

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The global and Indian commodity derivatives market saw significant developments during the year 2019-20. These are elaborated below. Towards the end of the financial year, the spread of the COVID-19 pandemic which engulfed almost all the countries and impacted commodity markets in a major way, being the most significant.

Economic scenario and impact of COVID-19

The Indian economy grew at an estimated rate of 4.2% in Financial Year (FY) 2019-20. As per estimates released by the International Monetary Fund (IMF) in its 'World Economic Outlook' April 2020, the growth in world output moderated to about 2.9% in Calendar Year (CY) 2019. This was the lowest growth rate since the global financial crisis in 2009. Expectations of a recovery in CY 2020 has been belied by the global spread of the COVID-19 pandemic and the restrictions put in place to control it.

The direct and most significant impact of the COVID-19 pandemic has been a disruption in economic activities in India, as well as, in most other economies around the world. The lockdowns imposed by governments across the world to contain the spread of virus has affected both production and consumption of basic raw materials.

While the severity and extent of spread of the pandemic varies across the countries, the global economic output is expected to contract by about 3% according to the latest estimates by IMF. The impact on the domestic economy is also expected to be severe in 2020-21. The Reserve Bank of India and some private research bodies forecast a negative GDP growth for India in FY 2020- 21.

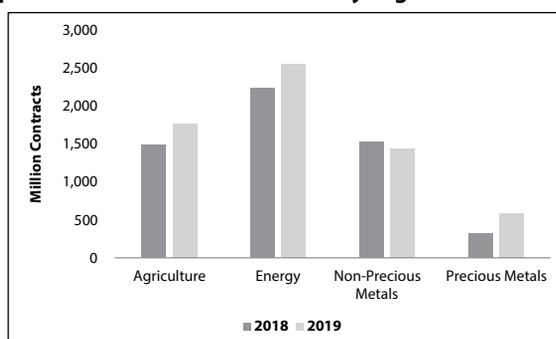
The impact of COVID-19 on world commodity markets has been significant as it has affected both the demand and supply of commodities. This has led to a general fall in prices of most commodities, bullion being an exception. With the slump in demand as more and more countries restrict movement of people and goods, the demand for and prices of commodities remain subdued. However, it is expected that as the lockdowns are relaxed or lifted and economies gradually resume to normal functioning, the demand for commodities could revive.

Global Commodity Markets in CY 2019

Global commodity derivatives markets recorded robust growth in their volumes during CY 2019 across all the segments, except for non-precious metals. According to data released by the Futures Industry Association (FIA), aggregate commodity derivatives volumes rose by about 14% to 6.33 billion contracts in CY 2019 with varied growth rates across different segments. Precious metals segment, once again proved to be the safe-haven for investors amidst heightened trade tensions and rising uncertainties, recorded 83% growth. Volumes in energy derivatives traded also registered a higher growth of 14% during CY 2019 from about 3% in the previous year. Agricultural commodity derivatives grew at 19% in CY 2019 against 14% growth in 2018. In contrast, the non- precious metals derivatives segment was the only segment that witnessed a reduction in volumes by about 5% during CY 2019, though the fall was less steep compared to the 12% fall in CY 2018.

The trends in global commodity derivatives volumes are presented in Chart 1.

Chart 1: Global Futures and Options Volumes across Commodity Segments



Source: Futures Industry Association

Impact of COVID-19

- Significant dampening of demand; supply chain disruptions.
- Global energy and base metal prices fell by about 21% and 10% respectively during Q1 2020 (over Q1 2019), when the pandemic started to spread beyond China. Prices of these two segments further fell by 51% and 14% respectively on year-on-year basis in Q2 2020 when the pandemic gripped the entire world.
- World output is projected to shrink by around 3% in CY 2020, according to IMF.
- India's economic growth expected to be negative for FY 2020-21, according to RBI.

The year 2019 saw a declining trend in international prices of most commodities, with energy prices posting the steepest fall. Precious metals with its safe haven tag, was the exception.

As per the Commodity Market Outlook released by the World Bank, energy prices, while remaining highly volatile, dipped the most, by about 13% in CY 2019, due to a slowdown in global economic activity and rising trade tensions. The slump in demand on account of the COVID -19 pandemic, pushed energy prices down by a further 21% during Q1 2020 on year-on-year (Y-o-Y) basis. Base metal prices registered the next biggest drop of about 10% in CY 2019 and exhibited a similar trend in the first quarter of CY 2020. Prices of commodities in the energy and base metals segments further fell by 51% and 14% respectively in April - June 2020, on Y-o-Y basis with the spread of the pandemic to practically every country of the world.

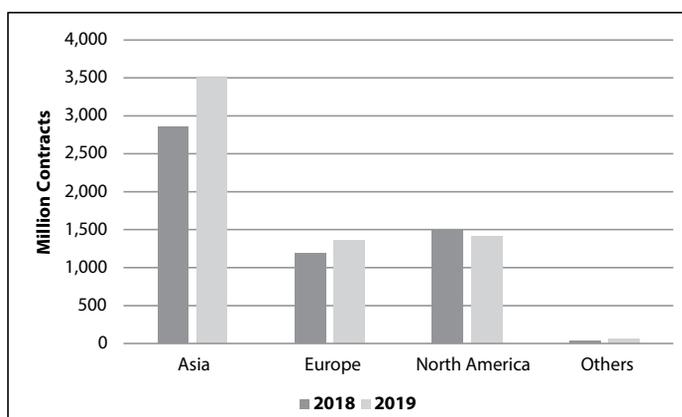
Prices of precious metals, particularly gold, however, recorded a steady growth throughout CY 2019. Gold prices increased by nearly 10% in CY 2019 and shot up by another 21% during January-March 2020. The trend was strengthened during April – June 2020 when the safe haven demand for gold pushed its price up by 30% on Y-o-Y basis.

Agricultural commodities segment, on the other hand, remained volatile witnessing mixed trends with fall in prices during the first half and recovering during second half of CY 2019.

Region-wise traded volumes of commodity derivatives displayed skewed growth towards Asia during CY 2019. According to FIA, Asia accounted for about 55% of commodity derivatives trade, and also grew at the fastest pace, at about 22% among all the regions in CY 2019. Europe's commodity derivatives market grew by about 15% while that in North America shrank by more than 5% in CY 2019.

Chart 2 shows the regional distribution of global commodity derivatives trade volumes in CY 2019.

Chart 2: Global Commodity Futures and Options Volumes (2019) – Region wise



Source: Futures Industry Association

Performance of Domestic Commodity Markets in FY 2019-20

Indian commodity derivatives markets witnessed robust growth during FY 2019-20, as the aggregate value of commodity futures traded across all exchanges grew by 24% at ₹ 89.3 lakh crore compared to ₹ 71.97 lakh crore in FY 2018-19. As a result, the Average Daily Turnover of commodity futures traded on Indian exchanges increased to ₹ 34,491, the highest since FY 2012-13. In terms of volumes, the Indian commodity futures market expanded by about 23% to 38.87 crore contracts in FY 2019-20 from 31.68 crore contracts in the previous year. The strong growth in futures trading, in tune with the global trends, was primarily driven by the increased volatility in non-agricultural commodities particularly in the bullion and energy segments.

