

ATMANIRBHAR BHARAT

**Emerging Manufacturing
Opportunities and
Role of Commodity Markets in the
New Global Environment**

Journal Q-1, 2021

Commodity Participants Association of India
(Transforming Rural Economy into Global)



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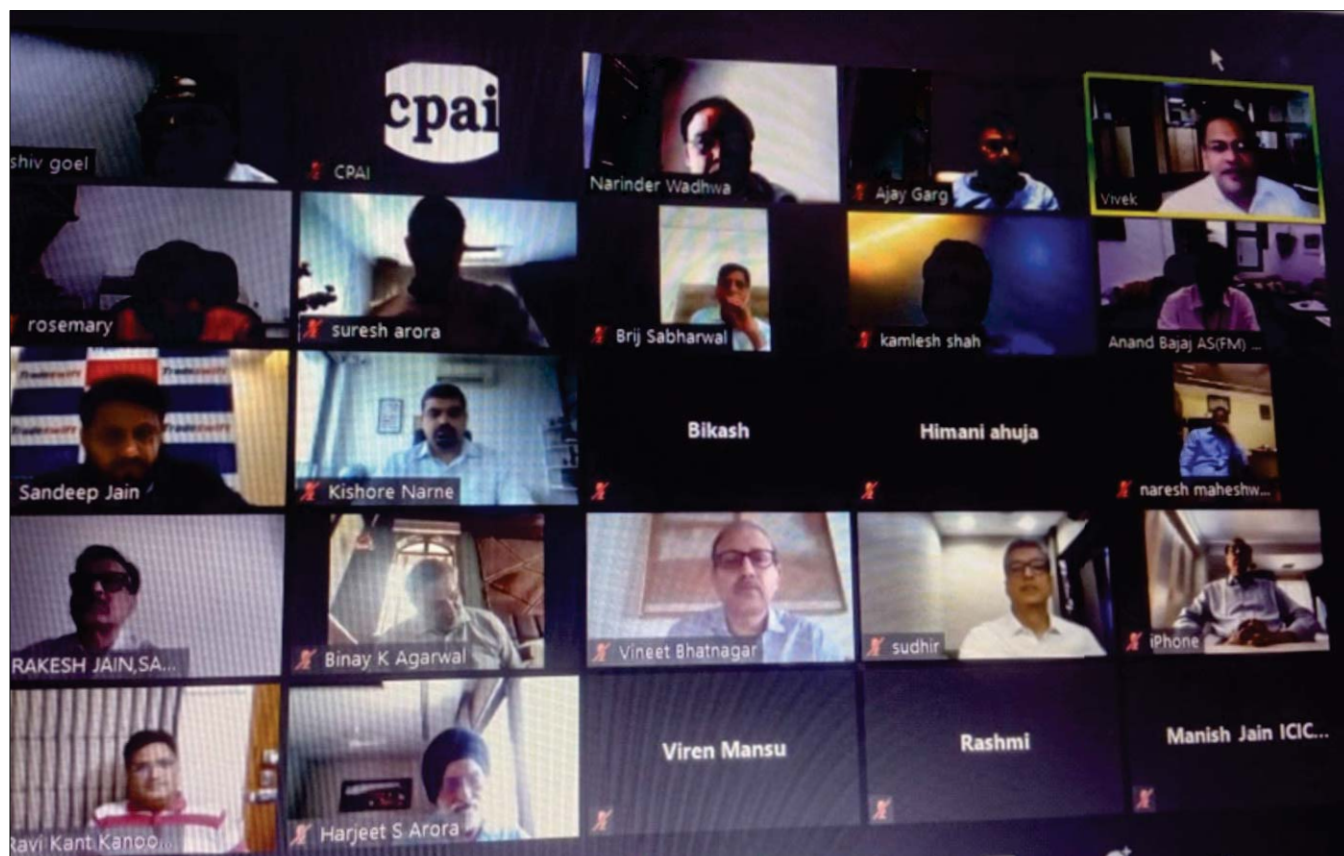


This Edition Digitally Released by :



Shri Anand Mohan Bajaj

Additional Secretary (FM), Department of Economic Affairs
Ministry of Finance



About CPAI

Commodity Participants Association of India was formed and registered as “Commodity Participants Association of India” i.e. CPAI, on 20th February, 2006 with registered office at 807, Surya Kiran Building, KG Marg, New Delhi - 110001.

Commodity Participants Association of India (CPAI) is the only registered All India Association of all the National Commodity Exchanges and comprising of Commodities Participants of the recognized Commodity Exchanges like MCX, NCDEX, NSE, BSE etc. operating across the country. The Association has its Head Office in New Delhi and has four regions viz Western region, Eastern region, Northern region and Southern region.

The National Executive and four Regional Executive Committees of CPAI, comprising of the most sincere and dedicated members from all parts of the country, are working selflessly and tirelessly for the upliftment, growth and overall development of the commodity business in India. The unflagging efforts put in for transforming rural economy to global by the office bearers of CPAI can make any organization proud.

The basic objective of the Association is to work for the cause and concern of its members (Commodity Participants) so that they could do business smoothly and their problems could be discussed with the relevant authorities. It provides a platform to its members to voice their opinion on various policies and operations of doing commodity dealings for its clients. Also it provides professional assistance, guidance and special services to its members to function ethically according to the standard principles and practices laid down by the Government, Regulator and the Commodity Exchanges.

CPAI since its inception in 2006 has been striving hard to achieve its mission through assistance to Govt. & regulator, coordination with exchanges, guidance to members and education & awareness to investors, producers & consumers through seminars, awareness programmes, workshops, Journals and e-mails etc.

CPAI has earned recognition and appreciation from the Govt. & Regulators so much so that CPAI members have been given representation in all the committees formed by the Govt., regulators & exchanges.



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Mr. Sunil Bansal	Rudra Shares & Stock Brokers Limited	Member

Execution & Co-ordination

Name of Person	Designation	E-mail
Mr. Rajesh Narula	Chief Operating Officer	coo@commoindia.com
Mr. Rishant Saini	Asst. Secretary	info@commoindia.com
Ms. Himani Ahuja	Asst. Secretary	cpainr@commoindia.com

* All National Executive Committee Members are in Alphabetical order.

* All Committee's Chairman, Vice - Chairman and Zonal Chairman, Vice - Chairman are permanent Invitee in National Executive Committee.

Disclaimer :

- Views expressed in the articles published the document in are the personal opinion of the respective authors and may not necessarily be the view of the association.
- The articles have been edited for the sake of brevity wherever necessary.

Published by Commodity Participants Association of India, New Delhi and printed by Maansee Printers, Delhi

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Commodity traders' body seeks relief for broking firms

OUR BUREAU

Mumbai, April 5
The Commodity Participants' Association of India (CPAI) has urged the Maharashtra government to classify stock and commodity broking under 'essential services' so that the support work can go on without any hindrance.

In the wake of the fresh round of Covid-19, the Maharashtra government has announced restrictions from April 5.

The State government has allowed both the leading stock exchanges - NSE and BSE - to remain operational and to ensure the smooth functioning of the exchanges, uninterrupted broking services must also be facilitated, said the association.



The State brought stockbroking, depositories and mutual funds under essential services during the nation-wide lockdown last year

the nation-wide lockdown imposed in March 2020.

Narinder Wadhwa, President, CPAI, said the Maharashtra government should issue necessary clarifications to exempt employees working in broking (any curbs on their

Classify stock, commodity broking under essential services: CPAI

In the wake of fresh COVID-related restrictions in Maharashtra, the Commodity Participants Association of India (CPAI) on Monday urged the state government to issue necessary clarifications to exempt employees working in broking offices from being subject to any curbs on their movements. IPAI -- the apex association of stock and commodity brokers -- requested the government to classify

Commodity players urge FM to cut trading costs

OUR BUREAU

The Commodity Participants' Association of India has sought the Finance Minister Nirmala Sitharaman's intervention to rationalise the peak margin imposed by SEBI from December last year and ensure the smooth functioning of the exchanges, uninterrupted broking services must also be facilitated, said the association.

The regulator had implemented a peak margin on derivatives trading on 15 December to rein in intra-day trading.

September quarter Average daily turnover on exchanges has shrunk 27 per cent in last two months. Equity markets have also seen a sharp fall of 10 per cent in Average Daily Turnover (ADT) in this period, while equity futures volumes are down by 14 per cent.

In its submission to Sitharaman, CPAI said with the rise in margins, trading volumes on exchanges will witness a significant drop. The same can also be observed from the trend in equity markets where volumes, especially that of intra-day trading, have fallen sharply.

Narinder Wadhwa, President, CPAI, said the market is already saddled with higher regulatory costs as compared to global markets and further increase in margin on day trades could drive away overall liquidity, besides impacting the depth of the market.

Transaction costs up CPAI has sought amendment in SEBI to tackle the issue of accepting delivery when the exchange accelerated warehouse buyer and seller arrivals from different states. The SEBI has to be amended to allow seller of

MCX trading

Month	Average daily turnover	Volume (lots)
Sept	111,980	18,817,468
Oct	131,008	17,377,693
Nov	133,804	17,348,912
Dec	229,628	16,721,285
Jan	131,844	15,896,557
Feb	134,812	17,046,438
Mar	228,505	14,877,415

commodity to raise the tax to one from the state where he is already registered. The cost of transactions started increasing from 2004 when Securities Transaction Tax was introduced and the turnover to market tax was sharply when Section 11T was introduced in 2008. Introduction of Commodity Transaction Tax in 2012 led to a sharp fall in commodity market volumes as well. Commodity collected much less revenue of Rs40 crore as CFT in 2019 against its target of Rs1,000 crore, said CPAI. Since the commodity exchange industry is still in its nascent stage, CPAI said the Finance Minister's intervention will go a long way in changing the future of this industry.

Transaction costs up CPAI has sought amendment in SEBI to tackle the issue of accepting delivery when the exchange accelerated warehouse buyer and seller arrivals from different states. The SEBI has to be amended to allow seller of

Broker's body appeals to classify broking as essential services

In the wake of the fresh round of Covid-19 related restrictions announced by the Maharashtra government, the Commodity Participants Association of India (CPAI) -- a pan India association of stock and commodity brokers -- has written to Maharashtra government to classify stock and commodity broking under 'essential services'.

Commodity players urge FM to cut trading costs

Average daily turnover	Volume (lots)
333,983	18,817,468
333,009	17,377,693

The Commodity Participants' Association of India has sought the Finance Minister Nirmala Sitharaman's intervention to rationalise the peak margin imposed by SEBI from December last year and rationalise cost of trading to salvage the sinking trading volumes on the commodity exchanges.

Narinder Wadhwa, President, CPAI, said the markets are already saddled with higher regulatory costs as compared to global markets and further increase in margin on day trades could drive away overall liquidity, besides impacting the depth of the market.

Outlook

Classify stock, commodity broking under essential services: CPAI tells Maha govt amid new COVID curbs

New Delhi, Apr 5 (PTI) In the wake of fresh COVID-related restrictions in Maharashtra, the Commodity Participants Association of India (CPAI) on Monday urged the state government to issue necessary clarifications to exempt employees working in broking offices from being subject to any curbs on their movements.

In a letter to the Maharashtra government, CPAI -- the apex association of stock and commodity brokers -- requested the government to classify stock and commodity broking under "essential services."

This would ensure smooth operations and functioning of the broking offices as without the support of the broking industry, exchanges cannot operate, CPAI President Narinder Wadhwa said.

This request is particularly in view that the government has allowed leading stock exchanges -- NSE and BSE -- to remain operational and to ensure smooth functioning of the exchanges, CPAI said, adding that uninterrupted broking services must also be facilitated.

Recognising the importance of capital markets in ensuring the nation's economic stability, Maharashtra was amongst the first states to have brought stock broking, along with depositories and mutual funds, under essential services during the nation-wide lockdown imposed in March 2020.

Commodity market participants seek FM's intervention over shrinking volumes

NEW DELHI, April 5: The Commodity Participants Association of India (CPAI) has met Finance Minister Nirmala Sitharaman and sought her immediate intervention and policy support following a sharp decline in the volumes of exchange-traded commodities.

During the meeting, the CPAI representatives tabbed their concerns pertaining to current challenges and hurdles that the industry is facing, which are contributing to diminishing liquidity in Indian commodity exchanges.



कमोडिटी कारोबार लागत घटाए सरकार नवभारत न्यूज नेटवर्क

मुंबई, कमोडिटी एक्सचेंजों के कारोबारियों की संस्था 'सेफोएड' (CPAI) ने भारी डेस्क वॉल्यूम और बढ़ती लागत के कारण घटती कारोबार पर चिंतन जताते हुए कैबिनेट करने का आग्रह किया है, संस्था के प्रिजिडेंट नरिंदर वाधवा के नेतृत्व में एक प्रतिनिधिमंडल ने मंत्रि मंजिले में वित्त मंत्री निर्मला सीतारमण से मुलाकात की और उनके कारोबारियों की शिकायत से अवगत कराया. 'सेफोएड' के प्रिजिडेंट ने कहा कि प्रिजिडेंट 'सेबी' द्वारा लगाया गया ब्रोकर मार्जिन बढ़ाए जाने से डेस्क वॉल्यूम बहुत ज्यादा बढ़ रहा है और एक्सचेंजों में तरलता एवं कारोबार घटता जा रहा है.

CPAI urges Maharashtra govt to classify stock broking under essential services amid new COVID-19 curbs

In the wake of the fresh round of COVID-19 related restrictions announced by the Maharashtra government on April 4th, 2021, the Commodity Participants Association of India (CPAI) - which is the PAN India apex association of stock and commodity brokers - has written to Maharashtra government to classify stock and commodity broking under "essential services." This request is particularly in the view that the government has allowed both the leading stock exchanges - NSE and BSE - to remain operational and to ensure the smooth functioning of the exchanges, uninterrupted broking services must also be facilitated.

