



“Multi Commodity Exchange of India Limited Q2 & H1 FY2018 Earnings Conference Call”

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ANALYST: MR. NIMIT SHAH - ICICI SECURITIES LIMITED

MANAGEMENT: MR. MRUGANK M. PARANJPE - MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER - MCX
MR. SANJAY WADHWA - CHIEF FINANCIAL OFFICER - MCX

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the MCX Q2 FY 2018 Earnings Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. 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. Nimit Shah from ICICI Securities. Thank you, and over to you Sir!

Nimit Shah: Good evening everyone. Wishing you a very Happy Diwali to all of you on the call. We would like to thank the management of MCX for giving us this opportunity to host the Q2 and half yearly results call of MCX. On the call we have Mr. Mrugank Paranjape - Managing Director and CEO and Mr. Sanjay - Chief Financial Officer on the call. We would like to hand over the call to the management for their opening remarks followed by Q&A. Thank you and over to you Sir!

Mrugank Paranjape: Thanks Nimit and a very warm welcome to all of you. At the outset, to you, your families, your near and dear ones a very Happy Diwali and very prosperous year to come there after. I will just quickly cover in terms of the business fundamentals what has happened in terms of the regulatory developments and then quickly on some of the highlights of this quarter's performance before we take questions.

In that, if we just start from our business fundamentals, we have always maintained that as an exchange what you are really looking to is operating leverage and second what you are looking for is how do you really grow the transactional revenue, which is from the dependent in some ways on the ADT and for the ADT to grow since it depends on volatility based price and participation what is absolutely most important is really the participation on any contract or any exchange. So with that fundamental and sort of premise, we have said that this business is going to do very well as long as we have an increase in the products, as long as we have an increase in the participants and the type of participants and as long as there is a significant growth in the distribution that is available for our business.

In my opinion the second quarter of this year was probably the best that I have looked at in the six quarters that I have been here in terms of the overall regulatory development that we saw, so first let us start with the products.

SEBI had already cleared the entire debt in terms of options as a product, thereafter we received our approval for the launch of a product, which is going to be an option on our gold futures and I am very happy we have made the announcements, we have given out the details that we will be launched our option on gold's contract on the auspicious day of Dhanteras the October 17, 2017 in a ceremony which will be blessed with the presence of the Honorable Finance Minister of India.

Having waited probably for 14 years, I think it is a momentous occasion at MCX we are extremely excited with this development. It is all hands on board to make this launch to a success, but it just goes back to basic thing that we need more products, we need to get them, we need to launch them in a sequential manner and then be ready as the turnover picks up in those products. On options we are going in with an initial pricing where we are not charging the market anything. We believe that crucial and important for the development of this product. We think that we will need the next three to six months as SEBI will watch how options work so that by the end of this financial year we are ready and we will hopefully has the permissions for launching incremental options contract and that then make sure that for the next financial year we have a complete set of options contract that we need on the MCX platform.

In the development of products, we had informed all of you that we had signed an agreement with Thomson Reuters. Very pleased again to announce that on September 26, 2017 we launched iCOMDEX, which is a suite of commodities related indices. It has one composite to sectoral and a couple of commodity specific indices all of which will auger well as we prepare for the onset and participation of institutional investors and on that counts SEBI allowed AIFs (Alternative Investment Funds) and the first Alternative Investment Funds traded on MCX again within the last quarter. So the last quarter like I said has seen almost all the developments that we wanted coming through. Institutional participation has started. We believe that

mutual funds and PMS will be the next and we are hopeful of seeing the white paper on mutual funds in the next month or so.

The last bit on distribution we had been pitching to the Reserve Bank of India to allow bank subsidiaries to be distributing commodity derivative products. We had also asked that they allow banks to offer clearing services and both these we believe will not only strengthen our platform because having large banks has clearing members makes their risk management much more robust, but having the large bank subsidiaries as our distributors actually takes our distribution strength multiple notches ahead. So I think these are all the positive developments that we saw in the last quarter and we believe this momentum in terms of overall regulatory and other developments will continue.

One last point in terms of a government announcement, which had been done in the budget, which was around the sort of conversions of the spot and derivatives market. We have seen a lot of traction in that space so we will be working very consciously with the regulators to see how we can build more connectivity with the physical market and make sure that we have a much stronger net between the derivatives and commodities physical market as well.

