



“Multi Commodity Exchange of India Limited Q1 FY-19 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q1 FY19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mrugank Paranjape - Managing Director & Chief Executive Officer. Thank you and over to you, sir.

Mrugank Paranjape: Thank you and Good evening to everyone and welcome to our quarterly investor call. Let me begin with giving you a brief overview on how the quarter has been in terms of the business, some of the key regulatory developments, we will talk about highlights on our numbers and then as usual having spent all of the time on the Q&A.

In the quarter our ADT grew an increase of about 2.25% over the previous quarter and on a Year-on-Year basis it was a very healthy 30% increase if I compare with the last financial year. In the month of June we witnessed an ADT of Rs. 23,745 crores and that was almost the same as what we had in the previous month in May as well. So, generally speaking volumes are very close to that Rs. 23,750 crores number and inching towards the Rs. 34,000 crores as we speak given the volumes we have seen in July as well. The big development for us over the last quarter was the fact that the much-awaited approvals for the options contract that we had asked SEBI came through.

So, from one approval we had five approvals and we launched all our four subsequent auctions contracts. We believe it has been very, very healthy launch in terms of the options contracts; of course the traction that we see varies from product to product. I think it is quite obvious that with the volatility that we have seen in the crude oil markets the traction in that product is extremely good. We have already had quite a few days when we have seen more than a 1,000 retail investor's trade on that contract and volumes in excess of Rs. 200 crores in some of those businesses.

So, from an exchange perspective our strategy on the product side remains to be focused on building out the options as we have maintained we think this quarter is the time which we will take to build it and really build it in the next couple of months to volumes where we can then make it meaningful for us to probably charge on those contracts. The second strategy for the exchange will continue to remain to build deliverable contracts as all of you are aware the regulators are very keen to promote and build more deliverable contracts in the derivative segment.

And this was not only something which has happened in the commodities market as we see this is happening even in the wider securities market. With that intent we had launched a brass contract, we have seen 2 months in which deliveries have steadily increased, we have now crossed 5 tons of brass in our warehouse and again we made some minor modifications which when we go through with them in this month we expect that to tweak and really increase the turnover that we see especially in terms of deliveries coming through to the significantly higher number.

So, building deliverable contracts will be the next part of our strategy. Obviously, we continue to work with the regulators in terms of the path we are all setup and just to recap like we do every quarter on the three pillars of our growth here is where we stand.

I think on a product side it is an absolutely great tick mark with having launched options as was expected the discussions with the regulators are now looking at index-based trading in commodities is already on. So, it is a discussion which has started like it has happened in the past we expect this financial year to be time when we will launch index-based product in commodities.

The second pillar of our growth distribution, again great progress so two things to report here. We have on-boarded 4 of the 5 largest bank distributors which was one of our biggest initiatives in the last 6 months. We believe that it will continue to be the pillar of our growth in terms of driving retail participation and penetration in terms of distribution. On a second initiative which was in terms of combining the markets again, roughly 70% of the market will be on a trading platform which is combined for equities and commodities segments meaning thereby the brokers end clients will see everything on one screen will have the fungibility across

asset classes and therefore will already be seeing a unified exchange in front of them.

So, great progress there. I think where we have been slightly slow in terms of our progress is in getting institutional participation in the commodities segment that is something which has been slower than expected as we speak and today you might have read as well, the issue is around getting the correct regulatory framework to enable custodial participation in the commodity segment that not having happened, we have not seen any traction in the growth from the AIF segment and it has also prevented SEBI from coming out with the next guidelines for allowing mutual funds and PMS.

So, work to be done and I think that is one segment where it may be slightly slower than what was being expected till now. In terms of hedging I think one big change which happened was that the Reserve Bank of India which has allowed Indian entities to hedge their commodity prices overseas had also disallowed that to be done in Gold, Gems and precious stones. I think we have seen a positive impact of that with the open interest in gold taking us decently big jump starting from July 1st, we believe that over the long run this would give us 30% to 40% increase in our open interest.