Commodity market participants seek Sitharaman's intervention as volumes shrink in February-March



NEW DELHI: The Commodity Participants Association of India (CPAI) on Thursday met finance minister Nirmala Sitharaman and sought her immediate intervention and policy support following a sharp decline in the volumes of exchange-traded commodities.

During the meeting, the CPAI representatives expressed

their concerns pertaining to current challenges and hurdles that the industry is facing, which are contributing to diminishing liquidity in Indian commodity exchanges.

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Commodity market participants seek FM's intervention as volumes shrink in February-March

Commodity markets' average daily turnover (ADT) has shrunk further by 27 per cent between February and March 2021.



NSitharamanOffice 
@nsitharamanoffc

Delegation led by Shri Narinder Wadhwa, President of the Commodity Participants Association of India (CPAI) calls on Smt @nsitharaman



👤 PIB India and 2 others

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Why **COMMODITIES** should be included in an investment portfolio

WEBINAR

FRIDAY, MAY 21, 2021 | 4:30 PM

SPEAKERS:

Inaugural Address
Rishi Nathany
HEAD BD & MARKETING, MCX

Special Address
Narinder Wadhwa
PRESIDENT, CPAI

Presentation and Panel Discussion
Prof. Sony Thomas, IIM KOZHIKODE
Prof. SSS Kumar, IIM KOZHIKODE
To Be Moderated By -
Debojyoti Dey
AVP-RESEARCH, MCX



Zoom Meeting Details
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Webinar on Price Volatility & Indian Oil seed Industry - Introduction to Price Risk Management

Commodity price risk is a financial risk which is imperative to agribusinesses. It is the largest component of the input cost. If not managed it can jeopardise the entire business. A robust price risk management policy is an essential posture to safeguard margins and ensure continuity of business. Hedging using market driven tools like commodity derivatives is a globally accepted practice enabling businesses to manage price risk.

Date: 18th May, 2021, Tuesday
Timing: 5:00 PM to 6:15 PM

- Understanding market fundamentals and need of Hedging
- Price Risk Management using tools like derivatives
- Hedging Mechanism: Case Study on Soybean Seed
- Hedgers in International and Domestic market

SPEAKERS

Mr. Narinder Wadhwa
President, CPAI

Mr. Anil Chaturvedi
President, SEA

Mr. Sudhakar Desai
President, IFFA

Mr. Kapil Dev
Chief - Business & Products - NCDEX

Mr. Rajni Praveen Lamba
VP Commodity Head - Philip Capital India

Ms. Laxmi Devi
Sr. Journalist, PTI

MODERATOR

In case of any queries, feel free to Call us on toll-free 1800-266-2339 or leave a message at webinar@ncdex.com

Index



From the President's Desk

Narinder Wadhwa
President, CPAI

9



From the Chairman's Desk

Jayant Manglik
Chairman, Editorial Board

11



Heralding a Warehousing Revolution

Rose Mary K Abraham
Director, Ministry of Finance, Government of India

13



Atmanirbhar via Electric Vehicles (EV)

Ashok Mittal
Founder & CEO – Prest Loans

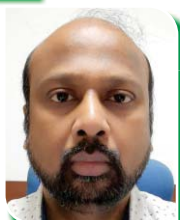
18



Powering the Macro Through the Micro

Samir Shah
Executive Vice-Chair & Group President, Dvara Trust

22



New Reforms of Metal and Mining Industry – steps towards making India “Self - Reliant”

Sourav Dinda
Head, Corporate Affairs - Delhi, Hindustan Zinc Limited
Recent amendments in MMDR Act (2021) aims to boost domestic production and to reduce import of minerals.

27



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Atmanirbharta & Commodities

CPAI Team

30



India INX – Aiding Atma-Nirbhar Bharat

V. Balasubramaniam

Managing Director & CEO, India INX

34



Options for Aatma Nirbhar Businessman

CA Govind Jhavar

Founder, Finideas Investment
Advisor

39



On a Mission towards Self-Reliance!

Vedika Narvekar

Fundamental Research Analyst - Agro Commodities
Anand Rathi Share and Stock Brokers Ltd., Mumbai

43



Atmanirbharta & Progress

Sandeep Sabharwal

CEO, SLCM

47



Commodity Futures Markets & Atmanirbhar Bharat

Debojyoti Dey

Multi Commodity Exchange of India Ltd.

49



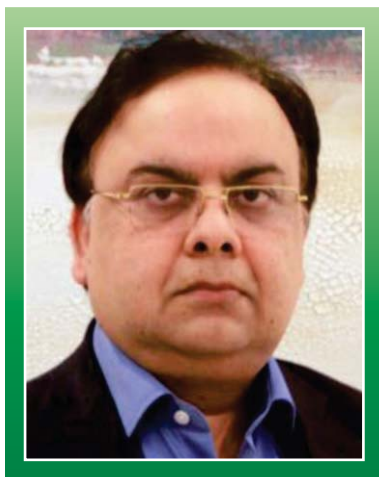
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Narinder Wadhwa
President, CPAI

From the President's Desk

Hello Friends!

CPAI brings to you the first issue of its quarterly journal for the FY 2021-22.

Second wave has forced states to go for limited lockdowns and curfews. Sudden and steep surges in cases has forced majority of states to go for lockdown. The daily cases have now started coming below 3 lacs as I write this message. Hopefully we as a nation shall overcome this health challenge. During the challenge only the character of the system is tested and new paradigms take shape.

Our editorial team has chosen a theme which is not only an empowering vision but also has the immense potential to make India a global hub of manufacturing and services. I always believed that our country can produce locally and support the nation's demand and we also can move in align our efforts to export globally. Indian can leverage the sentiment rising in various countries to shift their business out of China and into India. The objective is to boost domestic manufacturing by being 'Vocal for Local' and ultimately taking Local to Global. Localisation can be the gateway to further opportunities such as export growth, import substitution, and contract manufacturing. The major foundations or tenets for an Atmanirbhar Bharat would be: Economy, Infrastructure, System, Demography, and Demand.

Around 6 crores MSME across diverse industries that employ 12.5 crore people will provide the thrust to the mission and they would require

very focussed support- availability of skilled labour in MSME clusters, financial stability through adequate funding and enhancing the market competitiveness of their products to achieve both – import substitution and exports. Manufacturing locally helps India's industries grow and its talent pool to develop specialised skill sets. Such scale and diversity drive companies to innovate. Government is also taking series of steps in calibrated manner - as the Skill India program, the Ease of Doing business policies, Production Linked Incentive scheme, focus on Foreign Direct Investment. Developing economies of scale, focusing on quality, maintenance of foreign country compliances, investment in R&D and technology, and right pricing can help accelerate India to a new level of competitiveness and scale.

Farm Sector will continue to be paramount but we need modern agriculture that is driven by the latest technologies and markets. The financial growth and inclusion needs to be driven by agro-based industrialization, which will gradually move to the non-farm sector. This will require investments to be made in post-harvest rural activities like agro-processing, cold chains, packaging, cold storage and their transport. Also essential is creating a favourable regulatory environment that will stimulate greater private sector investments in rural areas. Strong linkage between farm and non-farm sectors of the economy must also be developed for a true Atmanirbhar Abhiyan. Through such linkages, the farm sector will be able to produce market-oriented commodities, slash their transportation costs, receive excessively remunerative prices at the farm gate, and reduce farm wastage.

Overall, Atmanirbhar Bharat infuses a sense of direction for our efforts and a long term vision for making a self - assured and self - reliant nation ready to play a stellar role in global supply chain.

On behalf of CPAI, once again a Big Thanks to the editorial team chaired by Mr Jayant Manglik and the team formed an amazing coordination working from home but working in tandem in getting this journal to you.



Commodity Options:

AN EFFECTIVE RISK MANAGEMENT TOOL





Jayant Manglik
Chairman, Editorial Board

From the Chairman's Desk

We were very happy when we finalised the theme for this edition - "Towards Atmanirbhar Bharat : Emerging Opportunities in the New Global Environment" because of the wide range of ideas and sub-topics it encompasses. In fact Atmanirbhar – or self-sufficiency – itself has several connotations. It is not just about increased production. It will definitely include MSME because they are the backbone of atmanirbharta. It will also include several allied concepts like a robust regulatory architecture, flexibility and support for innovation as well as neat processes which are easy to understand, implement and navigate. It works not just by replacing a foreign-made item, but ensuring one which is more efficient, cheaper, sustainable and with high suitability to local needs. In most ideas – but not all – technology would play a vital role and understanding its applications will be a very vital part of Atmanirbhar Bharat. Creating new and more efficient markets is also a key need to implement this concept. Similarly, appropriate incentivisation will certainly help the process. And agri-business could well be a major

beneficiary of atmanirbharta as it dovetails well with other similar concepts from the government. Not just as a concept but even as an application, atmanirbharta has the potential to completely change the way India thinks and implements.

We were able to get industry experts to share their diverse views on Atmanirbhar Bharat and are thankful to them for sharing their time and expertise on this platform. As always, this magazine will go out to everybody who is a stakeholder in the commodity value chain including the regulator, decision-making government officials, exchanges, CPAI and exchange members, traders and the entire range of commodity market participants.

Given the wide range of topics this theme embraces, we are already considering another edition with more aspects of Atmanirbhar Bharat at some point. Meanwhile I hope you enjoy reading this issue.

Regards,

Jayant Manglik

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Rose Mary K Abraham*
Director, Ministry of Finance
Government of India

Union Budget 2020-21 has made a remarkable announcement that Warehousing Development and Regulatory Authority (WDRA) will be strengthened to set up a commodity market eco system arrangement including vaulting, assaying, logistics etc., in addition to warehousing. This gives scope for widening the regulatory purview of WDRA to cover non-agri commodities as well as their assaying, logistics etc., thereby going beyond the present mandate of warehousing. Moreover, the announcement provides ample scope to strengthen WDRA as a quasi-judicial authority with enforcement powers (power to conduct inspection, inquiry, investigation, power to impose monetary penalty, to issue administrative orders like cease&desist orders, consent /settlement procedures etc.) like Securities and Exchange Board of India (SEBI) by amending the Warehousing (Development and Regulation) Act, 2007 (WDR Act). The announcement follows from the recommendations made by the 2019 SEBI-Ministry of Finance Working Group on non-agri commodity warehousing, led by SEBI Whole Time Member, Shri SK Mohanty.

Expanding the scope of WDRA to cover logistics, assaying etc. arises because these have to be viewed in a wholesome manner, rather than as separate activities. For instance, in case of precious metals, market participants accept only those metals which can be traced back to their refiners and which have not gone out of the loop (where metal is transported using the logistics services provided by the vault/warehouse or refiner himself). In agri commodities, assaying of quality parameters is sometimes done by the warehouses themselves or through their recognized / empaneled agencies because it is their responsibility to make good the claims of loss / damage, if any, that arises at a later point in time. Access to accredited labs is not easy either and most often assaying at the level of warehouses provides for a single window arrangement.

WDRA was set up with the objectives to encourage scientific warehousing of goods towards creation of efficient supply chains that reward grading and quality. It was meant to improve the fiduciary trust of financing institutions on the warehouse receipts and thereby increase access to

*Views expressed herein are personal and do not represent the views of Government of India.



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finance in rural areas while lowering their cost of financing. However, the WDRA had a minimalistic existence since its establishment in 2010, with a handful of employees, leading to outsourcing of even some of the key regulatory functions like accreditation and inspection. While 152 agricultural commodities have been notified for issuing negotiable warehouse receipts (NWR), no non-agri commodities has been notified so far, given the regulatory capacity constraints. However, the Act does not prohibit warehousing of non-agri commodities.

Further, not all warehouses (WHs) need to be registered with WDRA, but only those intending to issue NWRs need to register. This structuring of WDRA is similar to the erstwhile commodity derivative eco system (FMC-FCRA system) which allowed a host of entities to exist for trading in free commodities whereas exchanges needed to be recognised by the regulator, Forward Markets

Commission (FMC), only if they intended to trade in select notified commodities. This had resulted in rampant illegal/dabba trading in commodities. Consequent to such similar policy in the warehousing sector, no accurate estimate of warehousing capacity in the country is known. From the estimated organised warehousing capacity of around 154.82 million MTs in India, only those WHs with around 9 million MTs are actively registered with WDRA.¹ Out of the warehouses registered by the Authority since inception i.e. 2011-12, only 53% of the WHs remain active. Since SEBI had made it mandatory that delivery on their exchange platforms would happen via electronic NWRs (e-NWRs), nearly 98% of the e-NWRs issued are for the exchange-based deliveries. A majority of the warehouses in the public sector like that of FCI, CWC, HAFED, NAFED etc. are still not WDRA accredited warehouses, and hence also not participating much on the exchange platforms.

