Confident of being near 60% EBITDA margins: Mrugank Paranjape, MCX

By ET Now | Updated: Jan 16, 2017, 11.05 AM IST

Mrugank Paranjape, MD & CEO, MCX

In a chat with ET Now **, *Mrugank Paranjape*** *, MD & CEO, MCX , says that warehouses are absolutely an integral part of the commodities business, so there is no way we could be staying away from something which is so integrated to the commodities business.*

Edited excerpts:

ET Now: It has turned out to be a mix quarter for you this time. What kind of traction were seen in the trading volumes and key pockets?
We started the quarter where we had made a change to pricing and we had done increase in the transaction pricing, now traditionally of course we all know that November is the holiday season for India, December is the international holiday season so quarterly numbers from volumes perspective are generally slightly lower. Of course in India, this year we had an exceptional event in terms of the demonetisation. There was a significant impact in terms of the underlying volume numbers but I think in terms of the overall volume impact, it was not so much because we had the compensating effect from crude and base metals. For the quarter ended September we had a average really turnover of 25,000 crores, for the quarter ending December the turnover was 21,023 crores. So basically a 16% decrease in the turnover which if you compare to a year on year basis where quarterly numbers any ways in the fourth quarter are down by maybe 5% or 6%...

ET Now: So what is the update on the launch of options? Should we expect something in this calendar year?
We should now give the regulator that opportunity to just take whatever are the key inputs needed to close the discussion around this and come out with a final guidelines. There are few things which they need to iron out. From an exchange perspective, once we see those final guidelines, maybe a couple for us to apply and then launch. What we will really have to do in the interim period is do mock trading, do much more training with our members and then make sure that we are really ready to go forward and launch this product. We have already been engaging with members when it comes to education and training members and their clients, their staff. In the last 45 days of 2016, we did more than 60 training programmes for our members and we will continue to do it at the same pace if not more than that. So education and training for new products especially options will be a focus for us as we try and prepare the ground for launch of options trading in India.

ET Now: What about the outlook then on margins and what kind of growth can we expect from you in the next 12 months?
If you see our cost base, it has gone up for about 44.3 to 53.8 crores for the quarter but embedded in that increase is an amount of five crores which is on account of one off cost which were there either because we have accrued some cost for the full year in the third quarter which are pertaining to man power related cost because we are introducing a variable competition plan and also there are other one off elements of cost in our other expenses. From an EBITDA margin perspective, We continue to be absolutely confident of being at the near 60% level in terms of the EBITDA margins and that is something as a number that we will continue to look at.

ET Now: Now your board has decided to acquire up to 24% stake in the CDSL led commodity repository. Can you share the rationale behind this and what kind of money you would be investing in this venture?
This is part of the WDRA initiative to set up repositories in India. There is a clear regulatory timeline in terms of what the expectations are for that project to go live. There are deadlines in terms of venue. You have to create the legal entity by when you have to be operational and all of that is in the public domain in terms of what really is expected for this business to go live. From

our perspective, we see few things which we thought when we were looking at this new initiative by WDRA. Warehouses are absolutely an integral part of the commodities business, so there is no way in which as the leading commodities exchange we could be staying away from something which is so integrated to the commodities business. We wanted to be a part of this initiative, at the same time we saw that depositories are best placed at what one would probably call pieces of national infrastructure, There is a lot more need to collaborate and not necessarily compete with each other when we create this sort of infrastructure. So to us it is a great opportunity to collaborate and partner with CDSL.