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* P. S. Reddy

Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst

Ladies and gentlemen, good day, and welcome to the Multi Commodity Exchange of India Limited Q1 FY '20 Earnings Conference Call.

We have with us today on the call, Mr. P. S. Reddy, Managing Director and Chief Executive Officer; Mr. Sanjay Wadhwa, Chief Financial Officer.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. (Operator Instructions) Please note that this conference is being recorded.

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

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [2]

Thank you, Madam. Good evening, everybody. I'm P. S. Reddy, along with Mr. Sanjay Wadhwa. I took over about 2 months ago. Now I will go on. We got the results, but then I just brief you major business developments that have taken place in the last quarter.

As you know, that our ADT has been continuously increasing over the last 6 quarters, and currently it is about INR 27,473 crores, displaying a growth of 12.8% over the corresponding period during the last year. That apart, the tax on the gold import duty has led to a sudden spot in our volumes also, volatility has gone up. So as a result, in fact on the 5th July our volume had touched a 3 -- the high of INR 43,100 crores. That's a good development. And we are expected to do better than what we have been doing it as we go along.

The other important this one is OA has been increasing in gold. It had touched a high of about 25.6 million tons. That's a very good development. Also, some of the major players, thanks to the RBI circular on ban on hedging overseas in gold, that has helped us to get a little more revenue than what it has been happening elsewhere or on other times.

When it comes to cotton, that's also doing very well. We have OA of 5 lakh plus bales during the quarter. That's also very good development. There were stocks of about 2.3 lakh bales that are already there. That is also for anybody to observe on our website. That's another good contact, which we are doing it. Of course, needless to add that crude is doing really well. That's the king among all our products.

And the SEBI mandate on the cash settlement versus physical delivery for many of the base metals, we have already converted almost all the contracts and SEBI also decided that they should be only one single contract going forward, be that mini or main contract, whichever is deliverable that we can keep it. So we are going to phase out some of the contracts because for each of the base metals we have 2, 2 contracts. And we already dropped issuing rather new circular for the copper and nickel, and other 3 contracts are running currently. Before December, we will be discontinuing other contracts also, so we will have only 1 contract.

(inaudible) are also doing well, but then as a result of this, some of the drop in the ADT base metals, we're trying to see who are the clients who have -- who are earlier trading but then gone away because of this delivery business and see what we can do in all these cases, what kind of remedial measures we can take,

we are examining. Hope, we will be able to restore our volumes by marketing more and more to the physical market hedges.

Having said that, even our options trading is also doing well. And that's almost all about -- it is about INR 638 crores ADT in the current quarter, the first quarter. And they are still doing well. And we have not introduced any tariff because that doesn't yield much revenue, maybe that will be a pain point or a sore point for the traders, so we thought it's too early to expect any returns on these option contracts.

Then the competitive analysis, which means MCX continues to be the -- having a market share of 91%, 92% as we maintain our lead, no doubt about it. But we will not be resting on our laurels, and we will definitely look at a bigger market size, and we were looking for more and more integration of these physical markets and bring those traits onto our platform. So that will really, really help the industry as well as the exchange, and transparency in the market also will increase.

Now we are also looking at launching new products, although I can't really disclose because what SEBI is going to give us the approvals we can't say. But yes, more and more contracts will be settled in this financial year. That's our endeavor, and we will not only launch, but we will give our best...

Operator [3]

Excuse me, this is the operator. Sir, sorry to interrupt you here. If you can just check the -- we're experiencing some slight background sound. Thank you.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [4]

Okay. We would also like to throw our entire weight behind all these new contracts that we are going to come out. Of course, existing contracts anyway we are trying to do our best, and we will give our best to make them all successful.

Apart from it, yes, the budget also has provided a slight relief for the companies which are having a turnover of less than INR 400 crores, and definitely that is not our desire to remain below INR 400 crores. We would like to see better days ahead. But at this point in time, that will definitely yield us some relief.