Cotton stocks in our designated warehouses have reached an all-time high, we are about to touch an all-time high which is somewhere in the range of 160,000 bales as we have said we stand committed to making this a absolutely true national benchmark and reach at least 300,000 bales in the next session.

Realizing that we also have a wider commitment to the society, we signed an MOU with Government of Maharashtra which will enable us to offer this cotton contract in a meaningful way to farmers in the Maharashtra region so that they can hedge their risk and cotton being a very sensitive commodity in Maharashtra for the farmers we expect this to actually make sure that people realize the value that we bring to the society as a whole in terms of our business.

In terms of the business update, I think that would be it. Key highlight numbers you already have but just to reiterate on the operating income we registered a growth of 23% in terms of the growth versus the corresponding

quarter in the previous financial year, the EBITDA decreased to Rs. 37.47 crores, I think and Sanjay is with me on the call as well. We will give you a bit more highlights in terms of, the reasons why we have taken is a onetime fair value loss of Rs. 23 crores on our tax-free bonds but also the reason why we had lower earnings on our other income which are the only two probably not so good numbers in this quarter. So, over to you Sanjay before we take more questions.

Sanjay Wadhwa:

So, overall our other income which primarily comprises of treasury income was Rs. 12.56 crores which was much lower than the previous quarters primarily because of the rise in the bond yields. So, the 10-year G-SEC is moved from 7.40 at the beginning of this quarter to end at 7.90 at the end of the quarter. So, that resulted in MTM losses in our mutual fund portfolio as well as in our long term tax-free bonds that we have.

Apart from that what we did was we changed the approach for valuing our tax-free bonds. So, earlier we used to use the guidelines prescribed by FIMMDA for valuing the portfolio, now we have migrated to a security level valuation. This valuation is carried out by rating agencies like ICRA and CRISIL. And basically, the reason for us to move to this methodology was because we were observing a lot of quarterly fluctuations in the values as arrived at by using the FIMMDA guidelines and on top of it we found that the SLV valuation was much closer to the market rates.

So, we have been taking this valuation over the last 4 quarters of the last financial year and we found these to be much better reflection of what is going around in the market. So, the total impact of this change in approach was actually Rs. 30.24 crores but out of that Rs. 6.44 crores pertain to the movements within the quarter which has been taken into the P&L under the other income headline which is included in the Rs. 12.56 crores other income. And the balance Rs. 23.8 crores which pertain primarily to prior period that has been reflected as an exceptional item.

Mrugank Paranjape:

I think that sort of gives you a summary in terms of what we have seen over the last quarter. I think at this point of time like we always do, we will pause to get the questions coming in and then we are absolutely happy to take more questions. So, over to you.

Moderator:

Thank you. We will now begin with the question-and-answer session.

We have the first question from the line of Nimit Shah from ICICI Securities.
Please go ahead.

Nimit Shah: Just wanted to know what are the yields which were there in the last 4 quarters and the amount of portfolio that is in mutual fund and tax-free bonds in these 4 quarters?

Sanjay Wadhwa: So, you are talking about the yields on our overall our portfolio, I believe?

Nimit Shah: No, the movement of the yields which you are taking into consideration, so you take 10 year yields while valuing this portfolio?

Sanjay Wadhwa: No, the present approach of SLV, there it is basically a script level yield curve which is maintained by these rating agencies wherein they keep adjusting.

Nimit Shah: That is under the new method, right?

Sanjay Wadhwa: Yes, under the new method. Under the old method again there are two things. One is if at all a script has got traded in the last 15 days that gets reported as the value for the year end or the quarter end purpose and if the script has not got traded then the future cash flows would be discounted at a coupon rate which will be grossed up for the tax purpose.

Mrugank Paranjape: And just again Nimit, to give you the context is that, as you know we moved to IND-AS from 1st April 2016, this particular change in valuation only pertains to our, tax-free bonds which were there in our portfolio. From 1st April 2016 we had been doing the valuation based on the FIMMDA valuations that are the methodology applied by FIMMDA.