Trading in options contracts also expanded significantly to ₹ 2.92 lakh crore in FY 2019-20, up from about ₹ 1.81 lakh crore in the previous year as noted in the SEBI Monthly Bulletin April 2020.

Diverse trends were noted across different segments of the commodity derivatives market, as trade in bullion and energy segments rose steeply while that in base metals and agricultural commodity segments dipped. Aggregate bullion futures trade recorded a remarkable growth both in terms of value and volume at about 89% and 53% respectively, followed by the energy futures with an impressive growth of about 56% and 50% in value and volume respectively in FY 2019-20 over the previous year. These two segments together accounted for about 76% and 86% of total value and volume of commodity futures traded respectively on the domestic exchanges during FY 2019-20, as evident in Table 1 and Table 2.

Table 1: Volumes of Commodity Futures traded on Indian Commodity Exchanges (lakh contracts)

	FY 2018-19	FY 2019-20	Change
Agri commodities	166	160	- 4%
Base Metals	790	378	-52%
Bullion	843	1,293	53%
Energy	1,370	2,056	50%
Total	3,168	3,887	23%

Source- SEBI Monthly Bulletin April, 2020

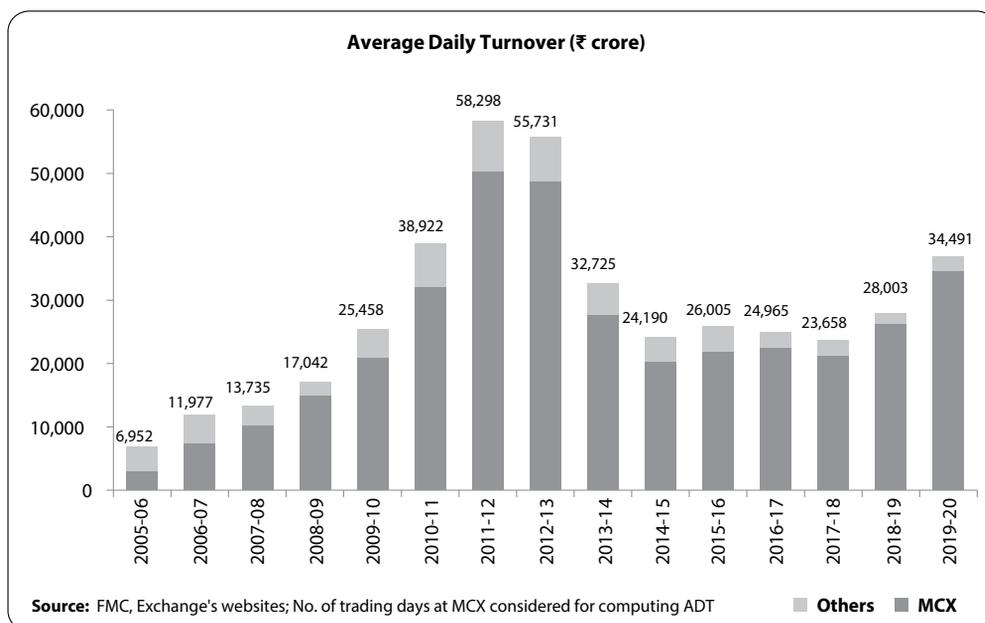
Table 2: Turnover of Commodity Futures traded on Indian Commodity Exchanges (₹ Crore)

	FY 2018-19	FY 2019-20	Change
Agri commodities	6,52,138	5,84,556	-10%
Base Metals	25,29,665	15,75,771	-38%
Bullion	15,64,173	29,57,864	89%
Energy	24,50,851	38,14,863	56%
Total	71,96,826	89,33,054	24%

Source- SEBI Monthly Bulletin April, 2020

In contrast, volumes in base metals futures registered a sharp decline of over 50%, as market participants adjusted to the change in the contract specifications of the base metal futures. The settlement type of these contracts was changed from 'Both Options' to 'Compulsory Delivery', starting from January 2019. Other changes in the base metal futures which contributed to its decline in traded volumes included introduction of staggered delivery period, which diminished trading interest during the last five days of a contract, and withdrawal of multiple lot sized contracts for the same commodity. Besides, the slowdown in global economic activity also contributed to the fall in volumes traded in base metals futures during the year. This trend was seen in the international base metal derivatives market also.

Agricultural commodities posted a fall in futures trade by 10% in value terms in FY 2019-20, though the fall was relatively moderate in volume terms. Chart 3 provides a snapshot of the Average Daily Turnover in the Indian commodity futures market over the years.

Chart 3: Turnover of the Indian Commodity Futures Exchanges (₹ crore)

MCX BUSINESS OVERVIEW IN FY 2019-20

During the year 2019-20, MCX remained the market leader in commodity derivatives among domestic exchanges, garnering about 94.01% of total market share of commodity futures traded on Indian exchanges, despite the increase in number of exchanges offering commodity derivatives for trading. MCX also remained world's 7th largest commodity futures exchange in 2019, by the number of futures contracts traded, as per data maintained by FIA.

The average daily turnover (single-side) of futures trading on MCX recorded an impressive growth of about 26% to ₹ 32,424 crore in FY 2019-20 against ₹ 25,648 crore during the previous year. Further, the average daily notional turnover in the options segment posted a remarkable growth of about 60% to ₹ 1,126 crore, with a total notional turnover for FY 2019-20 amounting to ₹ 2.92 lakh crore.

The total turnover in futures segment of your Company stood at ₹ 83.97 lakh crore in FY 2019-20, posting 27.4% growth over ₹ 65.91 lakh crore during FY 2018-19. Among the different commodity segments, the market share of MCX in Indian commodity futures in FY 2019-20 was 98.57% in precious metals and stones, 99.53% in industrial metals, 99.95% in energy and 17.26% in agricultural commodities.

PRODUCT-WISE PERFORMANCE

Product-wise performance of your Company during FY 2019-20 is given in **Annexure I**.

FINANCIAL POSITION AND RESULT OF OPERATIONS

Revenue:

The Company derives its revenues from transaction fees, admission fees, annual subscription fees, terminal charges, connectivity income, interest income, dividends from and gains on sale of investments, and other miscellaneous income.

During FY 2019-20, the Company's total income increased to ₹ 48,177 lakh from ₹ 38,472 lakh in FY 2018-19 registering a growth of 25%. The Company continued to perform well during the fiscal with a net profit margin of 43%. The operating expenses increased to ₹ 22,514 lakh from ₹ 20,575 lakh in FY 2018-19, registering a rise of 9%.

The profit before tax for FY 2019-20 increased to ₹ 23,859 lakh vis-à-vis ₹ 13,985 lakh in the last financial year, registering a rise of 71%. During FY 2019-20, the profit after tax increased by 53% to ₹ 20,852 lakh as against ₹ 13,650 lakh in FY 2018-19.

The Company operates in a single segment business. Transaction fees comprise a significant portion (approximately 73%) of the Exchange's revenue. The revenue from transaction fee during FY 2019-20 was ₹ 35,303 lakh, as against ₹ 28,331 lakh in the previous year. The Company continued deployment of surplus funds in assets such as mutual funds, fixed deposits, perpetual bonds and tax-free bonds. The investment income was ₹ 9,930 lakh in FY 2019-20 (Previous year ₹ 7,737 lakh) including gain / (loss) on fair valuation of mutual funds and bonds (Table 3).