Coming specifically to this quarter's numbers, very pleased to see that our ADT has gone up by 17.05%, our ADT for the average at Rs. 21,972 Crores, which is up 17.45% from the previous quarter basis that healthy growth that we saw in the ADT, our revenue from operations are up 14% and overall for the quarterly the net profit is an increase of 10.84%.

This brings me to the first point I made when I started the call that at the beginning of the year this is again last fourth quarter numbers everybody was anxious to know our plan of how we would go about managing the cost base of this organization. We are very happy that for the second quarter in succession, we are able to now demonstrate that we have been able to keep a very flat cost base, so again if you look at our cost numbers and break it between the revenue linked cost in line with the growth in ADT that has gone up by about 11.2%, but the balance cost has actually gone down by 2.8% so in effect total expenses are just flat or slightly below that, which again is where

we believe that MCX has a scale now to really deliver in terms of operational excellence.

One number, which therefore we do track which is really the marginal EBITDA if I may call that and on that number again the EBITDA margin excluding treasury income actually moved from 22.5% to 30.8% because I think in this quarter the only number which did not really go very well for us was the treasury income. All of you are in this field. You are aware of the adverse movement, we had in terms of the yield curve in September, which has given us a lower treasury income as compared to the previous quarter by about roughly Rs. 4 Crores and that is really the fall in yield on mutual funds, which has driven the other income to go down, but say for that one aspect I think the entire last quarter numbers looking very healthy. We are pleased with there we have come in terms of the recovery we believe we are absolutely after having as we all said rebased our number of days after demonetization in GST this is some very healthy growth.

The last and most important point we want all of you to also take is the fact that we have always maintained that as an exchange we have a very healthy and diversified portfolio and depending on what happens in a particular quarter or what happens at any point of time we have the ability now to leverage those opportunities in the market so as we know the bullion segment, which demonetization, GST and then concerns around the world PMLA regulation has still not come to the same level of activity that we were seeing probably pre-demonetization has been subdued but we saw a good opportunity with the rally in base metals and this has been amply captured so base metals, which generally use to be hovering in the range of the 30%, 34% for our exchange last quarter it was about 34% of our volumes, this quarter it is actually just touching about 39%, 40%.

What we really did was that we reached out to all our members spoke to all the algo players, spoke to the physical players who on the sidelines and make sure that this rally was well utilized by them and we were able to actually get the benefit of a much better volume in this segment given that bullion was not really responding at that point of time, but again towards reiterate the fact that we have a good portfolio of products and in the long run this will stand us in good stead. So that is really the highlights in terms of the

overall operating issues and the regulatory developments. Very happy to take questions and we will answer to this availability.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. We will take the first question from the line of Prakash Kapadia from Anived Portfolio Management. Please go ahead.

Prakash Kapadia: Thanks for the opportunity. Couple of questions, given the rise in commodity prices even these Rs. 22000 Crores of lower than what we would have expected during the quarter in terms of our ADT?

Mrugank Paranjape: I think if you look at prices I think it is not as and it has been a uniform rise in all the prices. Yes there has been like I said a rally in some of the base metals and that is reflected and captured but I do not think there has been such a big rally if you take any of the other underlying commodities especially in bullion and that has been a big segment for us as well. So from that perspective this growth is in line with that we were expecting and that is something, which we think, reflects the underlying change in price of commodities as well.

Prakash Kapadia: Secondly what is the sense on the scalability of AIF investments in commodities? Can you share some perspective with what players are saying and in your opening remarks you did mention about PMS and mutual fund approval likely so I guess that would be far more stickier than retail so if you to give us some thoughts on that also?

Mrugank Paranjape: I think on the AIF side in terms of the response from the industry it has been very positive. In fact we also conducted a workshop for a few players. We had more than 15 participants in that workshop where people were keen to understand how you would actually launch, create an AIF and what sort of products you would use from the commodities table for that. The response has been encouraging. Obviously it does take time for products and the participants to come on board, so from our point of view this segment starting to really contribute in terms of significant numbers may take a couple of quarters, but having begun that I think this is something, which we think will as you rightly said provide the sticky money and that sticky money will then generate some more liquidity especially in the far end of the contract.

Prakash Kapadia: Lastly, you did summarize the entire regulatory product and distribution side to grow the business and the base and whatever we have done should translate into higher growth trajectory for us, which is what we have been striving and working for so what looks from a near-term perspective FY2019 do we see hockey stick recovery, what is the confidence or probability in higher volumes because all of these lead directionally just to one thing increased ADT volume?