In the financial services sectors generally FIMMDA was used predominantly by banks whereas the new methodology which we have described is something that is generally used by mutual funds, insurance companies, FIIs, and corporates which is the SLV approach. Now we had taken FIMMDA because that is how it was done traditionally but over the last 8 quarters we saw FIMMDA actually having too much of fluctuations which did not reflect true market value and therefore we decided to move to the SLV approach.

- Nimit Shah:** Yeah, I got that point regarding the change in the valuation methodology, but if you see the last four quarters your other income trend has become quite volatile, from Q2 and Q3 again it slipped almost by half again Q4 it rebounded by, it is almost double and again in this quarter it is almost half. So, I just wanted to know is it entirely because of the 10-year yield movement because I just wanted to know what are the yields that you were factoring in Q2, Q3, Q4 and Q1 of this year? So, last 4 quarters what are the yields which you are taking in to consideration while valuing this portfolio?
- Sanjay Wadhwa:** So, Nimit, we are not factoring any yields, so this valuation comes from our bankers, as far as SLV is concerned that comes from the rating agencies. So, it is not that we are maintaining a yield curve and using that for the purpose of valuation.
- Nimit Shah:** So, they do not publish also that yield which is there at the end of quarter and on what investment that is mutual funds and tax-free this is applicable as compared to our total investment book?
- Mrugank Paranjape:** Just to clarify, mutual funds would be valued based on the NAVs that we get so it is absolutely in the public domain and there is nothing, no valuation done by anybody else. It is based on that. It is only for the government.
- Nimit Shah:** Normally on the tax-free bonds?
- Mrugank Paranjape:** Only on the tax-free bonds where the valuation methodology was FIMMDA that valuation methodology has changed to SLV and because of that there is a onetime charge but that anyways is also similar. Had we continued on FIMMDA as well the valuation number would have been same but it is just that because of the fact that we are making a change in the methodology we are also disclosing it and in terms of recognizing that change in value there is a Rs. 6.44 crores which is a loss which we have taken within this quarter's income and Rs. 23.8 crores which has been taken as an exceptional item.
- Nimit Shah:** Okay, so this is applicable on the tax-free bonds, which is roughly Rs. 350 crores or Rs. 330 crores in value?
- Sanjay Wadhwa:** The cost base is Rs. 308 crores.

Moderator: Thank you. The next question is from the Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, what will drive the volume of contracts in the business because there I see that there is hardly any movement, lot of the average daily turnover rise is on account of energy and Metals where the prices have gone up, so what will drive this? Because it has been about 3 or 4 years that this particular number has been flat. So, that is my question one. The question two is on the option side, now in this ADT of Rs. 24,000 crores how much is options and what is the update on in terms of acceptance amongst the market participants?

Mrugank Paranjape: I will take the options question first. The number that you are publishing is purely the futures number. We have not given the options number, but it is available as a public figure anyways, but we can add that into our investor presentation as well. In terms of the acceptability like I said options contracts is starting with the crude where you see the highest acceptance. If I have to rank it I think it is Crude, Gold, Copper, Zinc, Silver, something like that in terms of how we see the success today.

To your first question I think that we believe that the longer-term growth in this platform is going to come predominantly through distribution for which the enablement has happened only within the last one year. So, while we have all been trying to get more participants, participants really come from expanding your distribution network and for that the two biggest drivers are going to be, one the bank distributors becoming available to us that is something which has got structurally enabled in the last financial year actually on boarded this year.

We will be in a position to announce in the next one month or so trading starting by one of the bank subsidiaries as well where they will go live with their trading on our platform. So, I think the one big driver we are seeing for the retail growth is going to be the bank subsidiaries. And the second one is going to be the combination of the commodity and equity participants because that again will integrate the platforms and automatically give you a much larger user base which will see this happening. Those are the two bigger drivers that we see expanding this market and expanding the volumes as you said.