Table 3: MCX's Income (₹ in lakh)

Particulars	FY 2019-20	FY 2018-19	Change Increase / (Decrease)
Transaction Revenue	35,303	28,331	25%
Other Operating Income	1,741	1,504	16%
Investment Income	9,930	7,737	28%
Other Income	1,203	900	34%
Total	48,177	38,472	25%

Expenses:

The Company's expenditure consists of employee benefit expenses, clearing and settlement charges, depreciation / amortization charges, expenditure on computer technology and software support charges and other expenses (Table 4).

Table 4: MCX's expenditure (₹ in lakh)

Particulars	FY 2019-20	FY 2018-19	Change Increase / (Decrease)
Employee benefit expense	6,588	6,517	1%
Clearing and Settlement charges	4,413	2,142	106%
Depreciation and amortization	1,784	1,529	17%
Computer technology and Software support	5,058	5,465	(7%)
Other expenses*	6,475	6,454	0.3%
Total	24,318	22,107	10%

*Other expenses primarily comprises of costs / charges pertaining to regulatory fees & contributions, advertisement, repairs and maintenance, license fees, legal and professional charges, etc.

Provision for taxation:

The Company's provision for tax for FY 2019-20 is ₹ 3,007 lakh (previous year ₹ 335 lakh). The Company has recognised MAT credit entitlement of ₹ 2,065 lakh in FY 2018-19.

Profit analysis:

The net profit margin stood at 43% in FY 2019-20. (Previous year: 35%)

Financial performance and operational performance parameters:

The transaction fees has increased by 25% to ₹ 35,303 lakh in FY 2019-20 from ₹ 28,331 lakh in FY 2018-19.

Shareholders' funds**Share capital:**

As of March 31, 2020, the Company's share capital stood at ₹ 5,100 lakh, i.e., 509.98 lakh shares of ₹ 10 each. (Previous year: ₹ 5,100 lakh i.e. 509.98 lakh shares of ₹ 10 each).

Other equity:

The Company's other equity increased to ₹ 1,49,552 lakh as on March 31, 2020 from ₹ 1,41,185 lakh as on March 31, 2019. The net worth stood at ₹ 1,54,652 lakh as on March 31, 2020 as against ₹ 1,46,285 lakh as on March 31, 2019.

Secured loans:

The Company had no secured loans in its books as on March 31, 2020, as well as, on March 31, 2019.

Fixed assets:

The Company's fixed assets (including capital work in progress) stood at ₹ 18,057 lakh as at March 31, 2020, as against ₹ 17,581 lakh as at March 31, 2019.

Investments:

As on March 31, 2020, the Company's investments (Non-current and Current) stood at ₹ 1,42,071 lakh, as against ₹ 1,25,201 lakh as on March 31, 2019.

Current assets and current liabilities:

The current assets consisting of trade receivables, cash and cash equivalent, bank balances, loans and other current assets (excluding current investments) was ₹ 8,880 lakh as at March 31, 2020, as compared to ₹ 12,425 lakh as at March 31, 2019.

The current liabilities consisting of creditors, security deposits, and others, stood at ₹ 16,644 lakh as at March 31, 2020, as against ₹ 11,999 lakh as at March 31, 2019.

Key Financial Indicators :

Sr. no.	Indicators	Standalone		Consolidated	
		FY 2019-20	FY 2018-19	FY 2019-20	FY 2018-19
1	Debtors Turnover (Revenue from operation/ Debtors)	53.45	32.86	57.92	49.92
2	Current Ratio (Current assets/Current liability)	4.06	5.48	1.65	2.69
3	Operating Profit Margin (Operating Profit/ Turnover)	39.22%	31.04%	41.34%	31.32%
4	Net Profit Margin (Net profit/ Turnover)	43.28%	35.48%	47.01%	36.69%
5	Return on Net worth (Net profit/ Net worth)	13.48%	9.33%	13.37%	9.25%

Notes:

- Increase in Debtor turnover ratio indicates improved efficiency in collection of debts. A higher Debtors Turnover ratio implies the Company operates on cash basis or that its extension of credit and collection of receivables is efficient.
- Increase in Return on Net worth is on account of increase in Net profit for the year.

IMPACT OF COVID-19 ON THE BUSINESS OF THE COMPANY**Capital and financial resources**

Your Exchange has adequate capital and retained earnings and does not foresee any impact on the capital and financial resources due to COVID-19 lockdown.

Profitability

On account of COVID-19 lockdown and the truncated timing, trading volume for April 2020 was reduced and accordingly the revenue was impacted. Since the market hours have been restored, the ADT during Apr 23, 2020 -May 28, 2020 has somewhat recovered, but is still lower by about 30% compared to FY 2019-20. The Company has taken various steps to reduce costs, which may reduce the impact on profitability.

Liquidity position

The Company's retained earnings are invested substantially in Mutual Fund instrument/ Tax free Instruments/ PSU bonds. These instruments are largely liquid and Tax Free and PSU bonds are also traded in the debt market. Therefore, the Company will not face any liquidity issue. Further, the Company has recovered Transaction charges which were booked in for the month April and May 2020. Also, the Company is debt free.

Assets

The Company is utilizing plant & equipment and intangible assets as part of its normal operations during this period and there is no impairment of any of the assets of the Company. Further, Financial Investments are made in accordance with the Investment Policy of the Company and is monitored on a regular basis. There is no impairment of any financial investments.

Internal financial reporting and control

Internal audit functions have been performed by the Internal Auditors, using VPN facility provided by the Exchange. In the normal course, MCXCCL inspects warehouses for stock verifications and checks regulatory compliances by warehouse service providers. However, due to travel restrictions, officials of the clearing corporation have not been able to carry these activities in the month of April 2020. After the lockdown was partially lifted, stock verifications were being carried out and no deviations are noted.

Supply chain

Since most of brokers adopted work from home model, the connectivity speed has been impacted to some extent. The Exchange has waived off the TWS User ID charges for internet as a mode of connectivity for certain number of user IDs which will benefit dealers, who are currently working from home using internet as a mode of connectivity. However, all our vendors (IT and admin) continue to provide services during the lockdown without any disruption.

Demand for products/services

Post restoration of market hours to normal, the ADT during April 23, 2020 to April 30, 2020 was ₹ 21, 441 crore, it increased to ₹ 23,765 crore in the month of May 2020, and in the month of June 2020 it further increased to ₹ 28,633 crore vis-à-vis ₹ 32,424 crore in FY 2019-20. If the situation returns to normalcy soon, trading volumes are expected to pick up.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Board has put in place various measures to ensure that the internal control mechanisms are adequate and are effective. The Board has also put in place state-of-the-art technology and has automated most of the key areas of operations and processes, to minimize human intervention.

The design, implementation and maintenance of adequate internal financial controls are such that they operate effectively and ensure accuracy and completeness of the accounting records. Their presentation gives a true and fair view of the state of affairs of the Company and are free from material misstatements, whether due to error or fraud.

