years, we are not seeing any counterparties defaults on the exchange. Thank you.

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

P S Reddy: Again, as I expressed my gratitude to all of you, as well wishers or otherwise shareholders on the exchange platform, on MCX, and continue to support us. We will continue to work towards betterment of these financial results as well as the business that we are in. And we work towards fulfilling the promises that we make. Thanks for all of you once again. Thank you so much.

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