- Pritesh Chheda:** I do not have the options volume number of hand but for the last quarter how it was? So, it was expected to be eventually be equal to the futures market, right as a potential opportunity so I do not know how it has panned out of the last 2 or 3 quarters since it has been launched, so what it would be?
- Mrugank Paranjape:** Okay, so let me just give you the history there. Options in terms of all the 5 options, this is first quarter. In fact, if I count zinc, zinc traded only for about 8 days in this quarter now in terms of the overall daily number that we see of the notional it is currently in the range of 5% to 7% across the entire spectrum. On good days we are probably are hitting maybe 10% of the notional, in terms of the notional value we are at about 10% of the futures.
- We have said that the definition of success for us is to cross 60% of the underlying futures and that is the number which we think we should target. We are targeting that number in a period of 2 to 3 years. So, I think in the next eight quarters we should see this number go up in terms of the notional and valid point the reason we did not published that number is of course is that there is no revenue coming out of it anyways as of now. But we will add that number as well to our presentation when we disclose the numbers.
- Pritesh Chheda:** Lastly, you gave us the number for mutual funds and tax-free bonds in the balance sheet, how much is it?
- Mrugank Paranjape:** You are talking of the total portfolio value?
- Pritesh Chheda:** Yeah.
- Mrugank Paranjape:** So, like Sanjay mentioned the tax-free bonds at cost is about Rs. 308 crores, it is about Rs. 700 crores in mutual funds.
- Pritesh Chheda:** So, you would be taking membership money deposits so any liability corresponding to this?
- Mrugank Paranjape:** About Rs. 250 crores is what we have the money from members from margin which adds to our revenues.
- Pritesh Chheda:** So, Rs. 750 crores would be net surplus for you guys?

- Sanjay Wadhwa:** Our own surplus I mean the accumulated reserves that we have, that is roughly Rs. 1,050 crores, additional Rs. 250 crores is mutual funds sorry member's margins.
- Pritesh Chheda:** Okay, that you are considering any case separately because it is a liability as well?
- Mrugank Paranjape:** Just in case you are trying to make up the total for that Rs. 1,050 crores and this Rs. 250 crores essentially it is Rs. 700 crores plus in mutual funds Rs. 310 crores or so at cost in the government bonds and Rs. 200 crores plus in FDs.
- Moderator:** Thank you. The next question is from Prakash Kapadia from Anived Portfolio Management. Please go ahead.
- Prakash Kapadia:** Given whatever volatility we have seen in India in the equity markets and as the previous participant was hinting at the higher prices of commodities seen, are we seeing a lower impact on our ADT, Should not our ADT been higher than we have done?
- Mrugank Paranjape:** Aspirationally obviously we want to be at a much better number but if I look at the operational highlights between Q1 FY18 and Q1 FY2019 if I look at just the number of traded contracts we have gone up by about 14.6%, so from 48 million contracts to about 55 million contracts, in terms of the change in turnover on a YOY basis of course it is 30%. So, clearly you can attribute an equal growth to number of contracts and equal growth to the price in it.
- Prakash Kapadia:** Understood. On the other income side, this is a onetime impact what happens if G-SEC yields again go lower? Does this extraordinary get to a positive or it does not?
- Sanjay Wadhwa:** So, this extraordinary item remains as it is because this is the impact pertaining to prior to 1st April 2018. Whatever benefits come if at all the yields are to fall from here that will straight go into the other income under the gross revenue.
- Prakash Kapadia:** So, the mark to market from here on for interest rate changes will be captured in other income is what you are telling?

Sanjay Wadhwa: Absolutely.

Prakash Kapadia: And lastly on the commodity repository we have taken a stake in CDSL's venture, so if you could give us some sense potential operations where are we in that and the outlook for that business?

Mrugank Paranjape: So, I think on a very big picture I personally look at the CCRL or this whole depository not just because it sounds like the depository, but it is really what the depositories did for the equities market in India. So, in that sense where we are today is where we were in 1996 when NSDL and CDSL used to go on their road shows telling people why it is important to be on depository. And therefore, in a very long term big picture, I think somewhere in the mid of 2000, I do not think anybody was asking why you need the depositories and what they do for the markets?