The operational processes are adequately documented with comprehensive and well defined Standard Operating Procedures. These includes the financial controls in the form of maker and checker being with separate individuals.

The Board has approved a scheme of financial sub-delegation to officials of your Company for incurring expenses. The Board, with a view to ensure transparency, has also formulated various policies and has put in place appropriate internal controls for procurement of services, materials, fixed assets, monitoring income streams, investments and financial accounting.

Internal control measures includes adherence to systemic controls, information security controls, as well as, role based/ need based access controls. Further, the existing systems and controls are periodically reviewed for change management in the situations of introduction of new processes / change in processes, change in the systems, change in personnel handling the activities and other related activities.

The Audit Committee of the Company, comprising of majority of Public Interest Directors, reviews and recommends the unaudited quarterly financial statements and the annual audited financial statements of your Company to the Board for approval.

Your Company has appointed a firm of chartered accountants to conduct independent financial and operational internal audit (pre and concurrent) in accordance with the scope as defined by the Audit Committee. The reports from the Internal Auditors are reviewed by the Audit Committee on periodic basis.

Pre-audit by independent internal audit firm introduced from August 2019 for various activities including payments made by Company.

Further, all related party transactions are placed before the Audit Committee and are approved / ratified by it after deliberations.

COMPETITIVE STRENGTHS

The attributes of your Company that have made it the market leader and sustain its unique position, are described in the following paragraphs:

Strong Brand Equity

MCX has remained the leading exchange in commodity derivatives arena, garnering a market share of 94.01% in futures trading and nearly 100% in case of options trading during 2019-20. MCX enjoys a strong brand equity since it provides a reliable trading platform for commodity derivatives through transparent price discovery and robust risk management processes. The prices discovered on MCX platform serve as a benchmark for trades in physical markets, thereby facilitating the price discovery process in the physical market.

High Standards of Corporate Governance

As an Exchange, your Company is subject to a high level of regulatory oversight. MCX is committed to working with all the stakeholders to ensure an orderly, informed and fair market for the benefit of all concerned. MCX is also committed to strong and effective internal governance and regulation and believes that regulatory integrity benefits investors and attracts market participants to trade on the Exchange platform.

Your Exchange has a dedicated Regulatory Department, which performs various functions for ensuring compliance with regulations applicable to the Exchange. The Exchange has a dispute resolution mechanism in place for redressal of disputes between Investors / Clients and Members of the Exchange. Disputes unresolved at the first level can be referred to the Grievance Redressal Committee (GRC), Arbitration and Appellate Arbitration, subsequently.

Process Excellence

MCX has been re-certified by the International Organization for Standardization (ISO) under ISO 9001:2015 for its Quality Management System (QMS) and has successfully completed surveillance audit of ISO/IEC 27001:2013 and ISO 14001:2015 for its Information Security Management System (ISMS) and Environment Management System (EMS) respectively in 2019-20. MCX's subsidiary, MCXCCL, has also received ISO 27001:2013 and 9001:2015 certifications for ISMS and QMS respectively. Adherence to these international standards make MCX and MCXCCL commit to high quality standards of their business processes and continuous delivery of their services through an effective and efficient response.

Technology as differentiator

Your Company's technological infrastructure is built on robust architecture which can cater to all market participants by virtue of being fast, secure, cost effective, transparent and regulated. The Exchange's technology architecture supports multiple secured mode of connectivity such as MPLS Leased line, Point to Point Leased line, VSATs and Internet and has handled upto 102.71 million transactions on a single day. The state-of-the-art data centre of MCX is supported by best-of-breed network and security infrastructure with high availability at all levels.

Your Company has adopted 'Defence-in-depth' strategy to ensure information security at all layers with well-defined Information Security Policy, Cyber Security and Cyber Resilience policies. The Exchange also has a comprehensive Business Continuity Plan (BCP) with capabilities to restore seamlessly the trading operations from Disaster Recovery Site and has Real time synchronous data replication to Near Online Site facility to achieve zero data loss.

These attributes of MCX's technology has enabled the Exchange to provide a robust trading platform for trade and retain its members' confidence and market leadership position in commodities markets consistently.

The upgraded technology platform with its scalable architecture, was able to handle highest number of messages (order and trades) post CTT. The Exchange enhanced its security posture and has an effective monitoring and security controls in place to safe guard its critical assets against any unauthorised access. The Exchange has implemented Security Operation Center (SOC) which monitors the critical infrastructure round the clock. The Exchange has also implemented Privilege Access Management (PAM) tool to monitor and manage the access control of the critical assets.

The Exchange keeps on enhancing its access control policies from time to time and strictly adheres to guidelines laid down internally, as well as, by the Regulator. The Exchange as per Regulatory requirement had successfully carried out an unannounced live trading from its DR site without informing its stakeholders, thereby showcasing its IT resiliency and operational excellence.

OPPORTUNITIES

A favourable policy and regulatory environment, mainly through the permissibility of new products, as well as, participant categories, has provided a number of growth opportunities to MCX. Continuing the process of bringing in measures towards market expansion, the regulator has taken a number of steps during the last financial year that can provide potential opportunities for MCX to bring in more liquidity and depth into the existing, as well as, new derivative products offered on the Exchange.

Expansion of permissible product categories

On June 18, 2019, the Regulator issued instructions permitting the recognised stock exchanges to offer futures contracts on commodity indices, with detailed guidelines regarding the design of the commodity indices, as well as, the product design for futures on commodity indices. This long-awaited decision provides your Company the potential opportunity for introducing new products, fulfilling the requirement of our participants to invest in commodity markets through a transparent benchmark that represents a basket of commodities thereby diversifying their investment portfolios. Subsequent to this, MCX launched the MCX India Commodity Indices (MCX iCOMDEX) series on December 20, 2019 adhering to the SEBI guidelines for the design of commodity indices, while ensuring that the construction, administration and governance of the indices conform to the global best practices set by the International Organization of Securities Commissions (IOSCO). The MCX iCOMDEX index family consists of a composite index (MCX iCOMDEX Composite Index), two sectoral indices (MCX iCOMDEX Bullion Index and MCX iCOMDEX Base Metals Index) and four single-commodity indices (MCX iCOMDEX Gold Index, MCX iCOMDEX Silver Index, MCX iCOMDEX Copper Index and MCX iCOMDEX Crude Oil Index).

Subsequently, your Company received Regulatory approval for launch of futures contracts on MCX iCOMDEX Bullion and Base Metal indices. The contracts are planned to be launched soon, and will further expand the product base of MCX.

Paving the way for introduction of Options with 'commodities' as underlying, the Government of India issued a notification on October 18, 2019, which widens the scope of commodity derivatives traded in recognized exchanges. Following this, SEBI permitted stock exchanges to launch 'Option in Goods' in their commodity derivatives segment, in addition to existing 'Options on commodity futures'. Availing this opportunity, your Company has launched Gold Mini Options with Gold Mini (100 gram) bar as the underlying, and will soon launch Silver Options with Silver Mini 5 kg (five 1 kg bars) bar as underlying, adding to the Exchange's bullion portfolio.

