

LETTER FROM THE CHAIRMAN

Dear Shareholders,

I am happy to inform you that during the last financial year, MCX was able to enhance its market share to over 90% in the commodity derivatives market. After 1st October, 2018, with SEBI permitting unified exchanges, both BSE and NSE entered the commodity space and charged zero transaction fee in order to gain a foothold in the market, which is still continuing. The performance of your Company has to be seen against this backdrop.

During the fiscal year 2018-19, MCX clocked an average daily turnover of ₹ 25,648 crore (single-side) in futures, as against ₹ 21,193 crore achieved during the previous fiscal, registering a growth of 21%. The average daily turnover (notional) in the options segment was ₹ 704 crore. The segment-wise market share of MCX in Indian commodity futures in 2018-19 was 96.77% for precious metals and stones, 100% for base metals, 100% for energy and 15.54% for agri commodities. Overall your Company's market share in the futures segment rose to 91.6% in 2018-19, up from 89.6% in the previous year in a highly competitive market.

This performance was reflected in our financial results also. For the financial year 2018-19, MCX's total revenue stood at ₹ 398.59 crore vis-à-vis ₹ 351.86 crore for the previous financial year. Likewise, EBITDA for 2018-19 was ₹ 192.52 crore, as against ₹ 163.89 crore for the financial year 2017-18. Profit after tax for the year stood at ₹ 146.24 crore, representing a growth of 35%, over that of ₹ 108.36 crore in 2017-18.

Leveraging on continuing regulatory reforms and your Company's ability to reap the opportunities that arise as a result, the future for your Company holds great promise. In October 2018, Eligible Foreign Entities (EFEs), who have exposure to Indian physical commodity markets, have been permitted to trade in Indian Commodity Exchanges. In March 2019, SEBI permitted Mutual Funds and Portfolio Management Services (PMS) to participate in the commodity derivatives market. In June 2019, futures products based on commodity Indices were allowed. While more policy action, leading to further market expansion, can be expected in the times ahead, availing opportunities arising out of these market development initiatives are an integral part of your Company's growth and development ambitions. Commodity Index futures and participation of Mutual Funds in commodity derivatives market will not only enhance the depth and liquidity of the market, but also support the inclusion of several hitherto-excluded-sections in this market.

On the products front, following SEBI decision to permit Options on commodity futures, your Company launched Options trading on the futures of Silver, Zinc, Copper and Crude oil in 2018-19, in addition to Gold options which was launched in 2017-18. As participation in these products are gaining traction, it had evinced participation interest from hedgers, due to simplicity of participation and straightforwardness of exposure which is similar to a 'price insurance'. MCX launched Base Metals contracts that are compulsory delivery based and benchmarked on the domestic metal prices, paving the way for the Indian metal prices to be discovered in a transparent manner, discounting for both international and domestic fundamentals. Besides, aimed at further expanding the gold contracts' footprint in India, MCX added five more locations to the list of additional delivery centres for gold and gold mini contracts in addition to the existing three locations.

These developments were further supported with the shifting of MCX's clearing and settlement services to Multi Commodity Exchange Clearing Corporation Ltd (MCXCCL), that began its operations during the year. A well-capitalised clearing corporation, independent of the Exchange, provides a greater level of comfort and trust to stakeholders, especially to the institutional investors. It is also in line with the current practices adopted in other segments of securities market.

To align your company with its growth potential and developmental needs, efforts were made to create awareness about commodity derivative markets and commodity derivatives as tools of risk management. During 2018-19, 745 awareness programmes were conducted across India to educate current and potential hedgers and investors on participating in the commodity derivatives market. In doing so, emphasis was placed on educating the smaller stakeholders, such as the Small and Medium Enterprises (SME) sector, exposed to risks in bullion, metal, and energy prices, about the advantages of hedging. In addition, 99 programs were conducted for farmers and Farmer Producer Organizations (FPOs) to educate them on risk management using commodity derivatives.

With the continuing support of our Shareholders, I am confident that your Company shall be able to serve these new stakeholder groups, and in the process, reach new heights of inclusive growth.

Saurabh Chandra

Chairman

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August 22, 2019