So Mr. Sanjay will explain about the financials. Thank you so much. I will hand over to my colleague, Mr. Sanjay.

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [5]

Hi. Good evening, everybody. So in terms of the daily turnover, we saw an increase of 12.78% as compared to the quarter in the last financial year. However, there was a slight dip in the realization, which is why you are seeing a 9% increase in the operating revenue. As far as the other income is concerned, the yields continue to drop this quarter, which is why we saw some very good mark-to-market gains, giving us very good treasury returns.

Correspondingly, in the quarter 1 of the last financial year, we had reverse happening wherein the yields were going up, which is why you are seeing a very low realization yield in the corresponding quarter last financial year.

With regard to other expenses, as you would have seen, we are maintaining a very good control on the other expenses. There aren't any major variations, which I really need to talk about, except for the fact that the product license fee on payments to CME has gone up substantially because in the previous or rather quarter 1 of the last financial year we were paying much lower and that has increased to 10% from the last quarter onwards. So that has been one exceptional increase, but otherwise there hasn't been any significant change in the expenditure.

With regard to the taxation, last year, we had a lot of one-offs, which is why it is not really comparable to the last year numbers. So if you recall, we had a onetime tax gain on SGF contribution that we made at the time of transfer of the hearing and settlement functions to MCX ECL. That obviously was a one-off thing, which is why this year we will see a regular tax. But having said that because of this relief which came out of the budget, our effective tax rate should go down by around 2% and overall our tax will remain in that range of 20% to 22%.

So that's it from my side. I think we are open to questions.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of C. Kishore from Cholamandalam PMS.

Kishore Chidambaram, [2]

So sir, I just want to understand if you look at it, let's say, from Q4 '17, the yields have actually dropped from INR 2.29 to, let's say, INR 2.15 till Q1 '20, and -- but the volumes have actually gone up. I mean, is this something -- is this trend that we'll have to look at going forward as well, as in as the volumes go up the yields will start coming down?

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [3]

Yes. So -- I mean if you know we have a slab structure, so when a member crosses INR 350 crores of average daily turnover, he comes into a lower bracket. Now with volumes increasing beyond a certain point, there is obviously some concentration which happens with the larger players, which results in a slight drop in the yield. But then if you look at -- if you compare it with the increase in volume, the drop is quite negligible. So that doesn't really worry us. As long as our volumes are increasing, it's good enough.

Kishore Chidambaram, [4]

Okay, okay. So this -- where can this stabilize if you can just give us...

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [5]

It all depends on the level of volumes. With the current level of volume, the rate that -- the realization that we have of INR 2.15 that's there. But then if the volumes go further up from here, say it crosses 30,000, it might drop down by maybe to INR 2.14 or INR 2.13. But as I said, a 10% increase in volume if it results in a drop in yield by 1%, 1.5%, still we are okay.

Kishore Chidambaram, [6]

Okay, okay. One other thing, just going to your stand-alone income statement, right? I mean, there is one line item called as the clearing and settlement expense, which was not there in the previous quarter -- let's say, previous year same time. So could you just give us an idea?

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [7]

Sure. So on 1st of September, we hived out -- 1st of September of last year, we hived off our clearing and settlement function to a separate entity, which is MCX Clearing Corporation. And now -- so it's an internal charge that we pay to our own clearing corporation. So on a consolidated basis, absolutely no impact. It gets eliminated. But when you look at stand-alone figures, it will reflect for one more quarter. And after that, it will start.

Kishore Chidambaram, [8]

Okay, okay, okay. Can you give us a break up of the ADT for, let's say, all the components because that slide used to be a part of your presentation earlier, but this time around it wasn't there? So I mean...

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [9]

Yes. So precious metal, we had -- I'm just giving you the rounded off to the nearest hundreds. Precious metals, we were 7,400; energy 12,000; base metal 7,500; and agriculture 471, so you can say 500.