Mrugank Paranjape: I think I would not be able to really comment with that it would be an hockey stick effect because one we have not and I think we are very confident now that we are really not going down so I think that part of the hockey stick definitely we will avoid, but when it comes to the increase and I think what we have seen over the last two quarters is that there has been a steady growth, we did consistently maintain that demonetization, GST was rebasing of I would say that sort of the overall numbers of our volumes but from there onwards it has been a fairly good growth and this growth should definitely sustain over the next few quarters because of these positive developments and the addition of both distribution and product set.

Prakash Kapadia: Understood, all the best. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Pranav Mehta from Value Quest. Please go ahead.

Pranav Mehta: Good evening Sir. Sir I have a question on pricing of the gold options. You said in your opening remarks that you intend to not charge anything in the initial period so just wanted to know the thinking behind this decision and for what timeframe do we intend to give this product for free?

Mrugank Paranjape: On the second point, very clearly as our circulate to the market is this is for the first quarter. The thinking behind this is as follows; I think we have consistently viewed the options for this financial year as a product, which will get many, many more participants on to our platform. We were not looking at it as a revenue enhancer for this year and we believe if we want to get that incentive for people to start trading we need to really give some incentive for the initial period. Now if you look at why a lot of people and we are seeing already multiple memberships where people are coming back and activating either their old cards or there are new memberships coming in all of whom

has said that one of the biggest drivers for them to look at options is the lower outlay of capital, the simplicity of the product and more importantly the fact that a round trip has a much lesser charges involved so we believe this is the right way in terms of getting much more traction built and building the liquidity and the second thing is that this is our first options contract so again and a lot of you probably interacted with people who trade for us to really get a good share of mind and a good share the screen we need a couple of more contracts before that starts happening, so that is one more reason why we thought that initially we would go in with no charging to the market and we would start charging what we believe is the right price as we are able to introduce more contracts and as this option sort of is adopted by the market.

Pranav Mehta: So would it be fair to assume that from Q4 of FY2018 we would be start charging for the product?

Mrugank Paranjape: Too early to say, but I would not put too many revenue numbers anyways to options in this financial year.

Pranav Mehta: Second question was on the participation from the AIF side so can you share some numbers in terms of how many AIFs have now started to paid and what kind of daily volumes are they are generating even by now it would a small number right now?

Mrugank Paranjape: Yes, I think it is a small number so we are currently not disclosing that number. We have one live AIF but we have couple of them who are in terms of discussions getting their custodian code etc., activated but in terms of actual trading there is one AIF, which is trading on the exchange today.

Pranav Mehta: In terms of the regulations, for more participation from the AIF front anything more needs to be done or the existing set of regulation are good enough for them to participate?

Mrugank Paranjape: I think it will be always a little bit of a chicken and egg story there, but I think the current trade is good enough to get a few more participants definitely and it is only after we really have a good experience with those eight or ten people who will be trading that we can also go back to the

regulators with some meaningful request for changes. So I think at this point of time saying that we need more changes is really not the case at all.

Pranav Mehta: Thank you and all the best.

Moderator: Thank you. The next question is from Anuj Gupta from Perfect Research. Please go ahead.

Anuj Gupta: Good evening. Sir I wanted to know when exchanges gets permission to run universal exchanges, how do we plan to compete with other exchanges who already have wide customer base in equity segment and may also offer attractive terms?

Mrugank Paranjape: I think there are a lot of things in this which are a) still to happen and b) in terms of understanding the dynamics of the clients who would look at multiple asset classes. First and foremost, I think the good thing, which has happened is that the regulator has now allowed members of the exchange to be taking membership across any of the segments that they want so the restriction that a member had to create a separate legal entity for taking a membership of commodities exchange or vice versa is no longer there. We are already seeing a lot of members therefore wanting to take benefiting of this change. This will lead to two things in our opinion. First, it will definitely lower the cost of operation of our members and that itself will be a positive for the market so the second more important thing is that it will allow those members to offer a little bit more flexibility and better velocity of capital when it comes to moving between asset classes. As long as these two objectives are achieved, I think the need itself for having multiple exchanges, offer multiple asset classes may go down. Having said that we are absolutely ready from a competition perspective to face off competition. We believe it will happen any time in the next financial year. We have been saying this consistently on all our calls that looking at the pace at which SEBI is rolling out the changes and going ahead with what they have promised to do, a universal exchange regime may get allowed by the end of this financial year definitely. From our perspective, we believe that by having stickiness in terms of our members, technology and product, we would still be able to retain the liquidity. Yes for some periods we may have to react to predatory pricing from some of our competitors but we will have to face it when it comes. On that the only thing as we keep reminding everyone is that on a