WDRA registered warehouses as on 30.11.2020

S. No.	Year	No. of registered warehouses	No. of NWRs/e-NWR issued	Total Quantity of Stocks against NWR/eNWR (in Lakh Ton)	Total loan against NWRs/e-NWR (Rs. In crores)
1.	2011-12	240	8056	1.35	591.00
2.	2012-13	92	8242	1.39	105.65
3.	2013-14	68	6121	2.57	108.02
4.	2014-15	234	16993	5.12	388.42
5.	2015-16	588	15178	5.69	203.47
6.	2016-17	214	19350	3.58	148.40
7.	2017-18	261 (Online- 106)	12313 (e-NWR-114)	3.47947 (eNWR - 1.79947)	118.51 (against e-NWR-Rs.0.20 Cr)



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8.	2018-19	607 (Online - 601)	89114 (e-NWR-77332)	7.215309 (eNWR-5.215309)	135.5974 (against-e-NWR-28.2774)
9	2019-20	1005	138637 (e-NWR-134939)	9.49649 (eNWR - 8.98649)	437.9965 (e-NWR-379.7265)
10	2020-21	124	44139 (eNWR only)	3.70748 (eNWR only)	284.5874 (eNWR only)
	Total	3433*	358143	41.918749	2521.6513
* Valid Registration -1831					
Source: DPFD website					

Further, there is no clarity in the Act as to whether all those issuing tradable warehouse receipts, whatever be the name of it, be registered with the WDRA. In the past, exchanges used to run their own set of accredited warehouses and conducted trading in commodities using such warehouse receipts, without verifying on the corresponding stock in the warehouses, which eventually affected their risk management capacity/settlement ability. Without ensuring delivery of commodities from third party/regulator accredited warehouses, it would be very difficult to prevent such transactions from degrading to simple financial or paper transactions facilitating accommodating entries for tax purposes or as "derivatives". At the same time, there is a need for additional risk-based regulation of those warehouses managed by the industry, particularly in the non-agri segment (say in commodities like iron ore, coal etc.), to issue warehouse receipts of their own, as third-party warehousing as mandated under WDR Act may not be feasible for them.

Reforming the warehousing business has long been a pending agenda of the government. A 1919 committee set up by the provincial government of

Bombay under Gilbert Wiles had suggested setting up warehouses where the quality is assessed in a systematic manner so that the issue of delivery of lower grades of cotton against the broad-based contract in cotton traded in derivative exchanges is taken care of. Raipuria Committee Report (GoI, 2001) identified warehouse receipts which cover quality risk as an important risk component of commodity futures trading. According to the committee, if quality risk is not covered, price risk management by means of futures contracts have limited meaning and could have only limited success. Hence, its major recommendation was to strengthen the legal framework for making the negotiable warehouse system "the demat of commodity futures trading". Prashant Saran led Working Group of RBI in 2005 also delved into the various options for developing warehouse Receipts and commodity futures market (RBI, 2005). However, a negotiable warehouse receipts system would take another 15 years or so, to make its appearance. Government introduced electronic negotiable warehouse receipts (e-NWRs) in September 2017, which is still struggling to cross a threshold volume.



Commodity Options:

AN EFFECTIVE RISK MANAGEMENT TOOL



E-NWR when scaled up can reduce monitoring costs for lending institutions/pledgee; reduces theft, fake receipts etc.; and provide real time monitoring of commodity stock positions for Govt. so as to take suitable counter-policy export /import measures. Once its usage becomes widespread, it could be declared as a "security" under Securities Contracts Regulation Act (SCRA), 1956 for facilitating its trading on the SEBI regulated exchanges. This would be a credible alternative to unregulated spot trading system in general. In addition, it could further strengthen an exchange based or Over the counter trading in commodity forwards (non-standardized or customized contracts). With e-NWRs, we could develop e-commodity trading for satiating investment appetite in certain commodities like gold (eg. Digital gold trading). If e-NWR system is robust (which means the person taking hold of an e-NWR has no doubt as to the quality or quantity of the commodity specified in that warehouse receipt) it can facilitate easy funding for commodity players. We could even think of facilitating a repo market based on e-NWR for financing real sector participants. A widespread network of warehouses will help the farmers to seek loans from banks against the e-NWRs, to avoid distress sale of agricultural produce during the peak marketing season while avoiding the post-harvest storage losses. Use of e-NWR could also enhance their hedging practices. The Kolamkar committee (GoI, 2014) believed that a robust and liquid market in warehouse receipts would facilitate and encourage credit market participation in commodities derivatives as part of hedging their loans against warehouse receipts.

Abhijit Sen Committee (GoI, 2008) had floated the idea that "the commodity market regulator gets some jurisdiction over warehouses and spot trade practices which have a bearing on the successful operations of the futures market". However, the Standing Committee of Parliament, (2006) made the observation that the FMC shall not have any powers to oversee the regulation of warehouses and was agreeable to a separate regulator for warehouses, as we see today. Recently, in respect of gold, Union Budget 2021-22 proposed SEBI to be the regulator for spot as well as derivatives. With the enactment of Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, the prospects for having full-fledged integrated regulation of spot and derivatives trading by the same regulator at least in respect of agri-produce have been closed, as the said Act provides for mostly a laissez-faire system of spot trading. If we were to insist, like Ramesh Chand Committee (GoI, 2018) that the regulator for commodity derivatives should also be the regulator for such spot contracts, an alternative way is to declare e-NWR as a "security" through a notification under SCRA, so that trading in e-NWR can happen in the existing commodity derivative exchanges coming under the jurisdiction of SEBI. WDRA would still be concerned with ensuring the integrity of e-NWR through physical inspections of warehouses etc. while trading aspects of e-NWR are looked after by SEBI. In fact, in derivatives exchanges, delivery is happening through e-NWR in respect of agri-commodities. Hence, when e-NWR is declared as a security, stocks kept in such warehouses can seamlessly trade in the spot segment as well as assigned for delivery against derivatives, with full

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fungibility between the two. For the farmer, this arrangement becomes a single window for direct sale, better price discovery, higher price realization and for risk management and hedging. Notifying e-NWR as a "security" is an easy executive solution not requiring any further legal amendments or a new law.

Unless the warehousing, assaying and logistics sector is strengthened, any reform in commodity market - be it agri market or non-agri market - be it spot market or commodity derivative market - cannot take off. A well-regulated delivery

mechanism using e-NWR, backed by a robust network of storage infrastructure supported by credible assaying/ testing facilities is necessary to facilitate hassle-free delivery of commodities throughout the country. This will help in developing a national market for commodities and enable better price discovery. When we empower WDRA as an independent regulator like SEBI (as quasi-judicial authority with enforcement powers), then e-NWR would start commanding the confidence of investors, taking it to the next level of commodity led growth.

Reference :

1. Source: WDRA Annual Report 2019-20.



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Atmanirbhar via Electric Vehicles (EV)



Ashok Mittal
Founder & CEO – Prest Loans

'Electric three-wheeler cargo is a big potential market in India'

"Hero MotoCorp partners with Taiwan based Gogoro to launch battery swapping EV's in India"

'Mahindra to invest Rs 3,000 Crore towards Electric Vehicles'

"Piaggio launches Ape Electric FX passenger and cargo loader with EV experience centers"

'Triton Electric plans to setup Electric car plant in Karnataka'

"Kinetic Green Jumbo Electric Cargo Loader launched"

'Mahindra Electric launches new Treo Zor electric cargo loader'

You must have read some of these news items in last one year or so while looking for news on commodities, base metals etc. Ever wonder what is happening in India and around the world as a huge change the way logistic industry works! Suddenly world is looking beyond 'Crude Oil' and 'Natural Gas' – the darling product of commodity traders! Suddenly the focus about 'freight exchange' will shift from Baltic to somewhere else! Suddenly focus will shift on Lithium and Lead – as their demand grows for batteries! Why?

It is all because of global focus on new type of vehicles, they run on BATTERIES, as popularly known 'Electric Vehicles' or EVs. These batteries use Lead Acid or Lithium as source of energy for running vehicles.

There are various kind of electric vehicles being manufactured and launched, like

- Two wheelers (2W);
- Three wheelers – passenger (3W – P) or more popularly known as e-rickshaw,
- Three wheelers – Cargo or non-passenger (3W – NP or C – these come with various loading capacity and called L-3 or L-5 depending on load capacity and other features),
- Four wheelers (4W) tractors and cars.



INSURE

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As per the view of “Society of Manufacturers of Electrical Vehicles” – SMEV - The electric vehicles (EV) industry at a nascent stage in India. It is less than 1% of the total vehicle sales however has the potential to grow to more than 5% in a few years. At present there are more than 5 lakh electric two-wheelers, few thousand 3 wheelers (3W) and few thousand electric cars on Indian roads. The industry volumes have been fluctuating, mostly depending on the incentives offered by the government. The data available is only for the vehicles which are getting registered with respective state RTO (regional transport office) as unregistered vehicles cannot be tracked. Many local manufacturers assemble the units and that data is also not available in organised market.

As per estimates the monthly registration of E-3W (passenger) is about 9000 units while the same for E3W (Cargo) is just about 800 units per month. The sale is expected to pick up once Covid gets under control and normal economic activity picks up.

More than 90% of electric vehicles on Indian roads are low-speed electric scooters (less than 25km/hr) that do not require registration and licenses. Almost all electric scooters run on lead batteries to keep the prices low, however that is not the focus area here for discussion. Considering the commodity markets which has larger interest in specific commodities and logistic we need to discuss more about Cargo vehicles for delivery as well as demand for Lead and Lithium – as trading commodities. Both government and private players see great opportunity with EVs in reducing the Carbon footprint, dependence on Crude oil imports, creating jobs and building a

new Technology knowledge hub in India. Other than manufacturing e-vehicles there are many manufacturers who have taken initiatives to install the charging station with huge future potential though have seen limited success as of now.

Other than well established and known players like Hero, Mahindra, Ather, Ola, Avon, Kinetic etc. there are many more players who have joined EV industry in various categories like 2W, 3W, 4W, components, Battery, services etc. Here is a sample list of SMEV members; full list available on <https://www.smev.in/smev-members> :-

S. No.	Organisation	Manufacturer Profile
1	Ather Energy	EV-2W
2	Ampere Vehicles Private Ltd.	EV-2W/3W
3	Lohia Auto Industries	EV-2W/3W
4	Kinetic Green Energy & Power Solutions	EV-2W/3W
5	Smart Dreams Pvt. Ltd.	EV-2W/4W/ Buses
6	Terra Motors India Pvt. Ltd.	EV-3W/2W
7	SUN Mobility	EV- Services
8	Shigan Evoltz Ltd.	EV-4W/3W/ Component
9	Atul Auto Limited	EV- 3W/4W
10	YC Electric Vehicle	EV-2W/3W
11	Electrie-One Auto Pvt. Ltd.	EV-2W/3W/ 4W
12	PIAGGIO Vehicles Pvt. Ltd.	EV-2W/3W



INSURE against volatile Base Metal prices

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There are numbers of E-Rickshaw players mushrooming across the country and selling good numbers of E rickshaw for last-mile connectivity. The Industry is almost ready for take-off but for the incentives. It is expected that with FAME-2 the Industry may witness a quantum leap in volumes and technology. Various major state governments like Delhi, UP, Gujarat, Karnataka, Kerala, Andhra, MP, Tamilnadu etc have announced incentive schemes to promote EVs both in passenger and cargo category by keeping RTO registration fee at zero or significantly low in comparison to ICE (regular diesel or petrol) vehicles.

The industry has also created new business opportunity for fleet operators in India in cargo space who are using EVs; some of them are Zyngo RV Mobility, MoEVing, SmartE, LoadEXX, DOT etc. these operators are servicing large e-commerce players like Amazon, Flipkart, Snapdeal, Zomato etc to meet their last mile connectivity and delivery. Similarly, EV industry has created new business opportunity for battery manufacturer, Charging stations, battery swapping firms etc which are new segments with huge potential.

The EV industry has opened up opportunities for Indian players to do national and international collaborations in various fields. For example, Omega Seiki of India has tied up with C4V USA to introduce Cobalt, Nickle free Li-on batteries in India. Similarly, Hero Motocorp of India has tied up with Gogoro to build electric 2W battery swapping network in India wherein Hero will develop Gogoro powered 2W vehicles for Indian market under a joint venture.

One very important development for Indian agriculture sector is the news that tractor manufacturing companies like Escorts and Sonalika have launched their electric tractors in India. This will reduce operating cost of tractor for farmers drastically (the EV operating cost is expected to be 25% of a diesel tractor) and increase farmer's profitability over a period of use of e-tractor. If we consider only 10% electrification of tractors, that would be around 80,000 tractors annually, which would be 10,000 crore business opportunity not only for manufacturers but also for lenders especially when this comes under priority sector lending (PSL).

What is there for commodity participants in it?

It would be very important for the commodity participants to track the electric vehicle developments not only in India but globally as any fluctuation in demand/supply of EVs will impact prices of

- Lead, Lithium – raw material for batteries. Lead is already traded on exchange platform.
- Freight Index – due to transportation cost
- Agri commodities in general due to impact on farmers and transportation cost
- Crude Oil prices as Lead/Lithium may have negative correlation (need to do more data analysis and study of historical prices!).

Challenges in growth of EV industry and Finance facility of vehicles

Banks, NBFCs and other financial institutions are not very active in financing of EVs whether 2W, 3W, 4W or tractors largely due to this being a new

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sector and lack of understanding about the technology being used in EVs. The initial experience of lenders in 3W (e-rickshaws) was not encouraging due to very high NPA (non performing assets or bad debts).

The main reason behind it was poor underwriting in greed of charging high rate of interest and also poor quality of vehicles which was due to cheap imports from China. Most people were assembling parts imported from China. However now we see many Indian companies making good quality parts and importing better quality motor, controller and other equipment which is providing some comfort to lenders.

Another reason for lack of interest in lending is shorter life cycle of these vehicles, mostly Lead Acid battery based vehicle have life of 2-3 years while Lithium-ion battery based vehicles have expected life cycle of 3-5 years which force lenders to keep the loan tenure shorter in comparison to traditional commercial vehicles. This puts additional pressure on borrower to pay higher monthly instalment. The batteries need to

changed/ replaced soon which adds to the risk on vehicle financed. Now with the new products being launched with battery swapping option, this issue should get resolved. The Government is also planning to install battery charging stations at all the petrol pumps, which should make charging easy and reduce the risk of this segment.

The only encouraging factor for financiers as of now is incentive schemes like subsidy and interest subvention by various state governments.