Kishore Chidambaram, [10]

Okay. So that would be 7,000 on bullion, okay.

Operator [11]

The next question is from the line of Nikhil Upadhyay from Securities Investment Management.

Nikhil Upadhyay, [12]

I just had 2 questions. First is on the clearing and settlement corporation. Can you just provide some color on how are we looking at scaling up corporations, which you are seeing because right now what we're seeing is the only other income there.

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [13]

Sorry, I didn't get your question properly. If you can please repeat?

Nikhil Upadhyay, [14]

Yes. So my question is on the clearing and settlement corporation. Right now what we're seeing the difference between, say, the console and stand-alone is only the other income, which we have from in their entity. So how should we understand the operational part there? I mean, when should we understand -- start seeing an operational income as well?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [15]

You see, it's currently handling the operations of only MCX. So there is some revenue sharing in the -- at an arm's length distance that has been valued by an external form and that's what we are paying them. And that's it, there is no interoperability at this point in time, not that we can compete with anyone. So that's the only thing. It's a requirement of SEBI, that's why we have to do it.

Nikhil Upadhyay, [16]

Okay, understood. And on the distributable on-boarding, I think, in the last call you mentioned that ICICI was probably the only one with this kind of -- still in the process of activation. So is that through? And any other color you can provide under the PMS and mutual funds if you have added anymore?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [17]

Well, let me tell you with regard to mutual funds and PMS and AIFs and other thing. The custodian has become a major requirement for them to operate in this market. And the custodians are not able to take the risk that is there in this market, especially they are supposed to be taking the risk of quality and quantity of the stock that is kept in the warehouse on behalf of the mutual funds, so which they are saying no, I am not willing to take that risk. So that piece is missing. At this point in time without that piece being there, we can't actually activate any of those people.

Now coming back to the bank broking arms, they are in the process of integrating this particular segment with their online trading systems. So that is why it is taking some time. And once that happens, they will launch on a full scale. Most of them have done soft launch. So not many clients know that there is such a product exists. So once they are confident, they will be doing on a large scale, the launch of it.

Operator [18]

The next question is from the line of Kunal Thanvi from Banyan Tree Advisors.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [19]

Sir, you just mentioned about banks broking arms, they are trying the online credit form and stuff, but specifically on ICICI Securities, can you give us -- throw some light whether...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [20]

They have not started as yet. They are still in the process.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [21]

Okay, sure. And my second question was on index futures. Can you throw some light on when we can expect its launch? And what kind of pricing structure we plan to go with? And if we see the global markets, volumes and index futures are not very great. So how do we look at that?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [22]

I understand. We have currently 3 indices, one is the composite and another one is the bullion and the metals, okay? These are the 3 indices we have. These are being compiled and then maintained by Thomson Reuters. And it's a joint effort that we are doing it. So we are also developing the system, which is required to disseminate this information -- rather disseminate indices on real-time basis, et cetera, et cetera, and -- rather pick-by-pick, that's what it is called. And that will take -- parallelly we are doing that. We are expecting the activity to be completed by September end. So probably there after only we will be able to apply to SEBI and then launch. We can't give any exact date when we'll be able to launch, but then we will definitely be able to launch within this financial year, if we get the approval from SEBI.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [23]

Sure. And any light on the pricing structure or anything?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [24]

I -- we take a call on always this pricing only post launch and then success of it. It's too early to start with the pricing and then say to the people that we are going to launch so we're going to charge you so much. We will see the response. We will see, understand what the market can absorb and look at, accordingly we will do that.

Operator [25]

The next question is from the line of Rohit Balakrishnan from Vrddhi Capital.