So, long term I think that is the outcome that is expected. What everybody is expecting is that as the markets starts appreciating the value an electronic warehouse receipt adds to the overall infrastructure and to the ecosystem in commodities more and more people will adopt to this system and therefore it will be a mix of making it mandatory from regulation to making it voluntary because people see the benefit.

That is the long term picture of what the depository will achieve for us. In the very short term what is happening is that for the commodities which are traded both on our exchange and on the other exchange in terms of commodity divergence the two depositories have started already creating electronics warehouse receipts for this and therefore we expect that, probably by the end of this year you should see most of the contracts being settled through electronic warehouse receipts which are issued under the overall regulatory regime of the WDRA.

Already as you may be aware both the exchanges have their own electronic systems and we issue an electronic receipt for the warehouse receipts that you have for goods deposited under MCX. But that is a system that we have on our own but by the end of the year we will all move to this e-NWRs and then that timeline is bit uncertain because here you have a different regulator and they are working on a different sort of things in terms of their priorities, but I think you should see by the end of this year most of the

commodities which are traded on exchanges being settled if they are physically settled through e-NWRs of the WDRA.

Prakash Kapadia: As you mentioned the regulatory push is one part but how is your interaction been in terms of participants especially banks from a risk mitigation perspective? Historically there have been lot of cases of fraud, issues with inventory, so what are the participants saying?

Mrugank Paranjape: So, I think there are two parts. Obviously for everybody who sees this as a corollary in terms of what their depository is, they are absolutely excited about this development. However, the challenge comes that today the biggest push is really coming because the mandate where we are saying that it is absolutely mandatory for you to be in an electronic warehouse receipt is really coming mainly from the futures market where SEBI is also working with WDRA to push participants to make it mandatory to settle their trades.

But unless the larger market which is sometimes not covered by commodities derivatives product and again even in terms of what is settled in our products is really a fraction of the total physical market. So, till the physical market starts appreciating the value of this instrument it is going to be a very slow rise in terms of the participation in that business.

Moderator: Thank you. The next question is from the Sagar Lele from Motilal Oswal Securities. Please go ahead.

Sagar Lele: Mrugank, couple of questions. One being when do you expect to start monetizing options or looking at a certain level where you will be comfortable to start doing that, and secondly on that would you start with one commodity or do you plan to uniformly roll it out all commodities?

Mrugank Paranjape: So, I think the second one is easier to answer. When we do it, we will do it across the basket that we have. It will be too difficult for the market to start adjusting in terms of their business dynamics to start looking at a very, very differential rate here and there. On the first one, and again this is not a hard and fast number but something where we said aspirationally again, we want to see the premium to cross Rs. 100 crores and again if you say that the benchmark of premium to notional is anywhere around 1%

generally in this market we are talking of the notional hitting at least Rs. 10,000 crores before we start charging.

Sagar Lele: And secondly did you spend any money on liquidity enhancement in the quarter and if yes could you probably quantify that?

Mrugank Paranjape: Yes, so on liquidity enhancement the way we have got this scheme is that it comes as a rebate on your fees payable on to the exchange across all your products. So, whatever the market makers earn is not in the form of any cash payout we give it as a rebate on their fees. That amount for the previous quarter is Rs. 72 lakhs, so the revenue numbers that you are seeing is after factoring in that Rs. 72 lakhs. So, today what I am showing is my revenue of Rs. 72.87 crores, the actual revenue is another Rs. 72 lakhs added to it.

Sagar Lele: Understood, so that also sort of partly explains why your realizations have gone down on a quarter-on-quarter basis?

Mrugank Paranjape: Yeah, so if you factor that in the realizations have really not gone down, you are right.

Moderator: Thank you. The next question is from Salil Desai from Premji Invest. Please go ahead.

Salil Desai: Can you give the number of the total futures volume for the quarter, not the average daily but the total that you have?

Mrugank Paranjape: I am very honest, I do not think we keep a track of that number, but I think it is anyways public because we have a daily number there but happy to send you bilaterally.