roundtrip today in the commodities exchange, you pay about Rs.17.5 as a member so this is not at the end client basis because that varies because of brokerage but as a member you pay about Rs.17.5 and out of the Rs.17.5, Rs.13 goes to the government so even if somebody did extremely predatory pricing and gave a free sort of pricing the total discount to what somebody pay's today will not be more than 20% and that to us is comforting because we believe like a 10%, 15% change in pricing, it will put some pressure on us and we will probably have to react but it will not be a very big thing for somebody to move liquidity away.

Anuj Gupta: My next question will be more than 85% of volume comes from four major commodities gold, silver, crude oil, copper, which is a significant dependence. So how do we plan to reduce dependence from the same?

Mrugank Paranjape: I think in terms of the newer commodities we keep exploring what new options we will have and keep looking at what else we could do. In terms of the number of commodities, which are trading today are more than Rs. 1000 Crores so yes you did point out to the top four numbers but if I look at it from the perspective that we need to have enough commodities trading on our exchange so that we can offer more options, products as well and if I look at that statistic then that at least six to seven commodities on the exchange, which today clock more than Rs. 1000 Crores on a daily basis all of which will then be available for options so I think one, our dependence is not so high as just being limited of these four commodities. At the same time we keep exploring and looking at what we could offer. There are new commodities, which we have offered in the recent past some of them had been in the agricultural segment but we are looking at more in the base metal space and in the next three to six months you should see some more products coming from us on the base metal side.

Anuj Gupta: Sir my third question would be in agri commodity business we have quite niched than the competitors so what plan do we have to improve our market share?

Mrugank Paranjape: One, we have consistently said that in the agri business we are not going for market share. In the non-agri business we are completely focus that we will want to retain 100% market share but in the agri business, we do not want to pursue market share as a strategy. We still believe there is a lot of

commodities, which are sensitive or narrow in nature and there is still some concern that having too much dependence on those commodities maybe prone to regulatory interventions so in the agri space, we will look at very specific opportunities. We saw one in the case of Black Pepper. We believe we are doing extremely well in this new contract and overtime we will do probably be able to establish ourselves as the one exchange for trading in Black Pepper but again as a strategy, we will look at niche opportunities we were not really going for a big market share increase.

Moderator: Anuj, I am sorry to interrupt but I would request you to come back in queue for a follow up question. We have next question from the line of Rajesh Chaudhary from Zenith. Please go ahead.

Rajesh Chaudhary: Good evening. My first question would be how much profitability increase do you foresee from the launch of gold launches in times to come as and when we charge the options?

Mrugank Paranjape: I think in terms of the overall impact of options, we think that in the long run and to me the long run would be say about two three financial years, we believe options will add at least 20% to 25% to our overall revenues.

Rajesh Chaudhary: That is specific to gold options or for all the options?

Mrugank Paranjape: All the options together and that would be the incremental revenue that I am talking of not turnover. From the profitability perspective given that we have the scalability today and we do not really need to do anything specific for offering more of these products. I think a lot of this revenue will come straight to the bottomline.

Rajesh Chaudhary: My second question is that are we likely to do a share split and increase at any point in time?

Mrugank Paranjape: Absolutely nothing on the cards but if there is a lot of investor demand we will obviously put it up to our board so currently no plans.

Rajesh Chaudhary: Lastly are we planning for any spot exchange, I read in some of the newspapers and it might be planning for a spot exchange you can come.

Mrugank Paranjape: As I mentioned in my opening remarks, we continue to work with the regulators because there is a very clear desire from the policy makers and the government to have closer conversions between spot markets and derivative markets; however, at this point of time there is no clarity as to who will be regulating those markets and what will be the overall regulatory structure under which we will operate so too early to say that we will be operating in a spot market but yes we are keen to participate in this government initiative because having the spot market as close to the derivative market is in the long run beneficial in the commodity segment.