Rohit Balakrishnan, [26]

So sir, on this -- on the base metals contract you said that there is going forward only one contract, so you are going to reduce that. So do you see any impact on volumes on -- because of this?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [27]

See, the -- what we are at this point in time is able to see is the effect of cash settled versus delivery, okay? So we understand whatever the volume that has come down was almost all about 30%, is more because of this. Now going forward, I don't think we will be -- we will have that kind of problem because most of these contracts what we are going to retain is mini contract. So the contract size being smaller, the participation will continue to be good. So I didn't think anybody will be driven out of this market.

Rohit Balakrishnan, [28]

Okay. The second question was on this custodians piece that is stopping AIFs and the PMS and the mutual funds. So this has been going on for a while. So what is the -- I mean, what is the solution to this? I mean, how -- what are the things that we could do to sort of accelerate this?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [29]

Well, each of the stakeholders in terms of group like AIFs as a group and then PMS as well as mutual fund industry and exchange itself has been trying -- engaging with the regulator to find out an alternative route to address this issue. There is a risk, no doubt about it. That risk is currently market participants are expecting that to be taken by the WDRA empanel WSPs. So going forward also, that's going to happen. And I don't see there is so much risk or as much as they fear, okay? But SEBI has to find out a solution for this.

Rohit Balakrishnan, [30]

And I mean any -- I mean in your estimate or assessment, what -- where are we in terms of like finding a solution for this? Like...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [31]

Representations have gone. Engagement is happening in terms of asking them what they can do, what they cannot do. And it has been collated all that -- all views have been compiled and then submitted to SEBI. Let's see.

Rohit Balakrishnan, [32]

Okay. And sir, on -- you started with bullion, I mean bullion has done very well for us and it has come up from the bottom that we had from -- I mean after demonetization. So this ban on overseas, I assume, was there for a -- I mean, was there earlier as well, I mean, but the volumes were not going...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [33]

Not there. The circular came sometime in -- last year at what time, around...

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [34]

July.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [35]

July, I think last year July. That's what -- so -- and thanks to this circular. In fact, some of the major players, very major players want to take a membership of themselves as stockbrokers and then do the proprietary trading themselves. They want to integrate it. That's a good trend.

Rohit Balakrishnan, [36]

Right. No, sir, actually, when I meant earlier, what I meant was, it was like was there in last year as well, but the volume pickup was not happening as much as what you're seeing right now. So just...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [37]

I know, the volatility was missing. Now volatility also has come. So together, it is making the -- interesting.

Rohit Balakrishnan, [38]

Okay, okay. And any -- would you want to share what all products are you looking to launch?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [39]

I don't want to share because it's a sensitive information. So I don't want to share anything, but then only once we receive the approval from SEBI, we will definitely notify the market immediately.

Operator [40]

The next question is from the line of [Rhian Vincent] from Prusik Investment Management.

Unidentified Analyst, [41]

Could you talk a bit more about your decision to convert all base metal contracts to these compulsorily deliverable contracts? And also, you mentioned that there will be -- following on from the previous question, there will be a few contracts that should be discontinued. And just -- if you can just clarify what is that, just for my understanding?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [42]

Yes. See SEBI directed that if it is cash settled, then the -- towards the expiry of the contract it may not be, what you call, converging with the spot price. So if the threat of delivery is there, the prices will be converged. That's what the main reason for making all contracts delivery based. So this is one part of it. So second thing is, why do you want to have multiple contracts? Let's have one contract for one metal. The reason being that the liquidity is getting fragmented. If you have one contract, liquidity will be better and that will definitely reduce the impact costs. So with this thought process, SEBI advised us to follow this. And as a compliant institution, we are doing that.

Unidentified Analyst, [43]

All right. Okay. And just second question, if that's okay. At what point do you expect to see the option start up to, I think you mentioned before, 20% of total revenues?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [44]

Sorry? Please repeat your question, madam.

Unidentified Analyst, [45]

Sorry, repeat my question?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [46]

Yes.