We at Prest Loans have planned to finance better quality commercial electrical vehicles (Cargo - of L 5 specifications) with the idea of promoting 'Atmanirbhar Bharat' ideology of government. The company shall be financing the last man (Driver owners) to buy these commercial vehicles so that they use latest technology, save on cost and be part of financial inclusion initiative.

To summarise, we can say, this is a very new industry picking up fast, its going to revolutionise the way transportation (passenger and cargo) is done in India. The first mover will have huge advantage especially in agriculture sector.





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HEDGE PRICE RISK USING MCX FUTURES CONTRACTS



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Powering the Macro Through the Micro



Samir Shah

Executive Vice-Chair &
Group President, Dvara Trust

Contributing 30 per cent of India's GDP and 48 per cent of India's exports, the micro, small and medium enterprises (MSMEs) sector forms the backbone of India's inclusive growth story and presents itself as a tremendous opportunity to bring about transformative growth that can propel millions of households towards economic prosperity and well-being.

As per the MSME Ministry's FY20-21 annual report¹, currently, India has 63.3 million MSMEs, out of which Micro-enterprises with 63 million enterprises accounts for more than 99% of the total estimated number of MSMEs. Small sector and Medium sector accounted for 0.52% and 0.01% of total estimated MSMEs, respectively. As is evident, the composition is massively skewed towards micro-enterprises, where 95 firms out of every 100 are micro-enterprises and the remaining fall in the small and medium category. This contrasts with the developed countries where the number of micro-enterprises falls in the range of 50-55 out of 100 enterprises². It is interesting to note that more than half of the MSMEs in the country operate in rural India, thus are significant drivers of the rural economy. The sector creates employment for over 11 crore workers and is second only to Agriculture.

The sheer scale, diversity and breadth of MSME operations, especially micro-enterprises, warrants a carefully thought-through framework and an enabling environment that nurtures these institutions towards long-term growth that aids and contributes to India's growth story.

The Pandemic and Government Measures

Given the primary function of the sector and how entrenched it is with the economy, the COVID-19 pandemic and the resulting lockdown that it brought about severely impacted small business operations, disrupted supply-chains, caused job losses, and sank consumer demand. The effects of the pandemic also exposed the fragile nature of the sector and brought into perspective the need for and importance of addressing systemic challenges that the sector faces.



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In light of the economic hardship faced by the sector, the Government introduced a slew of measures as part of its Atmanirbhar Bharat³ package last year. Primarily these included:

- Reclassification of MSME criteria - Investment limit has been increased and the factor of 'turnover' included. In addition, the distinction between manufacturing and service sector eliminated. To encourage exports, the Government also decided that the export turnover will not be considered in the turnover limits prescribed for MSME units.
- Rs 3 lakh crores collateral-free Automatic Loans for Businesses, including MSMEs through Emergency Credit Line Guarantee Scheme (ECLGS) from Banks and NBFCs up to 20 per cent of entire outstanding credit
- Rs 20,000 crores Subordinate Debt for Stressed MSMEs
- Rs 50,000 crores Equity infusion for MSMEs through Fund of Funds
- Global tenders will be disallowed in Government procurement tenders up to Rs 200 crores
- To ease the liquidity of MSMEs, the Government has directed that the amounts due by the government and public sector units be cleared within 45 days of acceptance of goods/services.

While these steps are certainly in the right direction, what remains to be seen is how they get actioned and if the benefits eventually accrue to the MSMEs,

especially micro-enterprises, most of which do not have a formal credit history and are handicapped by information asymmetry. For instance, less than 10 million of India's 63 million MSMEs have benefited from the ECLGS so far. For the Rs 20,000 crore sub-ordinate debt scheme, intended to help about 200,000 MSMEs already stressed or under NPA, the pickup is low, with less than 500 beneficiaries by March-end⁴.

RBI 'Expert Committee on Micro, Small and Medium Enterprises'

In June 2019, the Reserve Bank of India appointed 'Expert Committee on Micro, Small and Medium Enterprises' (RBI Expert Committee on MSMEs) under the chairmanship of U K Sinha, submitted its report⁵ that looked at the current institutional framework, in place, for the MSME sector and proposed several long-term solutions, for their economic and financial sustainability.

In the report, the committee identified that challenges relating to physical infrastructural bottlenecks, absence of formalisation, technology adoption, capacity building, backward and forward linkages, lack of access to credit, risk capital, perennial problem of delayed payments, etc. are hindering the development of a conducive business environment for expansion of the sector. To address these challenges, the committee had proposed several solutions that looked at addressing some of these challenges. Among them, it had proposed:

- Reclassification of the MSMEs & amendments to the MSMED Act to address the issue of delayed payments



Commodity Options:

AN EFFECTIVE RISK MANAGEMENT TOOL



- Making PAN as a Unique Enterprise Identifier (UEI) to avoid cumbersome registration process and duplication of efforts
 - Expanding the role of SIDBI
 - Creation of a Distressed Asset Fund
 - The need for banks to move towards cash flow-based lending
 - Scaling up of the TReDS platform and creation of pooled API of all TReDS platforms providers
 - Introducing adjusted PSL to enable the banks to specialise in lending to a specific sector.
 - Revising the collateral-free loan limit to Rs. 20 lakh.
 - Creation of a Self-Regulatory Organisation to organise and provide light-touch regulation for this category of players.
- (ii) lack of bespoke products that suit lender appetite and the risk profiles of borrowers,
 - (iii) long turn-around-time for receiving loans,
 - (iv) requirement of collaterals by traditional lenders,
 - (v) high-interest rates, and
 - (vi) complex application procedures.

The RBI Expert Committee on MSMEs, also in its report, had noted that despite an ongoing policy focus, growth of MSME credit has been weak. It highlighted that this primarily stems from the risk involved in lending to the sector, the cost-to-serve, and lender coverage with very poor credit depth in large parts of the country, leading to weaker access to formal credit.

According to a report by the International Finance Corporation⁷, out of the total debt demand of MSMEs of Rs 69.3 trillion, only 16% (Rs 10.9 trillion) is sourced from formal institutions. A major part - 84 per cent or Rs 58.4 trillion - is financed from informal sources, which includes family, friends, and family business. The same report indicated that despite an increase in financing to MSMEs in recent years, the addressable credit gap in the MSME sector is estimated to be Rs 25.8 trillion, which formal financial institutions can viably finance in the near term. Amongst this addressable gap, Micro and small enterprises together account for 95 per cent of the viable debt gap that can be catered to by financial institutions in the near term.

This gap presents an opportunity for formal financial institutions to tap into a readily available market; however, it needs a reimagining of systems and processes that enables these institutions to

Access to Finance

Among the myriad of challenges that the sector faces, one systemic challenge that is also a massive opportunity waiting to be tapped is in the area of enabling access to finance for MSMEs, especially micro-enterprises. For micro-enterprises, access to credit is the lifeline that is core to their operations and collectively has a massive bearing on the smooth and efficient functioning of the entire ecosystem.

In a report⁶ by Dvara Research, lack of access to finance is highlighted as a major bottleneck in the growth of MSMEs, with the most commonly cited challenges being

- (i) lack of formal data for credit assessment,

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creatively address the market without being handicapped by the challenges that have plagued the sector for long. The increasing trend of leveraging non-conventional, alternative data points for underwriting, riding on artificial intelligence and machine learning, offers an opportunity for financial institutions to realign their efforts in reaching out to micro-enterprises that have been hitherto untapped for of a lack of formal documentation.

Take, for instance, the Dvara Kshetriya Gramin Financial Services (KGFS)⁸ model of using a credit template for underwriting (KGFS MEL Model). Targeted at rural/informal micro-enterprises with little or no formal documentation, the KGFS MEL Model aims to provide small business loans to these enterprises by quickening the credit underwriting process with less dependency on documents.

The credit template model has built-in data of standard products for each category of the business and the prevailing market price (Both purchase and selling price of the product). This enables it to capture the standard margin across all the business segments. After discussion with the customer, the user needs to capture only the quantity of the product sold every day by the customer. The system then automatically provides the output in terms of the monthly sales, purchase, gross profit and margin. Further based on the nature and size of the shop, the business overheads, namely rent, finance/EMI expenses, wages, EB and conveyance, are captured, and the system provides the net business income and net margin. After factoring in household expenses and the debt service capability, and based on the loan amount and tenor of the loan requested, the eligible loan amount is

displayed by the system. The model has reduced the dependency on formal documentation, led to faster TAT, and captures precisely the products traded by the customer, resulting in faster decision-making based on the standardised margin.

It is interesting to note that the emergence of new-age fintechs driven by their differentiated credit underwriting models, self-optimising algorithms, last-mile connectivity, and tailored offerings also have the potential to bring MSMEs under the formal credit umbrella increasingly. The RBI Expert Committee on MSMEs also talked about this when they opined that emergence of a digital lending value chain will provide faster turnaround and easy accessibility for MSME borrowers and use new data and credit scoring algorithms to provide new types of risk-adjusted lending products. This infrastructure can operate at a scale, break access barriers, and provide MSMEs with the ability to access finance and scale to reach their potential.

An examination⁹ of the various digital loans offered in the market by Dvara Research also revealed that digital lenders are making attempts to provide products with features that cater to the specific needs of various segments under the MSME sector. This appetite to develop an intrinsic understanding of specific segments, coupled with the extensive use of alternate data to assess creditworthiness, could decrease information asymmetry, and enable them to provide credit to those customers who are new-to-credit or have a thin credit history.

Conclusion

It is imperative that to enable access to finance for the millions of micro-enterprises in the country, one of the enabling mechanisms has to be a robust



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regulatory architecture that fosters innovation in business models and last-mile access for businesses that cater to the sector. As the RBI Expert Committee on MSMEs noted that a combination of digital public infrastructure, progressive regulation and new market forces has the potential to energise the MSME lending sector. This goes without saying that the regulation also needs to strike a balance with the principles of suitability, data privacy and consumer protection. Likewise, regulation also needs to empower micro-enterprises with a thriving policy framework that ensures ease of doing business without the sector

being over-burdened in a reporting/compliance bind that can hinder their growth and modernisation.

For a country as diverse as ours, for us to be truly 'Atmanirbhar', a thriving MSME sector driven by micro-enterprises is an absolute must. Given how integral they are to the economy, an enabling policy environment complemented by market innovation and access has far-reaching implications for the social and economic fabric of the country and has the potential to transform India into an economic powerhouse.

Reference :

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New Reforms of Metal and Mining Industry – steps towards making India “Self - Reliant”



Sourav Dinda*

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India's mineral reserve is very versatile, diverse, unexplored and these mineral resources are considered as key resources of development, but with time, mining sector has become more stagnant wrt it's contribution to India's GDP and its still struggling below 2% of composition wrt Total GDP of country.

Major and minor minerals contributes together around 1% (approx. Rs 120,000 Cr) of GDP, whereas Coal and Lignite together contributes similar. Import of all such major and minor minerals and their products including import of precious metals like Gold, Silver, Diamond etc is 4 times of production of major and minor minerals in value terms.

India is under-explored till date (approx. 10% of Obvious Geological Potential, i.e OGP, has been explored in India) and exploration and mining are mainly restricted to surficial and bulk minerals like Iron Ore, Coal, Limestone etc. Focus on exploration, investment on Strategic and high value minerals like Gold, Copper, Zinc, Nickel, Silver, rear earth metals etc are limited till date and today the country is Net importer of minerals in value terms.

Some of the crucial reforms of Government in last few years like MMDR Amendment Act 2015 , Full implementation of India-Korea, India -Japan CEPA (Free Trade Agreement), LARR Act 2013 (Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013) etc. had remained controversial and good intentions of them have not percolated in development in Mineral Industry.

It's now has become essential for government to concentrate on few strategic initiatives.

*Recent amendments in MMDR Act (2021) aims to boost domestic production and to reduce import of minerals.



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Detailed exploration should be the prime objective of Government. The average expenditure of India is 2.5% of Global Exploration Budget and Per Sq Km spent on Exploration in India (~ \$17) is insignificant in comparison wrt expenditure of Australia (~\$250) and Canada (~\$200). Moreover instead of surficial minerals, India must concentrate on exploration of minerals which are deficient and have to import. Most of such minerals (Copper, Gold, Silver, Zinc etc) have presence below 300 meter of surface (deep seated minerals). Its hearting that in Mines and Minerals (development and Regulation) Amendment Act- 2021 , Government has focused on Exploration and private entities are now eligible for funding under National Mineral Exploration Trust (NMET). Government has withdrawn NERP, i.e Non Exclusive Reconnaissance Permit, in current MMDR 2021 Amendment, whereas focused on awarding Exploration Cum Mining License (i.e, Composite License) through fast track Auctions. Hope such changes, will make faster allocation followed by detailed exploration and “Production and Despatch” of raw materials.



New rules required for Deep Seated Minerals as it needs detailed and precise exploration to locate commodities like Gold, Silver, Zinc, Copper etc. Many of the states PSUs have no expertise and adequate infrastructure to undertake exploration at such below depth, and cohesive participation of private players and international players should benefit country for creation of data bank. Separate rules for such minerals in terms of extension of time to obtain Statutory Clearance, rights on contiguous ore body, etc should be framed to support the challenges of explorers.

Mineral bearing areas are reserved for grant of concession to Government or public sector companies, which leads to locking of huge mineral resources. Such areas should be deserved and opened for all.

A single window clearance mechanism for all approvals like Environment Clearance, Forest clearance, Mining Plan etc to be in place to expedite mining project executions. It's necessary that in-principle approval for EC, FC and Land acquisition should be in place before offering the mineral blocks, and such steps will expedite execution of projects and faster production.