Rajesh Chaudhary: Thank you.

Moderator: Thank you. We will take the next question from the line of Sagar Lele from Motilal Oswal Securities. Please go ahead.

Sagar Lele: Thanks for the opportunity. Mrugank this seems to be another quarter with the blended yield seems to have dropped a bit. Would this be attributed to a change in mix in terms of the participants or is it just some tweaking that I should not be paying too much yield to?

Mrugank Paranjape: I think yes there is a small dip in the yield and that has contributed about 1.2% decrease in the overall numbers. What it does mean is that there has been a slight increase in terms of the volumes coming from the high volume numbers. As we said this quarter we saw a lot of the growth coming from the base metal segment and especially because of the sharp volatility and rise in prices some of the algo players did participate on a higher basis so yes we saw a little dip in the yield but I do not think it is something which is a big cause of concern.

Sagar Lele: Perfect thanks.

Moderator: Thank you. We will take the next question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Sir firstly in terms of the volumes, in terms of the bullion map can be highlighted maybe post demonetization maybe we should see some kind of an uptake and that the way it has gone down from say almost like 10000 to somewhere around 5000 and still this quarter it is settling somewhere at

6000, 6300 so is it like maybe just looking at the prices but overall in terms of the absolute volume as well it still the activity levels are lower so should we expect this uptick in terms of activity level going forward irrespective of maybe the price movement or we are done in terms of maybe post demonetization whatever was the increase which we were expecting is almost getting like fully factored in?

Mrugank Paranjape: Our view is that now we definitely see that we would go back to the pre-demonetisation levels. For us it is a question of time we think it should happen in the next two quarters or so. The reason I say this is that and I was coincidentally at very large bullion seminar organized by the Hindu Business Line last week end in Thrissur and a lot of you will know that Thrissur is almost like the gold capital of India probably the top four or five jewelers of India are based there and there was a serious concern in the overall jewelry community around the PMLA related guys which have been tweaked and just that day that restriction was again sort of removed. So we think that this segment has sort of moved from one regulatory pressure to another. There was demonetization, there was GST, then the PMLA, but we believe with all of the three resolved we should see the volumes coming back probably take us two quarters to get that.

Kunal Shah: So maybe then we could see it coming back to the normalized levels?

Mrugank Paranjape: Yes.

Kunal Shah: In terms of the options of the last time you would highlighting that we were planning to launch it somewhere around August so now it has got delayed and in fact we would be doing it by October so still now there are no options which are there on the even on the 1kg gold contract?

Mrugank Paranjape: This will be the first options contract we traded in India and we will be offering it on the 1kg gold future and it starts trading on Dhanteras day, which is Tuesday the October 17, 2017.

Kunal Shah: Other maybe in terms of the nine contracts which were getting eligible given maybe Diwali, which we had so those were also expected to be rolled out by December so do we see that, that also gets pushed back or maybe that over

1kg gold contract the other option would also be launched within say a two months or three months timeframe?

Mrugank Paranjape: I think that as well get pushed back because our expectation is that SEBI would want to see how the options contracts are performing and therefore they would want at least three to six months and that is why yes our earlier expectation from January probably gets pushed a little towards March now.

Kunal Shah: Till at least in this fiscal it will be only one option contract of 1kg gold?

Mrugank Paranjape: Correct and hopefully by the end of the fiscal, we will have all the approvals for the other option contracts.

Kunal Shah: Okay for all the other nine contracts as well. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Pawan Rathore from Anand Rathi Securities. Please go ahead.

Pawan Rathore: Well my question has been answered. Thank you.

Moderator: Thank you. We will take the next question from the line of Meet Jagani from Kalaari Sampat. Please go ahead.

Jagani: Can you share with the numbers of capex you have incurred for launching gold option contract?

Mrugank Paranjape: I think and that is again very please to say that it is a very, very small number. I would say almost negligible when it comes to any particular capex for launching the gold options contract. As all of you know our technology is capable of being used for both futures and options and it is completely ready for the rollout-securing corporation as well so we do not need to make any capex or any of these things. What we did as we had mentioned the last time was that we did a significant upgrade to a technology in terms of its ability to handle much more load and offer better latency numbers so that is the capex that we did when we did a complete overhaul. It was not something for gold options. It was a complete technology overhaul in terms of the version and in terms of its latency numbers and that was to the tune of about Rs. 12 Crores that we invested in that upgrade but for gold options absolutely no capex was

required and that towards the beauty of the fact that we can roll in more products without having to spend capex on this.

