

Bourses gear up for commodities play

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Stock exchanges, which have been competing among themselves in the financial markets, are now turning aggressive in the commodities derivatives space. Two major stock exchanges — the BSE and the National Stock Exchange (NSE) — have launched commodity derivatives last October. In six months, they are looking at several untapped opportunities in agri commodities.

They are also planning to launch non-agri, especially metal contracts, with some variations.

NSE is exploring around 8-10 new agri commodities, including eggs, potatoes, tur and urad. Potato may come first, sources said, as it has an established cold storage and other eco systems. Egg is still at an exploration stage.

BSE is exploring around 15 agri commodities like ethanol and tea & coffee, among others. Majority of contracts these exchanges are looking at are in agri that is not traded on any other online derivatives exchanges in India.

Ethanol futures has takers after sugar mills increased production but the regulator has to first permit it. After the Securities and Exchange Board of India (Sebi) asked commodities derivatives exchanges to bring some innovation and make more and more non-agri contracts deliverable, exchanges are responding.

MCX has already launched three metal contracts deliverable and is doing so for two more.

AVERAGE DAILY TURNOVER (₹ cr)

| AGRI COMMODITY | Mar '19 | Apr '19 |
|----------------|---------|---------|
| MCX | 499.6 | 541.2 |
| NCDEX | 1,720.5 | 2,539.7 |
| ICE | 12.6 | 12.1 |
| BSE | 149.6 | 150.9 |

METALS

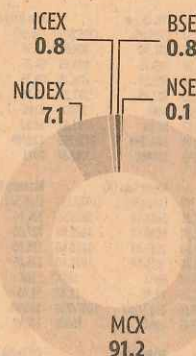
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|-----|----------|----------|
| MCX | 17,357.5 | 15,433.7 |
| ICE | 237.8 | 225.0 |
| NSE | 18.8 | 25.9 |
| BSE | 78.8 | 97.0 |

OIL AND GAS

| | | |
|-----|----------|----------|
| MCX | 10,854.2 | 10,543.2 |
| NSE | 3.3 | 2.7 |

COMMODITIES FUTURES

Market share (%)



Source: Exchanges
Compiled by BS Research Bureau
* Calculated as per futures trading in last one month

In the metals segment, the NSE is working on mega metals contracts and trading in warrants issued by metal producers.

First will be 25 tonnes of copper contract. The bourse is discussing with major producers who prefer large size contracts and want to hedge their risk.

This will be followed by similar contracts in other base metals. NSE is also exploring potato, tur and urad, among many other contracts.

Warrants are always marked for delivery and can be sold on the exchange. MCX copper contract is for 5 tonnes and is fairly liquid. Bringing liquidity will be a challenge.

NSE is also working on good delivery norms for gold to ensure that domestically refined gold is

delivered on the exchange platform.

So far in volumes, NSE has not been able to do much while BSE has seen a good interest in its agri contracts. A BSE spokesperson said that the exchange plans deliverable contracts in base metals like aluminium, lead, nickel, zinc and deliverable silver kilo bar contracts. Silver kilo bar contract could attract several retail investors.

Egg could be an item for futures but is equally perishable. However, some big poultry firms and big retail chains would prefer to hedge their requirements in egg futures.

A source said, "The regulator is insisting on making egg futures settled in delivery." He said that contract specifications will be crucial for success of egg futures which has a vibrant spot market.

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