Recent step of Government about removing difference between captive and non-captive mines for Auction and allowing Captive miners to sale 50% of production of minerals in market, after meeting the requirement of attached plant and by paying additional

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amount, will be a step towards flow of additional raw material and minerals in system.

We expect, all such current steps in amendments of 2021 and if such suggestions can be considered by government for implementation, then such improved availability will reduce dependency on imported material.

Protection of Domestic Industry is equally important as Creation of avenues to Export our domestic Products. Free Trade Agreement are designed to increase trade between two countries, development of local industries of both countries and making them competetative with developed technical upgradation. With time our country has become self sufficient with some Non-Ferrous and Ferrous industry. But nowadays, Imports of Metals are coming to India without tariffs or reduced tariffs under various Free Trade Agreement like Asean, CEPA agreement between India-Korea, India - Japan, which created issues to

sale domestically produced Metal in our self-sufficient country. Exporting countries to India are sourcing raw material from another different country and with very little value addition, pushing this products to us by taking benefit of Prevailing Nil or Reduced tariffs. It's high time for Government to protect domestic industries, who are self-sufficient and to create an infrastructure to export value added products manufactured by us. We have seen some bold steps of Government to review such signed agreements and showing concern about impact of new or proposed agreements like RCEP.

Government's current focus on Production and Despatch of mined products, high exploration expenditure, smooth legislative and administrative framework, creation of infrastructure for value added products for export benefit, protecting domestic producer etc will definitely make country Self-Sufficient in metal commodities.





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Atmanirbharta & Commodities



Atmanirbharta, the continual process, would in true sense mean that we become biggest exporter of commodities we now import.

Agri Exports Profile of India : In the last 10 years , India has been a net exporter of agri- produce. There are many commodities where we have the comparative advantage. The agri-export basket of 2019-20 gives an indication where we enjoy comparative advantage". Marine products with \$6.7 billion exports top the list, followed by rice at \$6.4 billion (basmati at \$4.6 billion and common rice at \$2.0 billion), spices at \$3.6 billion, buffalo meat at \$3.2 billion, sugar at \$2.0 billion, tea and coffee at \$1.5 billion, fresh fruits and vegetables at \$1.4 billion, and cotton at \$1 billion. Although Rice & Sugar cultivation is subsidised through subsidised power & fertilizer. Experts say that this puts strain on groundwater and leads to inefficient use of agriculture.

Channelizing of incentives to exports of high-value agri-produce like fruits and vegetables, spices, tea and coffee, or even cotton may yield substantial gains .

Agri Import Profile of India : Single biggest item is 15 mt import of Edible Oil. Enhancing the productivity and recovery ration of oil from oilseeds are key tasks. Our strength - mustard, sunflower, groundnuts, and cottonseed have a potential to increase oil output. Opportunity- Palm Oil gives about 4 tonnes of oil from one hectare of land. 2 million hectares of land that has been found suitable for oil palm cultivation - can potentially give a yield of 8 mt of palm oil. In 2014-15, the government of India launched the National Mission on Oilseeds and Oil Palm (NMOOP). It had three Mini Missions: the Mini Mission I on Oilseeds, Mini Mission II on Oil Palm and Mini Mission III on Tree Born Oilseeds (TBOs). The main objective of the Mission was to increase production of vegetable oils sourced from oilseeds, oil palm and TBOs. In 2018-19, the Ministry of Agriculture released Rs 341.32 crore. Now, NMOOP has become a part of NFSM. Farmers need support in form of good seeds and inputs and protection against cheap imports.

Other major item where India remains a net importer is pulses, although our protein consumption per capita is low. The gap between production and consumption is narrow.



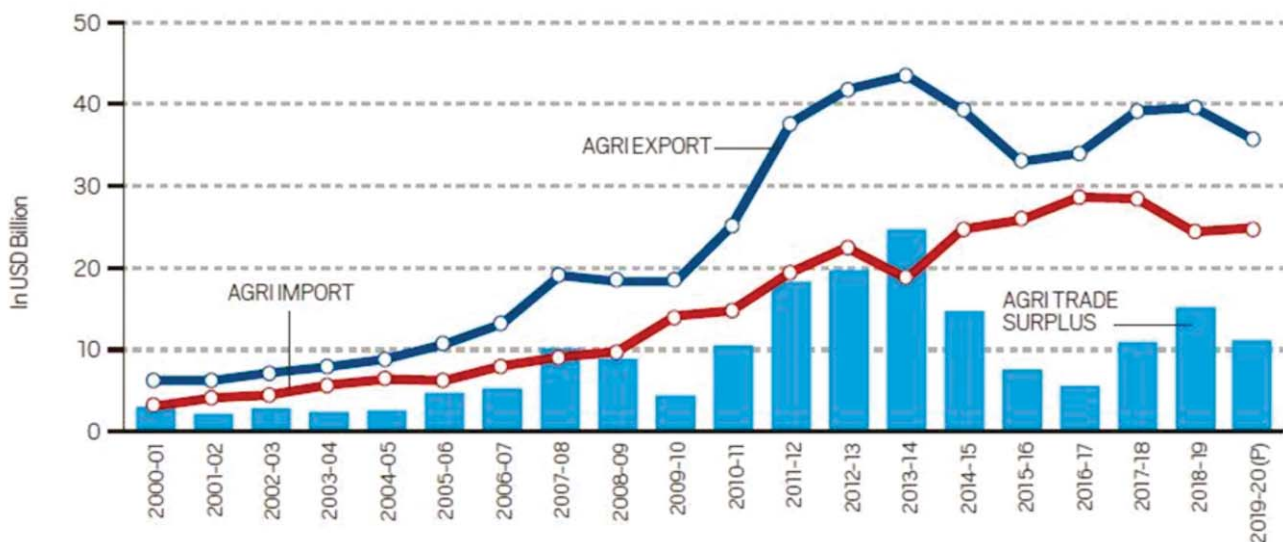
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'AATMANIRBHARKHETI'-INDIA'S EXPORTS AND IMPORTS OF AGRICULTURAL PRODUCE



The country also had to import other agricultural produce from time to time e.g. in 2019-20 import of five lakh tonnes of maize was permitted by the government.

Agri Inputs - Seeds, Fertilisers and Agro Machinery

Seeds : India can produce very competitively-priced seeds for hybrid rice, hybrid corn, hybrid Bt HT cotton, and of several vegetables ranging from tomato and potato to okra, etc,. We can emerge as an important seed producer and a large exporter of seeds to many developing countries in South and South East Asia as well as Africa. During the lockdown period, hybrid rice seeds were exported through special trains to Bangladesh by the private sector.

Fertilizers : Existing private sector urea plants can expand and produce at a much lower cost. In 2019,

India imported fertilisers worth \$6.7 billion. Topping the list is urea (\$2.9 billion), followed by diammonium phosphate (DAP) (\$2.0 billion), muriate of potash (MOP) (\$1.14 billion) and some others (\$0.68 billion). e don't have the relevant raw materials for DAP and MOP, India is likely to remain dependent on imports of these. India can be be atmanirbhar in Urea. 5 new urea plants in the public sector with a total capacity of 6.35 MMT are being opened.. Almost 70% of gas being used for urea plants is being imported at a price much higher than the price of domestic gas. Allowing the private sector plants to compete and expand urea production in a cost-competitive manner, be it at home or in the Gulf countries where gas is much cheaper could be explored

Farm Machinery specially Tractors : The new class of entrepreneurs and start-ups are coming up with special apps for 'Uberisation of tractor services' so



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that farmers can avail of these services at low cost, without owning a tractor. In 1961-62, before the Green Revolution, India produced only 880 tractor units, which catapulted to about 900,000 units in 2018-19, making India as the largest tractor manufacturer in the world. India also exported almost 92,000 tractors, largely to African and ASEAN countries.

Unshackling private sector from controls and regulations will take input side to Atmanirbharta

Agritech Environment : The quantum change is happening in Agritech with numerous startups deploying emerging technologies and advanced methods such as data analytics, machine learning and satellite imaging, among others to cater to the needs of Indian farmers and maximize their output . AI-powered platform have been developed that captures data on growing conditions real-time from on-farm sensors and delivers advisories on farm-specific, crop-specific actions to farmers via mobile in their native languages. Many start ups are working on Digital e- commerce electronic market place that connects farmers , traders and wholesalers

Deregulation in Agriculture : Essential Commodities Act and APMC were recently changed by the central government, giving farmers much-needed freedom. The proposed system enables localised decision-making by farmers even as they can participate in a national common market or export to the global market. Similarly, traders can now invest in supply-chains and agri-businesses without the fear of being arbitrarily labelled a hoarder by an inspector. A decentralised system, where economic entities are expected to be

self-reliant, requires a generalised system of social trust and the ability to enforce contracts. In turn, it implies a need to carry out administrative reforms and, more specifically, reform of the legal system,

National Agriculture Market (e-NAM) : With the aim to reach the last mile farmer & transform the way they sell their agri. produce, e-NAM had expanded to 1000 mandis of 18 States & 03 UTs. Under the new FPO trade Module, FPOs are doing trade from their collection centers through e-NAM platform. This online market aims at reducing transaction costs, bridge information asymmetries, and help in expanding market access for farmers.

FPOs : Collectivization of small and marginal farmer to form their organization as Farmer Produce Organization has been another major initiative by Ministry of Agriculture and Farmer Welfare for making Krishi Atmanirbhara. This will prove to be the most effective and appropriate institutional mechanisms to reduce the cost of production, increase productivity and facilitate better marketing linkages to enhance their net income..

Success story : FPO/ Farmer Groups : One success story of FPO is Surya Farmers Producers Company Limited (SFPCL) incorporated in the year 2015 with membership of 538 small and marginal farmers'. The SFPCL Member's are involved in the farming of Turmeric, Pulses and Vegetables and Milk products in Basmat Tehsil of Hingoli District. SFPCL got associated with e-NAM during the year 2018 when their officials attended training and handholding programs organized by MSAMB at Basmat APMC and subsequently in Pune for FPOs. SFPCL is very consistent in selling their produce on

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eNAM, has sold about 3100 quintal of produce worth more than Rs. 2.18 crores. The volume itself indicates the quantum of benefit FPO has received by selling their produce on eNAM. After the launch of new FPO trading module, SFPCL has embraced the new module and registered themselves on the new module with the help of eNAM team.

Non Agro Commodities

Gold : Spot gold exchange in India will enhance gold pricing across the country by adopting a concept One Nation One Price . India would have its benchmark price rather than price follower from global market. Despite of being a second largest consumer of gold after China, India follows COMEX for pricing of gold. With an establishment of gold spot exchange, the country will become Atma Nirbhar in gold pricing standards.

Locally Refined Gold Bars : The commodity derivative Exchange MCX facilitated a delivery intention of 190 kilos of locally refined 100 gms gold bars for April 5 Expiry Contract.

Base Metals : By making all base metals contracts deliverable against cash settled contracts, the base metal contracts are deriving their pricing from the domestic spot markets is one more step towards Atma Nirbhar.

MCX would allow delivery of locally-recycled base metals against their futures contracts on its platform to help make better price discoveries based on domestic factors. Currently, domestic commodity prices are mostly determined by international cues and domestic factors play very little role in prices. As against this, if local factors are considered the market can better discover prices in a more transparent manner.

Atmanirbharta & Commodities : The developments in Agri environment will not only help to augment the income of farmers but will bring a paradigm shift at grass-root level towards Atmanirbharta Bharat.

Overall, the commodities landscape is poised for a paradigm shift.



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India INX – Aiding Atma-Nirbhar Bharat



V. Balasubramaniam
Managing Director & CEO
India INX

Exhibition of Atma-Nirbhar

Onslaught of COVID-19 is crippling many economies while many major developed and developing economies are bearing the brunt of the attack. This is the juncture when the true resilience of a nation enables a country to come out unscathed or with minimal impact. India has faced the COVID-19 situation with remarkable determination and spirit of self-reliance. The fact that the country has become one of the major suppliers of the COVID-19 vaccination across the globe acts as a testimony of the remarkable resilience shown by the country. India had demonstrated on various occasions its ability to bounce back be it South-east Asian Crisis in late 1990s or Lehmann crisis that crippled most of the economies in 2008. This vivid spirit of self-reliance got a new thrust after the Hon'ble PM calls for Atma-Nirbhar Bharat Abiyaan (Self-reliant India mission). Amidst the testing times post the outbreak of the pandemic, the country needs to exhibit lot of self-reliance on various fronts - economy, healthcare, defence, etc.

Economy, which is the backbone of the country, needs to be self-reliant. Here, self-reliance implies that the factors markets and the product markets are made flexible enough to ensure the Indian economy adapts to the various challenges and opportunities in a dynamic global economic environment. The Reserve Bank of India (RBI), the central bank of India, in its recent monetary policy announcement on April 07, 2021, maintained the Gross Domestic Product (GDP) forecast at 10.5 per cent in FY22. The estimated GDP growth figures amidst the COVID-19 crisis reflect self-reliance of the country. This augurs well for India's long-term potential as an investment destination.

Economic Development through IFSCs

For sustainable economic growth and development, India can no longer afford to bank-on only its manufacturing sector. It has to strengthen its services sector as well, particularly financial services and IT/ITeS. Hence, for sustainable growth and to be a major foreign investment destination, there is a need for the country to embark liberalization of its financial sector. This is where an IFSC can act as an important catalyst for economic



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development and thereby ensure Atma-Nirbhar Bharat.

Globally, many developed countries at different stages of their economic development had taken initiative to develop International Financial Services Centres (IFSCs). Some of the centres such as New York, London, Tokyo, Singapore, Hong Kong, etc. have become leading centres for International Financial Services (IFS). These centres have contributed to respective country's economic growth and job creation. With technology connecting global financial markets, it has become inevitable for India to set-up IFSCs to tap various opportunities. At this juncture, rightly under the aegis of Hon'ble Prime Minister of India, the country's first IFSC was established at GIFT City, Gandhi Nagar, Gujarat.