Unidentified Analyst, [47]

Yes. So you mentioned previously that at some point in the future you'd expect options to generate -- to contribute an even higher proportion than they do now towards total revenues. So when do you think this will occur in the next few years?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [48]

We are very hopeful that all our products, whichever is launched, will do great. But sometimes they don't happen, and we are making all efforts to make them work, and it will take -- which is taking some time, probably maybe with more efforts that we are looking at our more plans to integrate the physical market with the exchange platform. Probably options will also work better than what it has been hitherto. That's what our view is. But I can't give you any time line for the -- whether it will contribute 20%, 30%. No, I don't want to get into that.

Operator [49]

(Operator Instructions) The next question is a follow-up from the line of Kunal Thanvi from Banyan Tree Advisors.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [50]

Yes. Sorry, sir, I'm just asking you the same question again on base metal. So when we say compulsorily deliverable contracts, so does it mean that we don't have option to settle it on the cash basis?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [51]

Absolutely, no option. Whatever contracts remain open at the end of the last trading day will be forced to be delivered, settle despite delivery.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [52]

Sure. So if it is open on the last date and it would be deliverable contract, but if I want to just trade then I can still settle it in cash, right?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [53]

Yes, you can square it up and then carry forward, all that is there, that's fine.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [54]

Okay. It is just for the contracts that are open on the last day have to be compulsorily delivered.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [55]

That's right. Sure, sure.

Operator [56]

The next question is from the line of Yashodhan Khare from Vimal & Sons.

Yashodhan Khare, [57]

I have 2 questions. Sir, why don't we yet officially listed on the National Stock Exchange? As on date, the ticker MCX is traded as a permitted security. That means MCX cannot be included in any of the benchmark indices. However, does the demand for name is affected and the price at which MCX scores is a function on the demand for the name and supply is measured as a demand. Of course, the results and all do matter, but we have almost a monopoly on this business in India. So we should be officially listed on the premier exchange, which we are not. If compliance is such a big issue, why don't we get a permitted status on the BSE and official status on the NSE?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [58]

Well, see, just you've given me a thought for mulling over it in the next quarter. So definitely, I'll come back probably. I'll look into it. First time I'm hearing this.

Yashodhan Khare, [59]

Why, it is a permitted...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [60]

Securities all in either of the stock exchanges, so that's good enough. That's the way I looked at it, but you wanted it to be added in the indices unless it's a...

Yashodhan Khare, [61]

Yes, we have 96% share of the commodity business in India.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [62]

Fair enough. I understand. I understand.

Yashodhan Khare, [63]

And we are not listed officially and we don't call a part of the S&P 500 rather than S&P 50 or any of the indices on the National Stock Exchange. None of the indices include MCX as a security, only reason is that we are a permitted security and not a listed security.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [64]

We'll look at it.

Yashodhan Khare, [65]

So I hope you -- yes, okay. Sir, second question is that we are distributing 90%. I remember Mr. Paranjape said last time that more than 90% of our free cash as dividends. Sir, why don't we go for an open market stock buyback since look at the future -- looking at the future, MCX's options trading coming in with so many participants and the market expanding and the government also helping with some circulars. Why don't we -- is it not a more tax efficient way of giving shareholders the results by reducing the share count in the open market because our share is doing -- in the last 1 year is trading from INR 650. So plenty of opportunity to buy back stock far below the intrinsic value. Is that not a more tax efficient way of reducing - getting more to the shareholder?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [66]

I see your point, but it has to be taken up at the Board level. We will discuss it and then we will come back, probably that's the only way. And that too maybe in the last quarter when it is finally decided, okay?

Yashodhan Khare, [67]

Because I'm not referring to open market -- I'm referring to open market, not tender offer and all that. That's a nonsense. Tender offer is of no use. There's nothing attractive. Open market I'm talking about.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [68]

I understood. I understand your -- okay.

Operator [69]

The next question is from the line of Rahil Jasani from ICICI Securities.