Jagani: Thank you. Good luck.

Moderator: Thank you. We will take the next question from the line of Aksh Vora from Praj Fincorp. Please go ahead.

Aksh Vora: Sir just one clarification on the number which you mentioned Rs.17.5 that is the based on per contract or per transaction?

Mrugank Paranjape: That is a roundtrip cost. If you buy a Rs.100000 futures contracts and sell so buy, sell together you will end up paying roughly Rs.17.5 for CTT, stamp duty, all the fees, regulatory fees and our fees everything put together is like roughly Rs.17.5 and if you take away ours and our yield number as you know is Rs. 2.2 if you take away the Rs.4.4 you are left with Rs. 13.1 which is what you pay to the government and everybody put together on the regulatory side.

Aksh Vora: Thanks for clarifying that Sir. One more thing Sir you mentioned there will be only gold options until March do we envisage that we will be going only with 1kg or we will be coming up with another options in gold options like 1/2kg or something like that?

Mrugank Paranjape: The regulatory construct of this product is that you can launch options on products where there is a definitive volume in the futures market so as you know in our gold contract while we do have the mini gold which is a very liquid contract we have other variants like this Gini as well as the Petal, they do not really have that much liquidity that they will qualify for allowing an options contract on them and anyways there is not going to be a second contract till we have seen this initial four, five months so both these things together the next one is likely to come in another commodity and not be a variant of a gold contract.

Aksh Vora: Sir any plans by next fiscal you are saying that probably other exchanges will also be permissible to get participation into commodity exchange and likewise so are we thinking to go into any different category per se like equities or any other categories?

Mrugank Paranjape: I think from our perspective, we are looking at all the options. At this point of time what I would say is that we are very keenly looking at the currency segment. I do not think we will look at any of the other segments immediately but that is something, which we would like to respond in a very definitive way once we see a sort of white paper which SEBI normally puts out when they are making a big change as and when that comes out we will probably take a very definitive stand but fair to say that we will be looking at currency much more than any of the other segments.

Aksh Vora: Sir how are the pricing on gold option is fixed it is like what would be margins which we have say?

Mrugank Paranjape: Are you talking of the margins that a member has to pay or are you talking of our margin?

Aksh Vora: No on revenue basis, if we earn some revenue on gold options what kind of margins would we have been looking at?

Mrugank Paranjape: I think it will be similar to what we do in our existing products. There should be no difference. On an incremental basis a lot of that will flow straight to the bottomline because there is no direct incremental cost.

Aksh Vora: Thanks a lot Sir. Lastly, one any update on GIFT City operations we conducting over there or what is the status?

Mrugank Paranjape: As we have maintained we have a very vibrant GIFT City office, which is on a domestic side. It is also our DR center and it has shaped up very well. We currently do not have any plans for launching activities on the international side of distribution.

Aksh Vora: Thanks a lot all the best.

Moderator: Thank you. We will take the next question from the line of Harish S, Individual Investor. Please go ahead.

Harish S: This is Harish. I have been a long-term investor and I have seen the shares move from let us say that likes of 1250 all the way down to 980 and sort of stabilizing right now. The question is not so much about the trajectory of the share price itself but I think with some of the positives around the regulatory

aspects and also the episodes like demonetization and perhaps even GST etc., behind us would it be fair for me as an investor to sort of assume that there has been a firm bottom at the current price levels and going back to the reference of the hockey stick it is probably a firm investment upwards from here would that be a fair assumption?

Mrugank Paranjape: Very thanks being a longer-term investor. Very clearly we would not have any opinion on the share price and any trajectories. My comments were on the business and the business model and in terms of our operating revenues and volumes for that we definitely believe that the re-basing has done and from this re-basing we are moving in the upward trajectory but that is limited to our operating volumes and our revenues no comments absolutely on the price.

Harish S: Thank you.

Moderator: Thank you. We will take the next question from the line of Ronak Jain from Vibrant Securities. Please go ahead.

Ronak Jain: By when do you expect the approvals for the mutual fund and the PMS to like to trade on our exchange?