Atma-Nirbhar Bharat - IFSC Connect

India is fast emerging as a key global player in various sectors. With the country's deepening economic linkages and interdependencies with the rest of the world, merits promoting a robust IFSC. The rationale to promote IFSC in India is the considerable benefits that will be accrued to the stakeholders and to the country as a whole. Hence, utmost economic, regulatory, administrative and political efforts need to be carried out to reap rich dividends later.

Any dependence on foreign IFSCs will only undermine India's position globally. There is significant trading of the Indian Rupee (USDINR) derivatives and other Indian derivatives on foreign exchanges. Also significant volumes of USDINR are traded on non-deliverable forward (NDF) market. A well-established IFSC in India will

ensure that the trading in various derivatives carried outside the country moves back to India.

India also enjoys certain comparative advantage as it is conveniently located to serve all time zones. Added to it is the country's long-standing commerce and cultural ties with various major markets around the world. Further, rich and economical human resources and lower real estate cost will position GIFT IFSC at an advantage vis-à-vis other global IFSCs.

Moreover, a vibrant IFSC in India will result in influx of various financial services related businesses to the IFSC in the country. It also aids domestic companies raise funds from overseas investors and help the Centre garner additional revenue over the long term. It even helps shift the offshore trading of rupee to India, giving Indian authorities greater control over rupee movement. Thus, the IFSC at GIFT City is set to be a major game changer for the country.

GIFT IFSC - Increasing Prominence

Though GIFT IFSC is a late entrant in the IFSC space, it has arrived at the right time. On one side there are more opportunities in the financial world and on the other India has a lot of potential that can be leveraged. The tax regulations such as waiver of several taxes like Goods and Services Tax (GST), dividend distribution tax (DDT) and capital gains tax for entities operating in the IFSC, zero securities transaction tax (STT) and zero commodity transaction tax (CTT) have rendered our tax and supportive regulatory framework comparable to any global financial center. Since its launch in 2015, GIFT IFSC never looked back as it continues to gain attention from far and wide. The exponential



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growth in trading volumes acts as a testimony of increasing prominence of GIFT IFSC (refer India INX - Trading Turnover graph).

The latest Global Financial Centers Index¹, London, published in March 2021 continued to place IFSC at GIFT City right at the top amongst 15 centers globally that will become more significant in the next two to three years. The latest ranking indicated by the index, which serves as a valuable reference for policy and investment decisions, reconfirms the growing prominence of GIFT IFSC in global financial centers space. Considering its progress so far and its future potential, we can envisage GIFT IFSC acting as an investment Gateway for India apart from providing a global financial platform.

IFSCA as a Propellant of GIFT IFSC

The International Financial Services Centres Authority (IFSCA) was establishment as a unified regulator for GIFT IFSC in April 2020. Advent of the regulator could not have come at a more opportune time when global investors are consciously moving

out of certain jurisdictions and are actively looking for other attractive investment destinations. The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole. This is completely in sync with prime minister's vision of GIFT IFSC should become the price setter for at least a few of the largest traded instruments in the world, whether in commodities, currencies, equities, interest rates or

any other financial instrument in 10 years down the line.

IFSCA has already initiated some progressive steps such as Liberalised Remittance Scheme (LRS), liberalized ECB guidelines, setting-up an International Bullion Exchange, building ecosystem for aircraft leasing, and creation of Fintech hub. On the back of a reinvigorated regulator and regulatory framework, it is certain GIFT IFSC will go a long way in positioning India as an international financial center.

Fin-tech to Boost Atma-Nirbhar Bharat

Financial technology (Fintech) has been disrupting the Indian financial services market in a big way for a few years now. According to a new KPMG report, India saw \$2.7 billion in fintech investment in 2020. This is India's second-highest yearly fintech start-up investment received in any given year to date. The investment recorded was US\$3.5 billion in 2019. Fintech investments are further expected to

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rise in 2021. Off late, India emerged as a leader, up from the current third place on the global fintech map, surpassing China. According to a research report, India has emerged as Asia's biggest destination for fintech deals, leaving behind China in the quarter ended June 2020. This was possible on the back-off structured, regulatory, and government support for the growth of fintech start-ups in India.

Setting-up of a big fintech hub at GIFT City is going to boost innovation in the fintech industry in India. Further, Fintech hub at Gift City brings along a range of opportunities and benefits for speedy growth of the fintech market in India. Thus, the government's plan to support a fintech hub at Gift IFSC makes a strong proposition as a step to build Atma-Nirbhar Bharat.

Role of Bullion Exchange

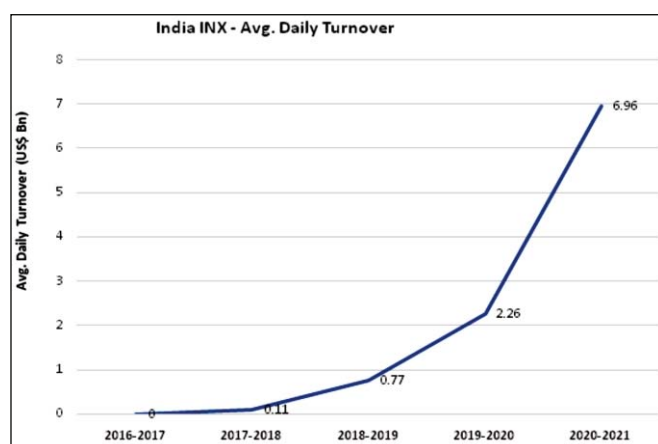
The international bullion exchange at the GIFT IFSC, which is set to become operational soon, will pave the way for a large chunk of gold trading shifting from Dubai to India. The move is seen as a game changer for the country's bullion industry, and is expected to put India in a position to set its

own price of gold. Considering the fact that India is one of the top two consumers of the metal in the world, there is ample scope for country to emerge as a prominent market for the precious metal.

India INX - Aiding Atma-Nirbhar Bharat

The India International Exchange (IFSC) Limited (India INX), a subsidiary of BSE Ltd., is India's first International Exchange set up at GIFT City. The Exchange, which commenced its trading activities on January 16, 2017 soon made a mark for itself in the global financial markets arena. The platform considered as one of the world's most advanced technology platforms with a response time of 4 micro seconds, witnessed phenomenal growth. Trading turnover on India INX has been growing exponentially ever since it commenced trading activities (refer India INX - Avg. Daily Turnover graph).

The platform, which operates for 22 hours a day to allow international investors to trade from anywhere across the globe, crossed various milestones in a short-span of time. Recently, on March 10, 2021, the Exchange witnessed an all-time high trading turnover of over USD 30.30 bn (INR 2,21,094 crores approx.) on its derivative segment in daily trading turnover. Its average daily trading turnover has crossed over USD 13.87 bn (INR 1,01,947 crores approx.) mark in the month of March 2021 with a market share of around 97% in GIFT IFSC. India INX has witnessed over 207% growth in average trading turnover in financial year 2020-21 as compared to previous financial year. The cumulative trading turnover has crossed the USD 2.60 trillion (INR 1,92,99,586 crores) mark driven by a substantial jump in market





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participation. This increased trading activity validates the new products and initiatives taken by India INX and reflects growing interest in the IFSC among the broking fraternity.

The exchange that provides a common platform for all asset classes - equities, currencies, commodities and interest rates even offers a primary market platform for debt securities. Since launch in December 2017, India INX Global Securities Market (GSM) has been the leading listing platform for bonds at GIFT IFSC. The GSM platform, offers a debt listing framework at par with other global listing venues like London, Luxembourg, Singapore, etc. Since launch in Jan 2018, Global Securities Market has been the preferred offshore listing platform of choice for Indian issuers with 100% of all Medium-Term Note Programme (MTN) and 99% of all bonds under External Commercial Borrowing at GIFT IFSC listed with India INX. As on date, India INX have marquee issuers like Asian Development Bank (ADB) a supranational, EXIM Bank of India (EXIM), Housing & Urban Development Corporation (HUDCO), Indian Railway Finance Corporation (IRFC), State Bank of India (SBI), National Highways Authority of India (NHAI), National Thermal Power Corporation (NTPC), Oil & Natural Gas Corporation (ONGC), Power Finance Corporation (PFC), Rural

Electrification Corporation (REC), Adani Group comprising of Adani Green Energy, Adani Ports & Special Economic Zone (APSEZ), Adani International Container Terminal Private Ltd., etc. establish their MTN programme with us alongside drawdowns and/or standalone issuances which are a healthy mix of masala, dollar denominated and green bonds. India INX is also the first introducer of Green Securities Platform for issuance of green bonds. Till date, Global Securities Market has established USD 50.5 bn in MTN Programme and USD 26.8 bn of bonds listed. We have now effectively established ourselves as a serious rival to other international financial centres for Indian Issuers raising money from international investors.

Prospects Looks Upbeat

More companies are expected to set-up or expand their operations in the country on the back of India's deepening integration with the global value chain. In this context, having a vibrant IFSC will not only boost businesses at GIFT IFSC but also the country's overall economy. Thus, we can impassively expect that the impact of GIFT City is likely to be felt only in the years to come thereby achieving our Atma-Nirbhar Bharat Abiyaan.

Reference:

1. The Global Financial Centres Index (GFCI) is a global ranking of the competitiveness of financial centres. The GFCI has been an important indicator for financial centres to gauge where they stand globally and how they can improve further.



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Options for Aatma Nirbhar Businessman



CA Govind Jhavar
Founder, Finideas Investment
Advisor

There is a very strong relationship between self-dependency and Options. Options had come into existence to make a business person independent. The business community is already having different kind of risk in their business, so Options can help them to protect the price risk of the commodity they deal.

Let's understand the 4 qualities of Aatma Nirbhar Businessman

1. Knowledge
2. Resources
3. Technology Equipped
4. Implementation Skill

Knowledge

Understanding of Options can help Business owners to protect the risk and to generate better returns from the different market opportunities. So, let's understand the concept of Options for a good commodity business:

What are the main objective of Options?

1. **Controlling Risk:** As we understand, that options provide us right to purchase or right to sell. So, we can protect our upside as well as downside risk using options. But while trading in options, we get lot of questions, so now let us understand the logic and reasoning behind hedging through options.
2. **Managing Liquidity:** Options provides us full hedging against the risk so when market moves against us, whatever money we are going to lose in trades will get reimbursed by Options. So, it helps business owners to maintain the liquidity in business.
3. **Managing Focus:** Options allow us to protect our portfolio against worst market situations. Here we will get the confidence that we will have unlimited profit if market is in our favor and at the same time we will also be protected if market moves against our view.



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Once we get the surety that our risk is protected, we can put more focus on our core business/profession. We can also focus on other strategies of investment where we can earn more returns.

How the Options get priced?

Theoretically, price of options comes from different kind of formulas like binomial formula or Black & Scholes formula, but practically, premium of options comes from the matching of demand and supply.

What kind of option should we buy and when?

Call option provides us protection towards upside market while put option provides as protection towards downside market, so when we carry upside market risk, we should choose call option and when we carry downside market risk, we should choose put option.

Can we exit from the options before the maturity?

Yes, we can exit from the options before maturity too. As options are available on exchange, so we can enter and exit from the trades whenever we want. Here, we need to check the liquidity and open interest of that option before making the trades.

Can we get full downside protection from Put Options?

Yes, the recent example of crude oil had made it more popular. Last year due to pandemic situation, crude price has gone into negative. The options have given the complete protection at the time. That indirectly means that Investors who have bought the commodity and simultaneously have bought the put option were protected downside completely.

What is the difference between Options buying and Options Selling?

Options gives power of leveraging to its buyer. A buyer can ride a bigger move with limited capital involvement. On other side, Options seller earns time value if market become in his favour. Seller also have to invest good amount as margin to earn time value.

The risk involves in buying options is limited to premium paid. A buyer's loss is decided when he enters in trades. Unlike buying, selling options involves an unlimited risk scenario. He will lose a huge amount if market moves against his view.

Options buyer can earn unlimited profit if market moves in his favour. If market moves in the direction of his view, premium will rise and he will get more and more profit. Meanwhile, options seller earning is limited to the premium he received. That amount is a time value of options which decay when market moves as per his view.

Who makes more money? Options Buyer or Seller?

In an ordinary manner, it looks like Options seller makes more money but we should understand this in depth. As Options seller earns time value, so time moves in his favor and he earns profit more times compare to Option buyer but his profit remains limited to premium he has received while Option buyer earns unlimited profit when market moves in his favor. So, the Options seller earns more times but small amount while Options buyer earns less time but with good size of amount. So, both the profiles are making and losing money in different scenarios.

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Now the next question comes, which is more suitable for us?

So, we need to check our temperament. If we can't stay with big profit to earn further more profit then we are not using the real feature of Options buyer. His main benefit was that he earns unlimited profit but if we can't wait for that moment then indirectly, we have paid big premium and not used the real facility of that premium.

Resources

Money: Money is the main resource required for smooth investment as well as hedging process. The good point of Options hedging is it requires limited premium when you buy it and again it is not carrying daily marked to market requirement when you sell it. So it becomes easy for the business man to handle the requirement of money.

Team: Proper team provides us efficiency with comfort.

"Talent wins games, but teamwork and intelligence win championships." -Michael Jordan. So we should keep building good team and making them more efficient.

Network: Building network is like expanding your business opportunity framework.

"Networking is an investment in your business. It takes time and when done correctly can yield great results for years to come." -- Diane Helbig.