Salil Desai: Sure. And when you explained the whole how the outlook on delivery volumes would be and the electronic warehouse would kind of tried that. Currently do you have any, is there any proportion that you track of what are actually physically delivered volumes or there is nothing at all and only now the regulators permit and then you will be able to do it?

Mrugank Paranjape: So, in terms of the volumes we actually track this and what I can tell you is that we compare absolutely favorably if we compare ourselves on two parameters. So, generally when you are trying to track deliverable or when

you are trying to track how much is open interest those are the two indicators of how much is really pure intraday trading volume and how much is volume coming from people who are trying to hedge prices. So, in terms of the OI to volume ratios and in terms of delivery to volume ratios we compare almost similar to CME and LME across all our contracts and that is a number which we track on all our contracts as well.

Salil Desai: Sure, and any numbers you would like to give in?

Mrugank Paranjape: So, it varies commodity by commodity but Salil if there is any specific one that you want to know otherwise we will send that to you separately.

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

Amit Chandra: First question is on the employee expenses. So, now we are seeing a sharp rise like on a quarter-on-quarter basis in the employee expenses so if you can explain that and also on the other expenses, so it has gone down. So, any explanation on that and also if you could clarify that we have seen lot of technological glitches are happening in the last one month. So, if you could explain what is causing that and what steps we are taking to actually rectify that? So, can we expect a rise in the computer expenses because of that?

Mrugank Paranjape: So, Amit, just so that I get to your three questions if I am not mistaken, let me take the employees benefit expense first. So, if you see our last quarter expense was Rs. 15.75 crores the expense for this quarter is Rs. 18.55 crores. As we have mentioned for the last two years now, what we have been doing is that we accrue for a variable pay that we may possibly pay at the end of the year. This accrual we do based on the budgets that we have, and this accrual is done uniformly across the four quarters.

What we of course do is that as we closer to the yearend we have a better idea of our full year numbers that gives us a better idea of what maybe the incentives that we will pay out and based upon on that we may or may not accrue that number in certain quarters. So, if you look at the last two financial years, in the previous one which is FY16-17 we accrued across the four quarters. But in FY17-18 since our numbers were coming lower to what

our internal budgets were, we decided not to accrue for variable salaries or bonuses that we would have to pay.

So, that was an accrual which was not done in Q3 and Q4. So, that number is about to cross per quarter so if I compare on a like-to-like basis out of the Rs. 18.55 crores actually Rs. 2 crores is just that and then the balance increment is only about 8.84% which is the normal increase that we have done on account of salary increments that we have given to the entire organization. So, on a full year basis we expect the variants on this number as compared to the last financial year to be in the range of 8.5% to 9%.

Your next question was is there anything specific on why other expenses have come down in a big way, so I think except for the fact that on legal and professional expenses where there is a bunching based on incidences and not really a truly recurring number a big decrease is that last quarter we had certain legal cases where we had the outcomes or we were having the particular cases that is in that quarter so which is why you see a big decrease there. But other than that, there is no particular specific big chunk which has gone down.

Coming to your question on technology, let me just give a very specific answer in terms of what happened, what we did and why we think this is a good solution and at this point of time why we do not think it will really have an implication in terms of cost as far as we are concerned. So, for those who knows and I am not a sort of technology expert, but the Transmission Control Protocol (TCP) as we all know that is the layer at which machines communicate to each other. We had a glitch in which a data packet and the TCP layer were not communicated between two of our servers.

On further investigation we have narrowed this down to a particular component of the hardware. So, as a solution what we have put in place is that it was eminently feasible for us to isolate that particular hardware and just run our systems without using it, so therefore the solution we have in place is we believe fairly robust. This was a clarification we give, and the regulators wanted which we have given to them and that is why you see that we did not really going out into the media till at least two days after the last incident before we said that we have a genuine fix.

And having described to you what we did, you can see that this is a more analytical and then a solution based on certain things that we have to change within our systems. It is not something where we believe it will lead to any significant investments to be done for us to really take care of any future requirements.