Mrugank Paranjape: Well we have seen the policy, which is in SEBI. The next step is going to be there they will put out a white paper. We think that the white paper from mutual funds will come out faster and could happen anytime in the next one-month or so. Again looking at the base of how SEBI has taken up the commodity space this year we remain optimistic that this will happen quite quickly we have seen almost all the things that they were looking to change they have been going ahead with their changes as per the timelines.

Ronak Jain: Also when the options are launched on all our segments so some volumes were in the futures will go to the options so on an overall basis how much increase do you see in our total volume growth?

Mrugank Paranjape: One option generally has what is referred to us the hockey stick impact on the futures, it may in a very short initial period have a cannibalization but in the long run it leads to an increase. As I have already mentioned as an exchange, we believe that the additive revenue from options and I stress

again that the revenue from options not the volumes because we cannot measure the two since they are not like-for-like but on the revenue side we believe that in the long run options will be like a 20% to 25% additive number.

Ronak Jain: Can you give us some guidance on the volumes that increase has been based on the mutual fund and the PMS comparing to some international standards what are the volumes increase that we see from them.

Mrugank Paranjape: I think that is too difficult to hazard a guess. I would not be able to give anything on that front.

Ronak Jain: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Rajesh Chaudhary from Zenith. Please go ahead.

Rajesh Chaudhary: Any update on any other products like indices or diamond for future trading?

Mrugank Paranjape: Indices is an asset class or a new activity just one second Sanjay will take this question.

Sanjay Wadhwa: On the diamond contract, approval from SEBI is awaited, any moment we are expecting that and then that should be up and running very soon whereas on the index our process of regulatory approvals is underway at the moment.

Rajesh Chaudhary: Second we foresee the launch of diamond then during this financial year.

Sanjay Wadhwa: Let us see it all depends on how soon we get the regulatory approvals but yes we should see something very soon.

Rajesh Chaudhary: Thank you.

Moderator: Thank you. We will take the next question from the line of Anant Shirgaonker from Newport Capital. Please go ahead. As there is no response we will move to the next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: I just have a couple of questions. First one is with respect to the cash sitting on our balance sheet and I think even if we account for the clearing

corporation without requirements and settlement guaranteed fund. I think we are sitting on a substantial amount of cash and I think probably in one of your calls it was mentioned that we are keeping of war chest so steady for in any new competition and bring in competitive pricing but I think from what Mrugank just mentioned we were talking about normally the possibility of less than 15%, 20% erosion in pricing and hence very unlikely scenario of cash burn happening so any thoughts around how this capital will get allocated in medium-term if you can throw some light there, if any discussions that have come up with the board level and a broad thinking as to now how it may pan out that is the first one?

Mrugank Paranjape: On the cash, I think we have consistently said that and if I take it that from the time I have been answering this question we have maintained a three-year horizon so it now reduces to maybe a two-year horizon but for the next two years at least we would like to conserve the cash for two reasons. One that we do not know what will happen because of competition so as much as we are absolutely confident of protecting our market share; we believe that we need to have a little bit of liquidity with us in that period. The second is that technology investments are the only big investments that we need to make and really depending on what call we take and which segments we want to enter and how many segments we want to enter will determine the amount of money that we will require for making incremental investments. All of this I think will pan out over the next two years so in the short or medium range, we want to conserve cash. What you would have already seen is that we have made our intent very clear of distributing the earnings and therefore this year's dividend as well as what we are declared we almost paid out close to about 97% of the total PAT so our attempt will be to payout as much as we can and not add more to the cash that we have on hand but for the next two years we will want to retain that cash.

Dhwanil Desai: My second question is with respect if you can throw a bit more light on actually when you start looking at new products, what are the typical criteria's that you look at in terms of that being suitable for kind of being launched in India and is it something as to do with typical market leadership that it enjoyed for the commodity in India or any such criteria that we look at while introducing a new product?

Mrugank Paranjape: A) I think there is a very detailed overall overarching framework, which SEBI has now given under the CDAC. Very happy you could get in touch with our product people. We will share it with you if you need it, but as you rightly said, we are looking into the same aspects that we keep talking about when it comes to any product or wherever we are looking at volumes, so one how widespread is this product traded, second how is the volatility so sometimes there are products which traded a lot, but they are absolutely stable in terms of their price and nothing really moves in terms of the price volatility in which case the chances of a derivative products and especially a future launch of product are much lower, so we look at volatility numbers we look at the overall base price, we also look at two other things which are very important on the sanctity of the market one is it a very, very narrow market, does it only have one or two people on the supply or buy side that makes it something where we will not probably go to we always like products where there is a much wider participation and the last but not the least is, is there a way in which we can have a very unbiased price referencing done because that is most critical for us when we come to the settlement of our contracts, so what is the way in which we will arrive at the settlement price for a contract and how do we derive that price so those are some of the factors that we look at before getting into any product.