Expansion of participant categories

SEBI issued operational guidelines for participation of Mutual Funds and Portfolio Managers in commodity derivatives in May 2019 and subsequently, in October 2019, approved a large custodial service provider as the custodian in the commodity space. This facilitated the entry of mutual funds and other financial institutions into commodity derivatives trading. Following this, in February 2020, an Asset Management Company (AMC) launched the first mutual fund scheme in the country enabling investment in exchange-traded commodity derivatives. Other AMCs too are expected to launch schemes including commodity derivatives in the near future.

Participation of Mutual Funds and Portfolio Managers in the commodity derivatives market offers domestic investors an additional avenue for investment, while deepening the market through enhanced liquidity especially in the far month contracts. Improved liquidity and diverse participation, including that by hedgers and financial institutions, strengthens the price discovery and risk management processes of the Exchange platform and also makes hedging cost effective through reduction in impact cost of trading on the Exchange.

Facilitating participation of Eligible Foreign Entities (EFEs)

In December 2019, the European Securities and Markets Authority (ESMA) granted recognition to Multi Commodity Exchange Clearing Corporation Ltd. (MCXCCL) as a third country Central Counter Party (CCP) under European market infrastructure regulation. Based on the ESMA recognition, European participants can now apply lower risk weightage towards their exposures to MCXCCL. This will help the Eligible Foreign Entities (EFEs) among the European importers of Indian commodities to cost effectively hedge their commodity exposures in Indian commodity markets on MCX platform. India being a major import source for commodities like Cotton, Mentha Oil, etc., participation of global entities in these contracts can potentially enhance the liquidity and price discovery of MCX.

Issuance of Indian Good Delivery (IGD) standards

The Bureau of Indian Standards (BIS) has issued Indian Good Delivery (IGD) standards for refined gold and silver bars in December 2019. This step can revolutionise the development of Indian bullion industry, by giving a fillip to recycling and monetisation of gold in the country. Bullion meeting the India Good Delivery standards can be assimilated into exchange traded bullion derivatives market, thereby enhancing participation in trading and delivery by stakeholders.

Launch of delivery-based Base Metal contracts

The efforts that started in the fourth quarter of FY 2018-19 to launch compulsory delivery-based contracts in all base metals were successfully completed in FY 2019-20. The launch of indigenously benchmarked deliverable futures contracts of Copper, Aluminium, Zinc, Lead and Nickel on MCX, has paved the way for the Indian market prices for metals to be discovered on an exchange platform in a transparent manner. With the launch of deliverable contracts, therefore, your Company is now offering the benefit of fair price discovery, reflective of domestic fundamentals and price risk management, to the Indian metals market ecosystem.

POTENTIAL THREAT

Impact from COVID-19 Pandemic

The nation-wide lockdown in the wake of COVID-19 has affected the business of your Company and those of its stakeholders such as Members, Warehouse Service Providers, etc. The curtailing of trading hours to 5 p.m. instead of 11.30 p.m., which was effective from March 30, 2020 to April 22, 2020, steeply brought down the average daily trade volumes compared to that in the previous months. The resumption of trading hours from April 23, 2020 helped recover trading volumes, but at levels lower than recorded prior to the lockdown.

To deal with this emerging challenge and maintain continuity and integrity of the trading and clearing processes, your Company introduced several measures. While administrative and technology support was provided to enable most employees to work from home, facilities were created for employees handling critical operations to stay on the premises at both the Head Office and Disaster Recovery site to ensure seamless trading and clearing. These employees were also provided financial incentives for the period of their continuous stay at office.

Other steps taken to ensure uninterrupted trading operations include allowing members to operate trading terminals from anywhere, waiving off the TWS User ID charges for internet as mode of connectivity for upto 5 User IDs, etc. Your Company also developed an online system for generating e-passes and assisting the movement of members' staff by issuing them such e-passes.

MCX has in place a Business Continuity Plan (BCP), which details processes and procedures to keep operations up and running or restore them as quickly as possible in the event of a major disaster. The BCP has been operationalised to maintain continuity of operations effective March 06, 2020.

The threat from COVID-19 is expected to continue, requiring adoption of different measures to address the unforeseen scenarios as regular activities are slowly resumed with necessary precautions to prevent the spread of the virus. Towards this end, your Company has provided its employees a Standard Operating Procedure (SOP) for social distancing at office, as well as, at home, in accordance with the guidelines issued by the Ministry of Health & Family Welfare, Government of India. Your Company shall constantly monitor and devise suitable preventive measures from time to time till the spread of the virus is fully contained.

Competition

All stock exchanges have been permitted to operate in the commodity space. This witnessed the launch of commodity derivatives products by exchanges which are well-established in other market segments. MCX faces competition from these new players. This is a potential threat to your Company. However, the new players have not made any significant dent till date in the commodity derivatives market. This is evident from the rising market share of your Company in FY 2019-20 over the previous year. Your Company endeavours to face the challenge of competition by continuously improving its products, technology and processes; introducing new products; sustaining investor awareness activities; and having a customer-focused approach.

Cybersecurity threats

The threat of cyber-attacks is increasing over time, both in intensity and in frequency. As cyber-attacks are becoming more sophisticated, MCX is continuously evaluating and implementing various security solutions for early identification, detection, quick protection, response and recovery from all such attacks. An incident of cyber-attack may have financial impact on the Company due to loss of reputation and trust. For MCX, being a Financial Market Infrastructure (FMI) institution, providing an online trading platform, cybersecurity is of greatest importance for ensuing trust among the market participants, regulators and other stakeholders.

Constant enhancement in the Cyber Security Framework and Information Security Management System has been your Company's top priority. MCX has adopted a defence-in-depth strategy to ensure information security at all layers with well-defined Cyber Security and Cyber Resilience Policy. MCX Information Security Policy is based on the ISO 27001:2013 controls for which it is certified. To manage cyber security risk associated with processes, information, networks and systems, the Cyber Security and Cyber Resilience Policy of your Company includes the following:

- i. 'Identify' critical IT assets and risks associated with such assets;

- ii. 'Protect' assets by deploying suitable controls, tools and measures;
- iii. 'Detect' incidents, anomalies and attacks through appropriate monitoring tools / processes;
- iv. 'Respond' by taking immediate steps after identification of the incident, anomaly or attack;
- v. 'Recover' from incident through incident management, disaster recovery and business continuity framework.

The Business continuity and disaster recovery plan (BCP-DR Plan) is aiming at timely restoration of systems affected by any type of disasters including incidents of cyber-attacks or breaches. The plan also includes live trading at DR without announcing to the members as mandated by SEBI. MCX's recovery plan is well within the Recovery Time Objective (RTO) of 4 Hours and Recovery Point Objective (RPO) of 30 minutes as specified by SEBI.

RISKS AND CONCERNS

Your Company's business performance and financial position depends on various internal and external factors, some of which may give rise to risks and concerns to the way the Company conducts its business. The primary risks and concerns of your Company are discussed as follows:

Business Risks

Potential impact of COVID-19 on trading

The COVID-19 pandemic is a potential business risk for your Company since it impacts both trading activity, as well as, the prices of commodities due to the prolonged period of lockdown. Restrictions on physical movement of people and commodities can lead to reduced trading activity. In addition, the demand shrinkage has led to significant reduction in commodity prices in global markets, particularly for metals and energy products. This may continue in future. As the Exchange's transaction fee is calculated on the basis of the value of commodity futures contracts traded on the Exchange, the volume and value of contracts traded on it can have a direct impact on the Company's revenues.