Technology

Algorithms: Algorithms are future of Options Trading. It gives Speed, accuracy and discipline together. We, as a human, can make emotional mistakes in our trading. If we teach computers about our trading strategy & Patterns, he will execute the trades exactly as per our requirement. Algorithm can work without rest and will not miss any trading opportunity. It maintains the discipline of stop loss, Greek management, quantity and price. It is so speedy that it can



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execute a large number of orders within blink of eye.

Software: We should be ready with software that help us to manage our strategies. There is various software. Some of them helps us to back test our strategies and some of them will help us to make a watch on option Greeks in Live market. As a trader, we need to understand that such software is not a cost but it is an asset which help us to manage Risk in our derivatives portfolio and increase our efficiency in Options trading.

Implementation Skill

Start with small exposure: Always start with small exposure value whenever you try any new strategy. Though, you have tested it extremely on past data, it may go weird if market show an unpredictable scenario. Initially, start will small exposure and increase the exposure with each success.

Have Patience: Every Strategy needs time to show its strength. Give some time and don't change the decision quickly. Give at least a

quarter to run each strategy. Trader, who can't stuck with a strategy for a good period of time, become gambler in market.

Be Positive: Don't worry if things are not going in your way. Consider it as a stepping stone. Be positive.

Take Calculated Risk: No business get success with high risk. Only calculated risk gives a success to any business. In our opinion, High Risk = High Return is a big myth. If you continue taking high risk, you will lose all your bucks very soon. A calculated risk can save your time, energy and focus because it defines a bottom line to lose money.

Improve yourself: Trading or Hedging is not a destination; it is a journey. You always need to keep learning and improving yourself about various news, rules, technology and updates about the market and underlying asset. It saves you from various unpredictable scenario and sharpens your trading style as well.

Finally, we can make a community of Aatma Nirbhar Businessmen by implementing above four qualities.





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On a Mission towards Self-Reliance!



Vedika Narvekar

Fundamental Research Analyst -
Agro Commodities
Anand Rathi Share and
Stock Brokers Ltd., Mumbai

Right from March 2020 when the COVID-19 pandemic had hit the planet, the world's economy has crumbled due to the health and economic shocks. To safeguard the people, world-over countries imposed strict lockdowns on the movement of cross country trades, international travel and even domestic transportation of goods and services to minimize the threat to health and safety.

As a result, many industries and organizations were either being shut down or operating at minimum capacity and the severe effects are visible globally. From airline industry to small firms, the impact of the coronavirus on global economy is gigantic.

To make matters even worse, many countries find themselves to be over-dependent on their trading partners and are now struggling to meet internal customer demands. This trade imbalance and over-reliance issue becomes even more challenging when countries engage in international disputes.

To control the pandemic, governments across the world, including the Indian government, have once again instituted a full/partial lockdowns. In the coming months and quarters, these lockdowns will have a serious economic fall-out all around the world, including India. While this is clearly a threat, we believe that it poses a unique opportunity for India, and the nation is on the right trajectory, thinking strategically and out of the box.

On May 12, 2020, Indian Prime Minister Narendra Modi announced a stimulus package of \$260 billion to revive the Indian economy. This economic and COVID-19 relief package is worth 10% of India's gross domestic product and ranks among the biggest in the world. The most important part, however, was the prime minister's speech in which he laid down his vision and an ambition for India to become fully independent and self-reliant through the "Atma-Nirbhar Bharat Abhiyaan" (i.e. self-reliant India mission). But what does this mean, exactly? It means that India will:

- Reduce its over-dependence on other countries for trade by focusing on inward manufacturing.



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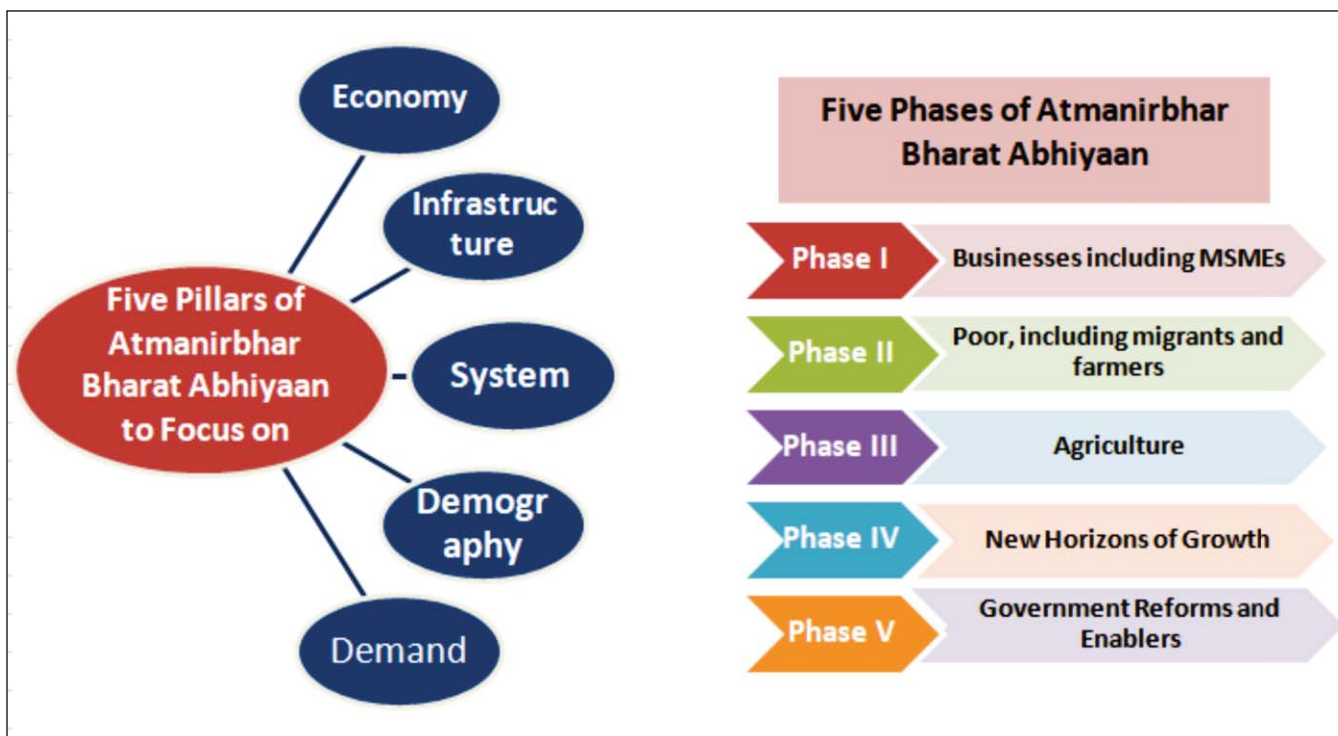
- Promote Indian products, brands and services by becoming "VOCAL FOR LOCAL";
- Continue to trade with other countries but aim to eliminate trade imbalances and, where possible, adopt a mercantilist approach to international trade.

The Indian government's bold decision ever in the history, at the time when the entire world was passing through such a bleak situation, was worth recognizing and appreciating. Infact India is being looked as a partner in the current covid fight due to an ongoing rebalancing of world powers. The nation had already showcased its ability to respond to the global pandemic by increasing production and export of drugs and had also stepped up the manufacturing and exporting Personal Protection

Equipment. With a very strong government at the centre stage, a bold leadership and a strong consumption story given the demographic mix, India is fully committed to global good and global supply chain.

The most important element of the Atma-Nirbhar Bharat Abhiyaan is that India will identify and promote industries and sectors where it has the potential and capability to scale up and be globally competitive. The nation will no way think of cutting itself from the rest of the world, nor will it adopt anti-trade policies. The five pillars that serve as the foundation for a self-reliant India and the five phases as follows.

There are a number of sectors that have been identified in which India's competitive and comparative advantage over the other countries is



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seen. 20 such sectors including food processing, organic farming, iron, aluminum and copper, agro chemicals, electronics, industrial machinery, furniture, leather and shoe, auto parts, textiles, masks, sanitizers and ventilators etc have been identified wherein India can become a global supplier.

Considering the current global environment, the huge possibilities of yoga as a preventive medication can create wonder but have not been captured as an opportunity. Yoga holds huge potential for industry and young entrepreneurs as the world is excited about it. This is because post-COVID-19, people may not like to visit a medical practitioner for common cold and illnesses. Innovative youngsters/startups can plan to set up yoga centres across world and India can become a power house providing the same.

Talking about the third phase of the Atmanirbhar Bharat Abhiyan, exclusively dedicated to agriculture and allied activities. Lets take a live example of edible oils, the biggest agri item imported by India. Supplies of oilseeds/edible oils

took a major hit in 2020-21 either due to weather related issues or labour shortage while demand for the same has been robust from the leading consumers. This led to prices edible oils reaching multi-years high globally. India imports more than 65-70% of its annual consumption. Spillover effect of higher global edible oil prices was seen in the Indian markets too. Infact prices of most edible oils have almost doubled from its 2020 lows.

Now this is where India needs to focus on Atmanirbhar. India has prospect to create a competitive advantage not just by levying higher import tariffs but by increasing productivity and the recovery ratio of oil from oilseeds. Indian edible oil imports largely consist of palm oil as India hardly produces palm oil. But compared to other domestically produced oilseeds like mustardseed, soybean, sunflower, palm oil has maximum potential to in term of oil content. Infact this is the only plant that can give four tonnes of oil per hectare. Thus, long term vision and strategy need in this regard as India has about 2 million hectares of land conducive for oil palm cultivation which will in true sense.



Added to this, the current global environment also demands the natural immunity boosters. India is one of the leading producer and exporters spices. Offering export incentives for the high value agri produce will definitely give exporters an added advantage.



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Coming to the organic farming, that has great prospects particularly if farmers accept this and increase production of crops like maize and corn. This may not only ensure food security but also increase the production of Ethanol which can be used to blend with oil, to cut India's oil import bill.

Agriculture, the sector which is totally dependent on farmers' efforts is also a sector that stands to gain the most when they are empowered. Infact farmers are one of the pillars of the economy. The economic health of a farmer matters significantly to whether an economy can be regarded as self-reliant. The greater ambition for a self-reliant economy is to transform the farmer into an agripreneur. Whether it is digitizing FPO operations or helping them access region-specific information and alerts in vernacular languages, the possibilities are countless. As per Niti Ayog's report on Artificial Intelligence, to maintain an annual growth rate of 8-10%, agriculture must grow at 4% or higher rate presently. To achieve

this kind of success, digitization is critically important.

Way forward towards Atmanirbhar Bharat

To be at the cutting edge, India needs to incentivize innovation and R&D which can be made possible through setting up of global innovation centres in India through partnerships between Indian research institutes and their global counterparts. We already have such alliances in the form of NASA-ISRO and joint vaccine development efforts for Covid. Such tie-ups need to be promoted across institutions and fields.

Digitization and Innovation can prove to be the differentiator in creating a technology-driven Atmanirbhar Bharat. May it be agriculture, Healthcare, E-commerce or Education; the seeds of digitization are just sown and have a long way to go. There are huge opportunities ahead in the new global environment and thus a need to develop an ecosystem of innovation that can work towards designing an Atmanirbhar Bharat.





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Atmanirbharta & Progress



Sandeep Sabharwal
CEO, SLCM

In the storage and preservation space, there is a perception of inadequate infrastructure while the problem lies elsewhere. In an era of Artificial intelligence and technological advancement, it is disheartening to see that due to a wrong perception, the problem is being wrongly identified and hence not being addressed. When processes like remote sensing and GPS locking is becoming widespread we are still ranting that we do not have the means of protecting our crops in warehouses and hence we require new infrastructure while the solution lies in putting up scientific management companies and encouraging newer technologies that could manage the current infrastructure efficiently and help in addressing the issue of post-harvest losses.

The warehousing sector in India at present is looking buoyant and is expected to reach INR 2,821.1 billion by 2024, according to a report on the warehousing market in India by a research firm, researchandmarkets.com. But the point is that mere capacity addition in warehousing won't change much. The post-harvest losses in India are pegged at 10% and this the assumption in itself is an anomaly as these losses are due to Non-scientific management and not due to the inadequate storage facilities. The report itself says India has the lowest warehouse capacity with modern facilities when compared to the rest of the world and poor infrastructure and insufficient air and seaport capacities contribute to the increased cost per transaction in the country's logistics sector.

In the recent past we have witnessed platforms that are trying to digitally connect farm producers to consumers. The idea of such platforms is to function as a national level, institutionalized, electronic, transparent commodity spot trading platform where farmers in one state will be able to reach out to markets in other states and auction their produce. Access to the regulated and transparent marketplace, direct access to multiple buyers, receipt of cash directly into the account of the beneficiary, and reduction in intermediate costs are some of the major benefits of such platforms.

Now for such a platform to succeed what is required is smart warehousing where warehouses are integrated with real-time data



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embedded in Artificial Intelligence having real-time tracking of the facilities providing error-free results on the status of the warehouse and the products stored within as well as in transit. In this fast-changing scenario, the archaic godown system won't be able to sync with the platform play and unless the massive investment is done in the technological up-gradation of the primitive godowns, there is every chance that the companies with ancient storage spaces will be left behind in the new Agri story which is unfolding. For a paradigmatic shift to happen in the Agri warehousing sector smart warehousing is required which could complement such platforms. A smart warehouse linked to such platforms using paperless Quality Control, paperless trading, and financing could usher in an era for a platform play in the Agri market and the companies with smart warehousing would act as stimuli in streamlining the Agri environment.

With the advancement in AI and Machine Learning technologies, modern warehousing companies are going in for AI-based Quality Control (QC) processes where the Quality assessment of a crop could be done in a minute with up to 90 percent accuracy. So instead of

sampling and sending the crop to distant laboratories the farmers, with the help of AI-based QC technology, can turn a Mandi into a virtual laboratory. This AI-based QC process not only reduces the TAT (Turn Around Time) of the quality checks but can check multiple quality parameters for a variety of Agri produces in an extremely cost-effective manner. Such on ground utilization of the technology for the Agri trade which has so far been kept at bay are evolving rapidly due to concern over safety worries, and inventory shortages.