Rahil Jasani, ICICI Securities Limited, Research Division - Research Analyst [70]

Sir, I was looking at the base metal volume. And in the last 3 months, I think all the base metal key volumes have reduced by around 30% to 50%, including aluminum, lead, nickel and zinc. I was just wondering what could be the reason for this? You mentioned that it's primarily due to conversion to the physical delivery from cash-settled contracts?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [71]

That's right. That's right.

Rahil Jasani, ICICI Securities Limited, Research Division - Research Analyst [72]

Do you think volatility would also play a factor? Or you expect this to bounce back as soon as market gets used to the cash settled -- physical delivery contracts?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [73]

Well, other things being equal, that's what the ceteris paribus conditions we've talked about in economics. Definitely, the cash settled versus delivery settled make the difference, okay? Volatility, yes, the more volatility, the more volume will come, that's anyway. And in fact people are asking when this ICICI Securities going to start their trading, that's one of the interesting questions. I think you can answer that.

Rahil Jasani, ICICI Securities Limited, Research Division - Research Analyst [74]

Right. Sir, you expect -- I mean, how long do you expect the market to get used to the physical delivery contract and the volumes to bounce back to, say, earlier levels, which we saw 3 to 4 months back?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [75]

Well, I can't give you a time line, but currently we are doing well on the volumes also, and we are increasing the delivery centers. And the -- if you look at the delivery details and aluminum in March, it's almost all about 3,000 tons, okay, and -- both mini and main put together. And in the case of nickel, about 85 tons, and zinc we have about 1,300 tons is the total. So delivery has taken place. So we're doing well. It's only a transition phase, that's the way I look at it. And it is our responsibility as a management to bring the loss turnover back into the company. And I'm sure we will be able to do whatever it takes to bring that back.

Operator [76]

The next question is from the line of Milind Muchhala from Julius Baer.

Milind Muchhala, [77]

A couple of questions. So sir, in terms of options volume, where are we at this juncture, the ADT?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [78]

It's about INR 638 crores.

Milind Muchhala, [79]

Okay. And sir, do we plan to charge on options anytime during this fiscal or -- because earlier we had mentioned that we are looking at some meaningful scale over there before we start charging, so?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [80]

I think that holds good even today.

Milind Muchhala, [81]

So I believe earlier we had spoken about some INR 10,000 crores ADT something like that. So is that figure right, if I remember?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [82]

I really don't know what was spoken earlier because I just joined 2 months ago, and -- but I can tell you that definitely INR 638 crores is not a number on which we can earn -- make mint money, okay? So I want this product to be built and developed in a big way. And that's what I'm looking for.

Milind Muchhala, [83]

Okay. And sir, earlier the thought was also that typically with options moving up, you will see some commensurate improvement in the futures volume as well. So no doubt till now the volumes are pretty low. But are we seeing that trend kind of emerging in any manner?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [84]

As I said, it is too small a number to really come out with that kind of correlation or kind of cause and effect relationship if there is any. I'm not able to bring out that.

Milind Muchhala, [85]

And these options that are there, so is it restricted to any particular segment in terms of is it more inclined towards energy or bullion or anything?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [86]

See, there are total 5 products only you are allowed to have, that's what the SEBI rule says. So currently we have gold, crude, copper, silver and zinc, okay? And as usual, of course, gold and crude, they are the -- on the top line and rest are a little trailing.

Milind Muchhala, [87]

Okay, okay. And sir, there was supposed to be some increase in the software development cost on account of the contract with 63 Moons. So what kind of increase could there be? And when could that kind of hit us?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [88]

Well, there is nothing which is going to go up just because the time passes by. But if the volume increases because it's a revenue sharing, so the more and more ADT comes, then more and more will go, but it is connected to the volume, not otherwise.