The trading volumes and value of contracts can also be affected by external factors, including commodity-specific events and factors such as the construction of new production facilities or processes, new uses or discontinuance of historical uses, mine / plant closures, adoption of new technology by the commodity-specific industry, weather, natural disasters, trade policies and regulations, geopolitical events, etc., all affecting level of production and consumption of commodities.

Loss of first mover advantage

As and when new products are permitted in the commodity derivatives market, your Company endeavors to be the first to launch these products. This provides a natural edge in garnering trading interest and liquidity from potential participants. However, it is possible that the Exchange is not always able to be the first among domestic exchanges to launch a product, which can lead to loss of the first mover advantage and trading interest.

Market Risks

Falling yield on Treasury Income

Treasury income comprises of Dividend Income, Interest Income, Gain / Loss on sale of investments and on account of fair valuation of financial assets at each balance sheet date. The fair valuation is impacted by the movement in interest rates, which may be subject to high volatility. The rise in interest rates results in Mark to Market losses, which can be substantial in instruments which have longer duration. Your Company has investments in Long Term Tax free bonds and in certain long duration Mutual Fund schemes within regulatory guidelines.

Macro-economic Trends

India's commodity derivatives market is impacted by both the domestic and the global economic conditions. Events such as the country's industrial growth, global financial conditions, recession, inflation, etc. influence the commodity fundamentals, hence, the market. The fundamentals may also be significantly affected by completely unforeseen events as seen in the recent global spread of pandemic COVID-19. A fall in demand for commodities leading to decline in prices along with reduced price volatility can have a potential adverse impact on your Company's operational income.

The Company constantly monitors emerging economic trends, and realigns its business strategy, as and when required.

Technology Risk

Technology: cutting edge and vulnerability

One of the most significant enablers for the Company to experience high inclusive growth has been its technology. The innovation in products and processes, which has made the Company an undisputed leader in the industry has been made possible by use and deployment of state-of-the-art technology. The successful operations of your Company's business and operating results are dependent in part on the use and deployment of technology. However, technology is susceptible to obsolescence, and increasingly, to cyber-attacks from across the globe. To continue to be the 'Exchange of Choice' to

its stakeholders, your Company needs to be at the cutting edge of technological infrastructure and connectivity, meeting the ever-evolving demands of its stakeholders with safe and multiple choices of connectivity as per the participant needs. Thus, maintenance of such technology is the highest priority for Company business. On the other hand, the Company expects that advancements in technology, technological infrastructure and connectivity options and security measures will enable it to provide more efficient trade execution services, and increase its economies of scale. This is expected to have a positive impact on its revenues.

Your Company is in constant endeavour to upgrade technology for its flexibility and scalability. Your Company wants to own the intellectual property rights of the technology platform such that changes required can be done swiftly which also ensures effective management. Your Company strives to have state of the art technology which meets the challenges of the future, while mitigating the operational and technological risks for the business.

Financial Risk

Imposition or enhancement of statutory costs

Any new tax or increase in a tax like Commodity Transaction Tax (CTT) or a new statutory levy may dampen volumes, thereby impacting your Company's profitability.

Regulatory Risk

Adverse regulatory and policy decisions

All aspects of your Company's operations are subject to regulatory oversight. Changes in laws, regulations, taxation etc., or new rules, regulations or policies may necessitate the Company to allocate more resources for compliance, hence, increase operational expenses. This may impede the Company's ability to operate and grow its business or may affect the economic prospects for market intermediation.

RISK MITIGATION PLAN

Your Company regularly reviews the risks it faces and takes appropriate action to minimize the likelihood of such occurrences or their impact.

- i. Your Company, being the market leader, has been seeking to expand the overall market by introducing new products and bringing more participants. Further, your Company believes in introducing products after thorough market research and feedback, and intends to capitalize on its large network and physical market connect. This gives your Company a competitive edge over the others and helps to meet challenges posed by competitors. Further, your Company has been seeking to diversify its product basket, by adding more products in futures, as well as, options across commodity segments. A well-diversified product basket should help the Company counter the decline in prices.
- ii. To minimize the effect of interest rate volatility on treasury income, your Company is continuously rejigging its portfolio to be in line with the market trends, and if situation warrants reduce the tenure of the portfolio to minimise fluctuations in treasury income on a quarterly basis. Further your Company constantly monitors the investments of the Company, including those made in various Debt Schemes of Mutual Fund.
- iii. As a part of risk mitigation and containment plan for avoiding business disruption, your Company has focused on strengthening its core technology infrastructure so that there is no single point of failure, thereby, ensuring uninterrupted trading operations. As a backup plan, your Company has Disaster Recovery (DR) Site which has a robust infrastructure and accessibility. Further, your Company has Near Online Site (NOS) in Mumbai with synchronous data replication to achieve zero data loss in case of any eventuality. Your Company has also strengthened its BCP-DR initiative and regularly conducts mock drills to test readiness and effectiveness of IT infrastructure at its Data Centre and also its DR site. Your Company also twice carried out two-days of unannounced live trading from its Disaster Recovery (DR) site in FY 2019-20 as a part of regulatory compliance. All the trading & surveillance operations were carried out from the DR site. Post live trading from DR site, your Company commenced its operations from its Primary Site, Mumbai smoothly.

In March 2020, your Company was also certified for ISO 22301:2019, a recognized international standard for Business Continuity Management System (BCMS). This affirms MCX's ability to consistently demonstrate effective BCMS and endeavors to improve confidence in our ability to respond to incidents amongst all its stakeholders.

SETTLEMENT RISK MANAGEMENT

MCXCCL was operationalized on September 03, 2018. Subsequent to its operationalization risk management, clearing and settlement, warehousing functions are being undertaken by the clearing corporation. MCXCCL ensures that within the regulatory framework, an efficient and effective clearing and settlement activity along with an effective funds settlement mechanism, delivery mechanism and margining systems is adhered to. Above all it maintains a robust risk management

system and to that effect carries out daily stress tests and maintains a Settlement Guarantee Fund. It has necessitated all its members to have a certain minimum net worth and confirm their net worth on a half-yearly basis, which enables it to monitor and ensure their financial strength. It has also implemented additional risk mitigation measures as part of member monitoring like Margin Shortfall Block Amount, Risk Reduction Mode, Exposure Free Deposit for MTM Shortage, etc. Further, it has laid down various margin requirements to safeguard members and the ecosystem against adverse market movements.

STRATEGY

Your Company aims to further consolidate its position as the leading exchange providing a wide array of commodity derivatives with increased focus on enhancing overall market size & expanding its product and service offerings. Further, your Company will constantly look for new product innovation and development, and offers state of the art services to all its stakeholders. Your Company will also continue to make relentless efforts in tapping the opportunities unfolding in India's commodity market.

Focus on increasing participation and expanding product suite

With deliverable base metal contracts successfully completing one year of trading, witnessing to significant physical deliveries through exchange delivery mechanism, your Company will work more closely with the industry to make the contracts work for them. Your Company now offer the benefit of fair and efficient price discovery, reflecting both domestic and global fundamentals, and provides a robust platform for price risk management to the Indian metals market ecosystem, and thus establishing itself as 'price setter' in base metals.