Amit Chandra: Okay another clarification. So, are you investing in building your own tech platform? So, the kind of contract we have with FT so that is till FY22 so if we start building the tech platform from now then maybe in FY22 you can shift to that. So, any kind of investment that you are doing there?

Mrugank Paranjape: So, I think two parts to the answer. One clearly in terms of our contractual agreement with 63 Moons we have a time till which we need to use this software and we also have a time bound period till when we cannot explore any other options for using alternate software as well. So, therefore in terms of any efforts to do anything in the commodity derivative space does not arise.

Of course, there are opportunities outside that space which keep coming up. As we had mentioned earlier the government is very keen to look at the possibility of spot platform and there are discussions around energy, there are discussions around bullion and we are investing at this point of time to build a spot platform which will take care of these. So, that is really what we are doing in terms of building platforms but for commodity derivatives there is a timeline till which we cannot do anything else.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: So, I am trying to understand with respect to I think you said that the progress on the institutional participation on the commodity platform side is slower than what you expected and the primary reason being that the regulations around custodian how it will work is not very clear. So, I think you mentioned the same thing a couple of quarters ago also. So, any progress on that front and whether the participation from the MF side is kind of contingent upon this being worked out? If you can throw a bit more of a color on that?

Mrugank Paranjape: So, I think the answer to your second part is absolutely a straight, yes. You cannot expect mutual funds to be there unless their custodians are enabled or feel enabled or are confident to participate. Now have we made enough ground, yes, we have progressed a lot, SEBI has been pushing all of us extensively on this to come up with a solution which is acceptable across the market, but I think we still have work to be done before we reach there.

Dhwanil Desai: Okay, so in your estimate it will be like this yearend we should be able to work out things in terms of putting everything in place or anything beyond FY19?

Mrugank Paranjape: FY19 I think we all rather get it done. So, I do not think FY19 is something which I am so concerned about. For me I think we should all be working towards a three to six-month timeline that is what SEBI has also told all of us to work towards, so I think we will make sure that that happens.

Moderator: Thank you. The next question is from Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

Rohit Balakrishnan: I had two questions one was answered on the institutional side. The second question was in the last call you mentioned about you had given some broad outlines on the cost and employee cost as well as other expenses. So, if I remember correctly the employee cost at that point of time that you gave the growth in employee cost was much lower than what we had outlined in this quarter to about 8% to 9%. So, I just wanted to reconcile the two things?

Mrugank Paranjape: So, I think just so that we can clarify this. One in terms of the employee cost what it was and the growth if you see we were at Rs. 64.5 crores roughly and we grew to somewhere around Rs. 71.5 crores and we are saying that this year we expect to come somewhere around the number of Rs. 75 crores, Rs. 76 crores in terms of employee cost.

So, that is the number we are talking of and in terms of the cost numbers what we have said and we stay committed to is as follows. There are elements of our cost which are what we pay to 63 moons, what we pay for licensing fees to LME, CME and what we pay as regulatory fees including the payment to IPF and ISF which is linked to our revenues.

It is a direct derivative of our revenues and therefore it will grow at the same pace that our revenues grow. Everything else essentially includes employee benefit expense, advertisement, legal and professional charges, all other computer, technology and communication cost and any other expenses that is the one that we have committed that we will keep this at a number which is within 3% range. And if you look at that number we have definitely actually kept it almost flat for it is just a 2% that we had sorry it is actually gone down by 2% for this quarter.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management for any closing comments.

Mrugank Paranjape: Thanks everyone. As we said in the beginning of the call we remain absolutely confident in terms of the buoyancy we been seen in terms of the ADT and in terms of the growth coming from the key drivers that we have mentioned in terms of the options, in terms of deliverable contracts as well as in terms of the distribution side. Yes, this quarter and again if there are any more questions which you think you need to get better clarity on this one-off event in terms of the other income and the overall other income, you may please get in touch with me or Sanjay. Thank you for being on the call and all the best.

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