Operator [89]

The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [90]

Sir, I just wanted to understand the time lines for the launch of the gold and natural gas spot exchange that you mentioned in the presentation also. And what was the capital requirements for starting the exchanges? And how you're going to charge for that? And what kind of opportunities or advantages?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [91]

Well, I think it is some more quarters away because as of now there is no notification that has come from the government. Only when the notification comes or business rules are put in place and some clarity will come whether will be -- it will be under the same regulator or under different regulators. If it is different regulators, the costs will be different and cost of setting up and organization, et cetera. If it is the same regulator, especially for gold, then it will be fine and costs will be less. Obviously, energy will be totally in a different platform. So it is too early for me to offer any comments on that. But that is one aspiration that we have to be in the business.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [92]

Okay. So as of now -- what are the hurdles in -- in the form of regulatory hurdles that is now there? And by when we can see that?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [93]

Well, I can't make any comments about the regulatory framework when it will be in place, et cetera, et cetera. And for energy, it is a petroleum ministry or the PNGRB. And for gold, obviously, the Ministry of Finance, which has to finalize these things. But I cannot offer any time lines for it. Obviously, I can't be choosing when it will be decided.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [94]

Also in terms of investments, if you have any...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [95]

As I said, the investments will depend on the regulatory framework, okay? And once the regulatory framework is made, then we will know. If let us say, energy person comes and says that any player who has got INR 100-crore net worth is only permitted. So that will be an entry barrier. At the same time, it's an opportunity for big players, okay? So we don't know what kind of regulatory framework will come through. We'll see.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [96]

Okay. And sir, my next question would be on the active UCC that you have reported. So as you have mentioned that now the retail participation will be around (inaudible) is going on, and we are seeing very good progress on that. But in terms of UCC, we are not seeing any significant jump there. In fact, in (inaudible) 0.3% active UCCs. So how do we see that the retail opportunity from the bank brokers is actually panning up? How to track it? And what steps we are taking from our front to accelerate that? Because earlier it was mentioned that it's a big opportunity coming up where we can see 5% to 10% additional growth from here. So I'm just trying to understand this.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [97]

It's a good question. I appreciate. If you look at the conversion of contract from cash settled to delivery based, that has saved up almost all 30% of our ADT. And in the smaller contract, the more UCCs are there than in the bigger contracts, in terms of size of the contract. Now going forward, we have to also take a conscious call whether we want to retain a bigger contract or a smaller contract. And the second dilemma that we have is the delivery lot and the trading lot also should be uniform. That is the second compliance requirement. And the third compliance requirement is, you should be only having one contract.

Please -- so all these things we need to take into consideration and see optimally which contract to be retained. So that is where we are moving forward. And whatever the -- what you call, a simple jump in very -- what should I say, that is called, a small jump you have seen in the quarter-to-quarter maybe, is only because of this kind of things because it's in a transition phase. But on a year -- what -- this is what the...

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [98]

Active UCCs...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [99]

Active UCCs from this, too?

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [100]

Yes, so Amit, if we look at the actual active UCCs, so for a corresponding period from 1st April till date...

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [101]

From corresponding period.

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [102]

If I compare it, there is a 21% rise. So the number of customers who are trading last year as compared to that, this year we have already seen a 21% jump till date.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [103]

But from the previous quarter, maybe it is a small rise. That's maybe the way that you may be looking at it.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [104]

Like, is it fair to track this number to kind of actually get a sense of retail participation, how it's panning out?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [105]

Come again?

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [106]

Is it fair to track this number in terms of if you want to judge how the retail participation is actually panning out? Is it fair to track this number?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [107]

No, I understand. But every demerit account does not give us any revenue, it's like that. Every participant number may not also give us any -- this one. But yes, there will be some kind of extrapolation you can make with the growth in these numbers. Keep tracking, but we will also keep doing our best to increase these numbers.

Operator [108]

The next question is a follow-up from the line of Kunal Thanvi from Banyan Tree Advisors.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [109]

So in the last call, we had mentioned that from going ahead, we'll be giving a split between hedges and speculators on the exchange. Can we have a broad idea about the same?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [110]

See, SEBI mandate requires this kind of a split. In fact, this information has to come from the brokers. And brokers in turn collect it from the -- their clients. So that was -- so SEBI has come out with a circular and that is from 1st October onwards it is mandatory. So thereafter, maybe from the December quarter onwards, we will be able to give that kind of break up.