The recent regulatory developments enabled entry for mutual funds and portfolio management services (PMS) in the commodity derivatives market. Your Company looks forward to the greater participation of institutional players in this market, which will add to greater liquidity and market depth.

Your Company has received SEBI permission for futures trading on MCX iCOMDEX Bullion and MCX iCOMDEX Base metal indices. Further, your Company has also received approval for deliverable 'options on goods' contracts with Silver 5 kg as underlying.

It also looks forward to expanding its product offerings with exotic derivative products such as electricity futures, subject to necessary regulatory approvals.

Going forward, your Company will increase its focus on getting large corporate, and small and medium enterprises to hedge on the Exchange platform. On evolving regulatory developments, your Company will explore opportunities in the broader commodity eco-system, including building and developing spot trading platforms for commodities such as gold, natural gas and others.

Efforts for financial literacy in commodity derivatives

As a part of your Company's commitment towards improving financial literacy in commodity derivatives, MCX endeavours to reach out to a larger number of value chain participants and develop an efficient and vibrant ecosystem for the stakeholders. The Company will continue to undertake several initiatives in reaching out to members to keep them abreast about new products and future initiatives.

Focus on strengthening technical capabilities

Your Company is investing in innovation and building in-house solutions to be agile and self-reliant to meet the growing demands of all stakeholders. For this the Company is adopting new technologies for applications and for enhanced analytics. The Company is strengthening its technical capabilities to develop and support these platforms with a right balance of in-house and outsourced talents. Your Company has invested in the development of solution for dissemination of real time Indices and preparing to launch Index derivatives in FY 2020-21. Your Company is also working towards enabling trading, clearing and settlement in negative prices.

INITIATIVES

Your Company remains committed to strengthening its processes, creating products and systems in order to uphold the trust bestowed by its stakeholders. During the year 2019-20, your Company undertook several initiatives to develop the market and stakeholders it serves.

Developing Domestic Benchmarks Markets for Base Metals

MCX successfully completed the modification of the settlement option of all Base metal contracts to 'Compulsory Delivery' during the year. This fulfills an important step towards development of domestic benchmarks which reflect domestic market fundamentals, while the delivery standards are in tune with international standards.

Introduction of new products

Your Company launched the MCX India Commodity Indices or MCX iCOMDEX, family of indices based on commodity futures contracts traded on MCX. The construction, administration and governance of the indices conform to the global best practices adhering to financial benchmarks set by the International Organization of Securities Commissions (IOSCO).

Considering the need for price benchmark and risk management of cotton stakeholders, *Kapas* futures were launched during the year 2019-20. This complements the successful and liquid MCX cotton contract, in serving another stakeholder group in the commodity's value chain.

Outreach initiatives

MCX has constantly been taking numerous initiatives for spreading awareness among diverse stakeholders, as well as, academic and research community about the need and benefits of a well-functioning, efficient, transparent commodity derivatives market. With the aim to develop a culture of risk management, your Company undertook various measures to educate potential hedgers on the necessity, benefits and modalities of price risk management using exchange traded commodity derivatives. Several investor awareness campaigns were also launched to educate potential investors about investing in this asset class using the instrument of exchange-traded derivatives. Awareness programmes for various stakeholders of commodity markets, in association with various entities like exchange members, media, industrial associations, banks etc. was one of the primary modes adopted for spreading awareness about the market. The details of such initiatives are given below:

- i) Your Company conducted over 930 awareness programmes across the country during the year 2019-20. A number of these programmes were conducted in association with industry associations or professional bodies (such as ICAI, ICSI, IMC, ACMA etc) with the objective of spreading awareness about commodity hedging/ investment/ disclosures to the concerned stakeholders;
- ii) MCX conducted 63 events during the year exclusively focused on Farmer Producer Organizations (FPOs) and farmers. This was done to spread awareness amongst the farming community about how the price discovery and price dissemination initiatives of commodity exchanges can enable them to realize better prices while selling their agricultural produce;
- iii) MCX observed 'India Commodity Day' on November 8, 2019 commemorating the 16th anniversary of the Exchange. This opportunity was used to promote knowledge about the importance of commodity trading among all the stakeholders. The knowledge-sharing event brought together regulatory officials and industry leaders from India and abroad. Among the distinguished speakers was Dr. Mark Mobius, the internationally acclaimed expert on emerging markets. The flagship annual publication of MCX, the Commodity Insights Yearbook 2019, in collaboration with National Institute of Securities Markets (NISM), was released on this occasion;

Other Stakeholder engagements

In order to honour the stakeholders of India's commodity derivatives market for their role in developing this market, your Company organized the third edition of MCX Awards on April 26, 2019. 57 members and other ecosystem partners were felicitated for their contribution in 7 award categories at the Award event this year.

Your Company also undertook various initiatives for knowledge sharing with global exchanges and regulators. Dialogues with exchanges such as the CME Group, LME and other international exchanges helped in understanding their products and processes, and remaining abreast of developments in trading, technology, clearing and risk management in the global arena. Besides, during the year 2019-20, MCX also hosted and trained 6 international and national delegations and 8 student and corporate delegations.

Educational Initiatives

Your Company engaged with numerous educational institutions to spread knowledge about commodity markets among students and academicians. The details of educational initiatives undertaken by the company during the year 2019-20 has been elaborated in the Directors report.

Publications

MCX publishes various articles in print media and engages with the electronic media to create awareness about the benefits of the commodity derivatives markets, as well as, for sensitizing policy-makers about various policy changes that can further its growth. Senior officials of MCX write articles on issues relevant for commodity markets which are published in trade journals, newspapers, online media and magazines with wide outreach. Awareness about commodity markets, including hedging using commodity derivatives and the '*dos and don'ts*' for safe trading, is also created through various channels of the electronic media, including regional channels.

In addition, your Company published the '*Commodity Insights Yearbook 2019*' during the year. The yearbook is a comprehensive source of information on commodity markets with unique collection of research articles and data series covering both fundamental, as well as, derivatives trade data of commodities. This publication also aims at spreading knowledge and promoting research in the commodity ecosystem.

MCX's newsletters, such as '*Commodity Connect*', widely circulated and uploaded on the website, are other effective tools used to regularly communicate with the Exchange's stakeholders. The monthly '*Commodity Research Digest*', which reviews and enlists commodity research work encompassing both domestic, as well as, international commodity markets, is published and disseminated to motivate and promote commodity research among researchers in academia, as well as, industry. In addition, various commodity-specific brochures by providing information on hedging, investment, disclosures, etc. are published in multiple languages to spread awareness about opportunities for hedging and investment in the commodity derivatives market.

Policy Advocacy Initiatives

Your Company aims to drive policy advocacy initiatives with objectives that are pertinent for all stakeholders of the commodity derivatives market, towards making the market more relevant and inclusive. During the year, advocacy efforts were oriented towards policy and regulatory changes aimed at mandating stronger disclosure of commodity price risks by listed entities, regulatory mandate on at least partial hedging on Indian exchanges by resident Indians desirous of accessing international markets for their hedging requirements, etc. Your Company also engaged with policymakers and advocated for reforms for transforming India's gold market, institutional reforms in agricultural price support mechanism, etc.