The pandemic has provided a steep learning curve for all of us to be more resilient and prepared for the future. In the agriculture sector, the future is about a connected Agri value chain comprising smart warehouses having the transparency and the flow of information regarding the availability of stocks versus the known consumption pattern. So given the way, the scenario in agriculture is unfolding, only those enterprises which are ready to invest in the technical up-gradation of their storage infrastructure would be able to reap the benefits in a post covid world



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Debojyoti Dey

Multi Commodity Exchange of India Ltd.

India's Commodity derivatives market has been undergoing a lot of changes in the recent past, which have unleashed its potential for fast and epoch-making developments in several aspects. While many of these changes have been the outcome of the initiatives taken by the institutions in the market, notably by Exchanges and their members, much of the developments have come about from the slew of policy and regulatory changes witnessed in recent times. All of these initiatives have given rise to new opportunities that stakeholders in the market look forward to in the new global environment.

Potential of India's commodity markets

A significant policy initiative to cater to the emerging opportunities in the commodity market has been the notification of guidelines for setting up of a Bullion Exchange at the International Financial Service Centre (IFSC) at GIFT City, Gujarat. The government has also designated the International Financial Service Centre Authority (IFCA) as the regulator of the Bullion Exchange. The initiative is under implementation and IFSC may soon see an International Bullion Exchange, along with a clearing corporation and depository supporting the Exchange. India being one of the largest importers of gold, the bullion exchange can attract international participants to use this platform for trading and delivery, which can possibly serve the requirements of the Indian market.

Like the International Bullion Exchange, the country may witness the creation and development of such an Exchange in the domestic economy too. This has been the demand for stakeholders of India's gold economy for a long time, responding to which the Union Budget 2021-22 had announced designating SEBI as the regulator for domestic gold exchanges outside IFSC. The presence of a well-functioning, regulated spot exchange for gold can go a long way in transparently discovering the spot price of the yellow metal and facilitate development of the domestic gold market.

An important step towards Atmanirbhar Bharat is the creation, establishment and acceptance of standards for commodities which reflect domestic trade and market practices. The Bureau of Indian Standards (BIS)

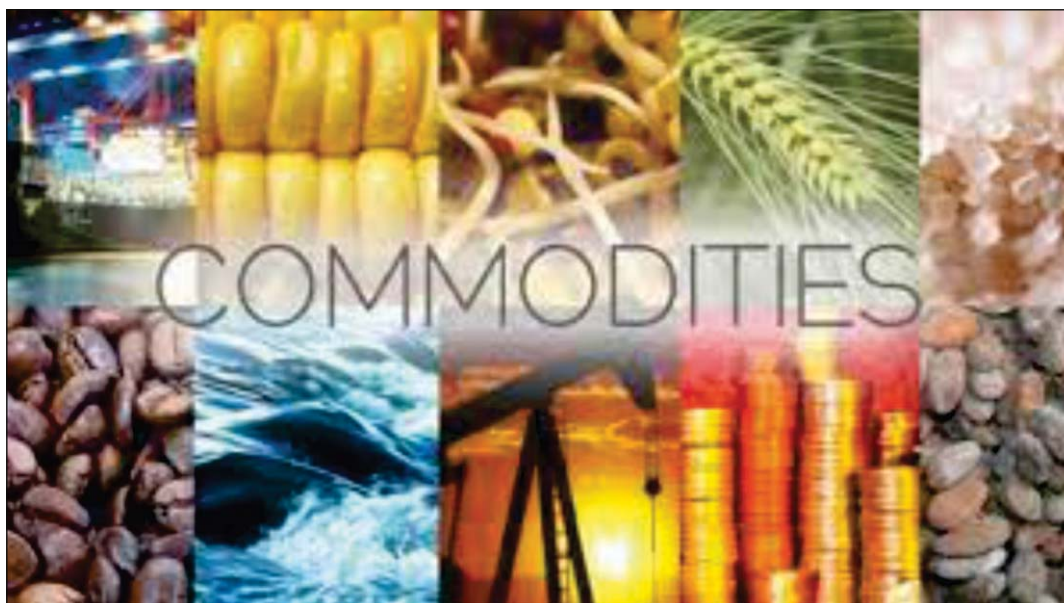


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had issued Indian Good Delivery (IGD) standards for refined gold and silver bars in December 2019. This measure can revolutionise the development of Indian bullion industry, by giving a fillip to recycling and monetisation of gold in the country. In tune with this development and to bring local stakeholders of the commodity value chain into the Exchange delivery mechanism, MCX prescribed detailed guidelines on 'MCX Good Delivery Norms for BIS-Standard Gold/Silver'. Indian refiners have subsequently been empanelled under these guidelines and locally refined gold is already being delivered on the exchange platform.

The success of the Indian Good Delivery Standard for gold is encouraging creation of such standards for other commodities too, especially in industrial metals. Accordingly, standards are being created for metals, eligibility criteria for domestically refined brands issued based on the standards and local producers encouraged to fulfil these criteria and become a part of the Exchange delivery

mechanism. Acceptance of commodities produced by Indian producers will improve the standardisation and modernisation of the commodity value chain in India, deepen the integration between the country's financial and physical commodity markets, strengthen the price discovery process and be a big step in making the exchange-traded Indian prices as well-accepted benchmark prices within and beyond the country.

The presence of well-functioning international and domestic trading platforms for commodities, together with the availability of accepted domestic standards can not only spur the development of the domestic commodity economy, but also make India a trading hub in regional, if not the global, commodity market. India can have a voice in global commodity trade and pricing, a feature the country lacks now despite being one of the largest exporters/ importers of most commodities. India's geography gives it the unique advantage of being placed between the markets of East Asia and



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Europe; thus, the prices emerging from Indian exchanges can potentially be considered by the European traders when their markets open. This is one significant step in the direction of making India the price-maker, rather than the price-taker, of commodities with deep physical and derivatives markets.

The presence of a sound derivatives platform has already demonstrated the usefulness of this platform for international trade in some commodities. A study by IIM Calcutta and NISTADS (2012) found that Mentha Oil futures has directly contributed to the rise of India as the major exporter of processed mentha crystals, displacing China. By enabling risk management and providing an efficient marketing channel, the futures market has enabled this transition as the exchange-enabled delivery channel emerged as a significant procurement route for mentha oil exporters and crystal manufacturers.

Similarly, exporters in spices such as cardamom also have benefitted from a well-functioning futures market, as found by independent studies by institutes such as IIM Kozhikode (2014) and UNCTAD (2009). In fact, India is the only country with an active futures market in spices, a commodity which is heavily exported. The futures market in spices like cardamom had been providing an avenue to exporters to hedge not just price risks, but also product (quality and delivery) risks. The transparent discovery and dissemination of prices leads to greater information efficiency, which, in turn, leads to greater efficiency in operations, subsequent reduction in margins and a shortening of the supply chain. Strengthening of the futures market can, therefore, further

encourage exports and enable exporters to reap the emerging opportunities in the emerging global environment.

Like exporters, the Indian commodity derivatives market provides opportunities for risk management to importers too. Under regulations announced in 2018, 'Eligible Foreign Entities' (EFEs) have been allowed to hedge in the Indian commodity derivatives market. An EFE is an entity that has underlying exposure to physical commodity markets in India. Foreign entities which export to India are now permitted to manage their risks arising from exposure to Indian market, by taking hedging positions in the Indian commodity derivatives market.

Another element that can make India's commodity derivatives market reflect international standards lies in the corporate governance in its institutions. Intermediary institutions in Indian commodity derivatives market, and their systems and processes, operate under the regulatory oversight of the SEBI. Regulatory compliance and investor grievance redressal are part of their regular functions, while they are also required to maintain minimum capital, Settlement Guarantee Fund and high standards in technological capability. These elements make the market institutions of international standards and attractive to both domestic and global participants.

In another instance of enhanced governance in Indian markets, SEBI (Listing Obligations and Disclosure Requirement) Regulations, or LODR, mandate all listed companies to disclose their commodity price risks and hedging activities. Enhanced risk management disclosure norms in



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the commodity markets reflect the higher quality of disclosure norms as prevalent in the developed countries, which can boost the attractiveness of the Indian market to offshore investment capital. Besides, higher level of disclosure of commodity risks and risk management practices also adds to a company's transparency, strengthens its corporate governance and acts as a catalyst to solidify the culture of risk management in the company and even the industry. An analysis shows that less than seven out of ten listed companies in India disclose commodity price risks they face, and not all among those which disclose do so in a detailed manner, which indicates that there is some way to go before Indian companies achieve world standard in disclosure of commodity price risks.

Realizing the market's potential to reap the emerging opportunities

While the Indian commodity derivatives market has arrived at a stage where it can lap up the opportunities in the global economy, there are some unfinished items on the agenda, which need to be taken up for making this possible. These agenda items relate to certain policy and regulatory reforms which stakeholders in the Indian commodity market need for further growth and development of the market.

Topping the list of the agenda is reforms that enable all types of entities to participate in this market. With the commodity derivatives market coming under the regulatory purview of SEBI and amendment of the Securities Contracts (Regulation) Act, 1956, or SCRA, commodity derivatives are considered as 'securities'. Accordingly, the monitoring of this market segment and its risk management framework are as stringent as those in the other segments of the securities market. This calls for permitting all categories of participants, which are permitted in the other segments of the securities market, in the commodity derivatives market too. A case in point are the Foreign Portfolio Investors (FPIs) and NRIs. FPIs are allowed in other segments of the securities market, viz. in equity cash, derivative, currency and bonds, under a well-established regulatory framework which may be extended to commodity derivatives too. Current regulations allow for any FPI to trade up to USD 100 million in exchange-traded currency derivatives without having to prove existence of underlying exposure, but the same is not permitted in commodity derivatives. Among foreign participants, only EFEs have been allowed to enter the commodity derivatives market. However, despite the regulations being announced in 2018, EFEs have so far been



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lukewarm in their participation owing to some restrictions. For instance, EFEs are disallowed to undertake dynamic hedging and their contracts once cancelled, cannot be re-booked. Higher minimum networth as the eligibility criteria and non-availability of credit lines from Indian brokers make EFEs less keen to participate in Indian markets for hedging. Thus, there is a need to liberalise EFE regulations in order to attract foreign hedgers in Indian markets.

One may note that allowing foreign investors in the Indian commodity derivatives market will add more depth and liquidity to the market, thereby strengthening the price discovery of this market. Even China, which was very restrictive earlier, is now allowing Qualified Financial Institutions to access its commodities markets with an aim to bolster its position in global commodity markets.

The other category of institutional participants that need to be allowed are domestic financial institutions, most notably banks, insurance companies and pension funds. The presence of these institutions in the commodity derivatives market will add to the depth and liquidity to the market, making the process of price discovery and risk management more robust which can entice the participation of many more potential hedgers. At the same time, exchange-traded commodity derivatives offer a safe asset class for these institutions to invest in. It has been well established that commodity derivatives offer a high risk-adjusted returns to an investment portfolio over a long period, and their presence in the portfolio lends a higher degree of stability to the investor's returns.

The presence of banks, in particular, is very important in the commodity derivatives market as these institutions, by their presence across the country can connect several potential participants to the market. Many independent studies, including Committees set up by the Government of India and the Reserve Bank of India, have called for allowing banks to participate in the commodity derivatives market. A 2017 report of the RBI had, for instance, called for banks to offer commodity hedging facility to their constituents, initially on a back-to-back basis, on both OTC and exchanges.

There are a few other reforms that may be introduced in the Indian commodity derivatives market to enable it use the opportunities of the growing global economy. As the Indian economy is integrated with the global economy, it is axiomatic that the market has to be attractive for all participants, especially who have the wherewithal to access offshore commodity derivatives markets. To that extent, a few legal/regulatory guidelines that inhibit large-scale participation may need to be re-looked. For instance, stringent quality standards for agri-commodities delivered through the Exchange mechanism may be a useful instrument for creating high standards for such commodities. However, whenever these standards are not adhered to by buyers and sellers in the physical markets, the link between the derivatives and physical markets effectively breaks down and physical market stakeholders find less value in either participating or taking price signals from the derivatives market. Quality standards in the commodity derivatives market may, therefore, be set in tune with practices and standards as prevalent in physical markets.



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As discussed above, participation of financial institutions is very important for bringing in depth and liquidity in the commodity derivatives market. While mutual funds have been allowed to participate in the market, current regulations limit their exposure to only 10% of net asset value of the scheme (excluding multi asset allocation schemes). This poses as a restrictive clause inhibiting interest of AMCs, which needs to be re-looked. Similarly, exposure limit of 10% per commodity applicable to Category III Alternative Investment Funds (AIFs) may also be re-looked for encouraging more participation by AIFs in this market.

Looking ahead

The Indian Government's 'Make in India' campaign aims to boost manufacturing's share of the economy from about 15% to 25% by 2025. This push

will trigger a massive requirement for commodities. To achieve a competitive advantage, India has to emerge as an important centre for commodity trade and a preferred place for price discovery and risk management for residents and foreigners alike. Some policy encouragement to encourage more and more participants and products in the Indian commodity derivatives market, can help India to reach this potential. This will make our markets more vibrant, and eventually make India a hub for commodity trade as well as for physical storage and delivery of key commodities. A well-developed and efficient market will also encourage resident Indians, as much as foreign entities, to look forward to hedge in the Indian market instead of offshore markets - which will be a significant milestone in achievement of Atmanirbhar Bharat.





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