Kunal Thanvi, Banyan Tree Advisors Pvt. Ltd - Equity Research Analyst [111]

Sure. So the reason I was asking this question was, so we earlier mentioned that base metal we have seen volume drop of 30% to 40% because of the compulsorily deliverable contracts. So can you help us with the open interest number over the same period, how it panned out? Because I wanted to understand that the volume drop that we have seen, is it from the speculators or the hedges? Because it then gives you a sense whether that there would be a pickup in the volumes again or not?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [112]

Okay. We don't have immediately these open interest numbers for those periods immediately, but we do display it on the website every day. And I think immediately I don't have, but we'll get back to you.

Operator [113]

The next question is from the line of Sujit Jain from ASK Investment Advisors.

Sujit Jain, [114]

Sir, in the last call, we spoke about Axis Capital was there onboard and others are getting onboard. So probably 7, 8 months, it has been onboard. Is it full service from Axis Capital towards clients? Or they're also kind of trial testing?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [115]

Yes. I take it that way because I don't see great traction as yet. It's happening, okay? It's happening and they need to scale up their own distribution chain also. And knowledge transfer has to take place with regard to this product to the entire sales team. So it's in the process. And in fact, I had meetings with them also, and I'm sure it will happen.

Sujit Jain, [116]

And others such as BOB Capital, IDBI, Canara, Yes Securities, SBI, they're also in trial stage?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [117]

I can tell you what is Axis, HDFC, SBI Cap and -- yes, yes, that's right, that's right.

Sujit Jain, [118]

Okay. So none of them have entered in your, let's say -- I mean, the only guy who is right now probably offering in some way is nowhere close to entering in your top participants as of now?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [119]

No, no, no. If they enter -- once they enter, there is no looking back.

Sujit Jain, [120]

Certainly. And in MCX Clearing Corporation, how much stake we hold and who are the other shareholders?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [121]

Only MCX is the wholly owned subsidiary. CCL is the wholly-owned subsidiary.

Sujit Jain, [122]

Wholly owned. So the income in console and one line where we book income from associate is coming from which entity?

Sanjay Wadhwa, Multi Commodity Exchange of India Limited - CFO [123]

CCRL.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [124]

CCRL. That is Commodity Repository is there. CDSL commodity repository, there, MCX and BSE have taken 24% stake each. That's the way.

Sujit Jain, [125]

24%. And remaining stake?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [126]

That's with CDSL.

Operator [127]

The next question is from the line of [Arpit Ranka] from [Koval Investments].

Unidentified Analyst, [128]

So just one more question on the physical settlements. As of now only base metals have been asked to sort of move into that. In the future, is something similar expected on bullion and energy basket of our products or any thoughts on that?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [129]

One is that, you see, except for crude and gas and natural gas, everything else is physically delivered. In gold, silver, there also huge deliveries are taking place.

Unidentified Analyst, [130]

Is that compulsorily physical settlement as of now or they are cash settled?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [131]

Yes, it is compulsorily physical settlement. In gold, it has been happening for some time. Even silver.

Unidentified Analyst, [132]

So the only product left now on the cash settlement is your natural gas and crude?

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [133]

Crude, energy segment.

Operator [134]

Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. P. S. Reddy for his closing comments. Over to you, sir.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [135]

Thank you, one and all, for participating very actively and listening to us, and thank you for questions also. And I'm sure the next quarter will be even more exciting. Thank you. Thanks to all of you.

Operator [136]

Thank you very much, sir.

P. S. Reddy, Multi Commodity Exchange of India Limited - MD & CEO [137]

Thanks to Brigitte for organizing the call.

Operator [138]

Thank you so much, sir. 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.