OUTLOOK

As the COVID-19 pandemic is expected to have a significant negative impact on global, as well as, Indian macroeconomic scenario in the rest of the year 2020-21, trading in commodities may also be adversely affected as a result. The outlook for your Company, therefore, is one of mixed possibilities with rising prices and volatilities in precious metals due to continued safe haven demand, while moderation can be expected in prices of other segments due to the slump in demand and economic activity. The broad outlook for your Company in the near to medium term is discussed below:

Growth prospects with revival and reforms

Despite the expected slowdown in economic activity particularly in industry, demand for commodities, especially industrial metals and energy products, may revive with the resumption of industrial production, mining and supporting services activities. With the strong support measures announced by the government for industry, particularly for MSMEs, the demand for industrial metals is expected to improve in the latter part of the current financial year.

The reform measures related to agriculture proposed in the *Atma Nirbhar Bharat Abhiyan* package announced by the Government of India may be a paradigm shift in agricultural marketing system. These long overdue measures provide farmers a choice to sell their produce outside the purview of APMC. Further, the amendment of the Essential Commodities Act to deregulate food items (food grains, oilseeds, among other commodities), is aimed at connecting farmers to markets in order to improve price realization for them. These measures can enable the development of a derivatives market to provide efficient hedging and risk management solutions to farmers and other stakeholders in India's farm economy.

Overall, persistent uncertainties and increased volatilities may necessitate the need for efficient commodity price risk management platforms and instruments in the near term. Meanwhile, as and when current uncertainties end and the economy revives, the demand for commodities would rise. This would lead to increasing demand for commodity price discovery and risk management, providing new opportunities for your Company to innovate and introduce new derivative products fulfilling the requirements of the stakeholders in both agricultural and non-agricultural commodities.

Expansion of product and participant categories

The continuous efforts to develop the commodity derivatives market promises to provide many opportunities for your Company in terms of expansion of product and permissible participant categories. SEBI permitted options on goods in January 2020 followed by the necessary amendment to the Securities Contracts (Regulation) Act, 1956. This is an opportunity for your Company to expand its product basket by introducing options contracts on goods, thereby meeting the investment and risk management needs of several new stakeholder groups.

Spot exchange platform is another potential opportunity that your Company would explore. In the Union Budget 2019-20, the government has announced setting up of international bullion exchange in GIFT-IFSC for trade by global market participants. As and when regulatory guidelines for establishing spot exchanges are announced, your Company shall explore the opportunity for building and developing spot trading platforms for commodities such as bullion and natural gas.

Mutual Funds and Portfolio Managers have begun participating in the commodity derivatives market. Banks' broking subsidiaries have started distributing commodity derivatives. Participation of these new categories is expected to gain

further traction in the near to medium term. This is expected to attract many new investors from across the country to this new asset class. Besides, the newly-introduced index-based futures products are expected to further encourage institutional participation, especially of mutual funds, in the commodity derivatives market. Trading in derivatives products on commodity indices is likely to increase liquidity in underlying constituent commodity futures, as participating entities may like to carry out arbitrage trades across the two, or may use one product to hedge their positions in the other.

These developments hold a lot of promise for the further growth of the commodity derivatives market and indicate a bright outlook for your Company.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

As on March 31, 2020, your Company had 346 employees on its rolls, out of which 80 were women employees. Our culture and reputation as a leader in Indian commodity space enable us to attract & retain some of the best talents. We are guided by our value system which determines our attitudes & actions.

Our strategic objective is to build a sustainable organization which remains relevant to our clients, while creating growth opportunities for our employees and generating profitable growth for our investors.

Employees are our most important assets. We believe that the quality & level of service that our employees deliver are among the highest in the commodity market space. We are committed to remain among the industry's leading sought for employers.

The Exchange has launched multiple employee initiatives during the year. The primary focus was to design the approach in such a way that ensures employees are committed to their organizations goal, objectives and values that encouraged to contribute to organizational success, as well engaged employees are happier, both at work and at their lives.

Some key initiatives undertaken during the year are given below:

Campus engagement program: The objective of this program is to engage qualitative workforce having a potential and capability and who can be groomed for future leadership, while moving existing trained workforce up the ladder, to accept new responsibilities.

Your Company inducted Management trainees from various institutes who were then given training in the various core departments of the Exchange in order to have an understanding of exchange operations. Your Company also hired summer intern's to provide them a platform to develop their interest in making a career with the Exchange.

Health Safety & Welfare: Lifestyle enrichment programs have been organised to build and sustain healthy & productive workforce. Annual health check-ups are organised for promoting good health, review of medical cover before renewal for safety and well-being of the employees, as well as, their family.

Fam- Tastic Family Day: Much awaited family day event was organized for the family & children of the employees. Children & family were engaged through the different fun activities.

HR-Connect: The Exchange has in place an online HR Portal called '**HR-Connect**' for enhanced transparency in Employee Lifecycle Management. It is a self-service online portal for the employees for carrying out all activities relating to HR and Payroll which, *inter alia*, includes setting of key result areas (KRA), objective appraisal based on the set KRAs, mid-term feedback to employees and annual performance evaluation across all levels. This enables the employees to receive timely feedback, chalkout personal development plan and identify their training needs.

MCX Intranet on Cell Phones: Digital transformation has brought the world on the fingertips of the employees. All the employee service related applications and automations which were built over the years have been enabled on Cell Phones.

Measures taken in view of the outbreak of COVID-19: The Exchange is maintaining a Record of all employees for COVID-19 related updates e.g. self-isolation (self/family), +ve cases, hospitalization, etc. The Exchange is also extending help to employees stationed in the office premises in case of medical tests and hospitalization are warranted. The Exchange has tied up with Religare health insurance to insure employees under Group cover COVID-19 for one year to meet hospitalisation expenses if the need arises.

A Standard Operating Procedure (SOP) on Resumption of Operations Post COVID-19 lockdown has also been put in place to assist the staff, during their commute to office and working in office. Also, the Exchange arranged a Webinar for the employees by renowned Medical Practitioner, to create awareness about COVID-19, precautions to be followed and the road ahead. During the Webinar the queries of employees were also addressed. Further, a contribution fund was established for employees to extend their support towards COVID-19 relief efforts. Contributions made here will be channelized through suitable government agencies / NGOs.

All meetings/events are being conducted through video conferencing and webinars. This is effective in terms of cost and time and enhances the ability of the Company to reach all possible stakeholders and have them on the same platform.

CAUTIONARY STATEMENT

In this annual report some future developments which are expected to be implemented have been given. This has been done with a view to help investors better understand the Company’s future prospects and make informed decisions while interacting with the Exchange. This annual report and other written and oral statements made from time to time may contain such forward looking statements based on management’s current plans and assumptions. It cannot be guaranteed that any forward-looking statement will be realised, although, we believe, we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should ‘known’ or ‘unknown’ risks or uncertainties materialise, or should the underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind when they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ANNEXURE I

Turnover and Open Interest of Commodity Futures Contracts Traded on MCX in 2019-20

(All variants of each commodity combined)