Dhwanil Desai: Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Jamil Ansari from Renaissance Investments. Please go ahead.

Jamil Ansari: Sir just wanted to understand that we have finalized these right prices for the options that would be launched quickly. So they will be in steps of 50, 100 or something else?

Mrugank Paranjape: Yes, we just issued the circular and basically what we are looking in 15, 115 so they will be one, which will be at the money, and there will be 15 out of money and 15 in the money contracts. I think given the current price levels we are looking at a Rs.100 difference between the strike prices.

Jamil Ansari: Okay so 30000 get down 100 and like so on so?

Mrugank Paranjape: Yes.

Jamil Ansari: Do we have a sense for an option writer? What would be the margin required given that this would be a 30 lakh sort of a contract?

Mrugank Paranjape: The contract one will be margined exactly the same way that this span system works if we are aware on the span system...

Jamil Ansari: So it will be link to span.

Mrugank Paranjape: Yes.

Jamil Ansari: Just one last thing can you update us on the number of members and UCCs at the end of this quarter?

Mrugank Paranjape: I think that numbers are given on our investor presentation but let me just quickly refer to the number sheet so our number of members as of this quarter 670 and the number of active UCCs is 2.812 million.

Jamil Ansari: You are saying that some of the members are coming back because of this combined margin and also with banking subsidiaries being allowed by commodity broking so the impact of these will still not visible in this quarter?

Mrugank Paranjape: Absolutely not. I think a lot of that will be visible by the next quarter only.

Jamil Ansari: Thanks.

Moderator: Thank you. We will take the next question from the line of Anand Shirgaonkar from Newport Capital. Please go ahead.

Anand Shirgaonkar: Thank you for your time. I have slightly longer term view on the stock and trying to understand your viewpoint especially when the universal exchange comes about assuming that we will pay trajectory pricing and assuming that one of the options is to go and match the trajectory pricing, as long-term we are slightly worried about how exactly MCX would go about different means, share apart from mismatching the price driven by track record of keeping away market share from the USB especially in equities.

Mrugank Paranjape: I think one there are a couple of fundamental differences between the equity markets and the commodity markets, which we believe will be the first mote as far as we are concerned in terms of defense, the fact that is the equity

market really there is not underlying physical market, which is distinct or different, it is all the same people who invest in equities whether they are doing it in the cash or the derivatives market whereas in our case the connectivity that you have to the underlying is only probably the important thing. Finally you would not be able to create a product by only trader trade as each other, you need actual hedgers and you need actual underlying physical market participating on the contract. We believe that is something, which takes time to develop and the very sticky set of users and that is really one of the reasons why we think liquidity will remain, but to your question it is very difficult to answer as to how long the other exchanges in the deep pockets may want to keep putting out of trajectory pricing at the same time yes we do not have to probably match it on a one-on-one basis given the other cost there and therefore it is a worry but not as the worry as you may think so.

Anand Shirgaonkar: Thank you.

Moderator: Thank you. We will take the next question from the line of Ronak Jain from Vibrant Securities. Please go ahead.

Ronak Jain: Sir may I please know what are the transaction charges that we have currently and is there any scope for increase for the same?

Mrugank Paranjape: I think fair to say that I do not think we are looking at any transaction price increases now.

Ronak Jain: So what are the charges currently?

Mrugank Paranjape: I do not remember the slabs but maybe somebody will send that to you. The yield is 220 so 224 is our yield so on Rs.1 lakh of we would charge Rs.2.24 on a one side. On Rs.1 lakh we would charge Rs.2.24 yes.

Ronak Jain: There is no scope for any increase in the near future?

Mrugank Paranjape: In the near-term we are not looking at any increase.

Ronak Jain: That is it. Thanks.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Nimit Shah for closing comments.

Nimit Shah: Thanks a lot. We would like to thanks once again the management for giving us the opportunity to host the call. Thanks a lot all the participants for dialing in.

Mrugank Paranjape: Thank you everyone. Wish you all a very Happy Prosperous Diwali. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.