

Commodities

It's the survival of the fittest at comexes: Indian Commodity Exchange chief

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We want to win trust rather than focusing on building volumes, says Sanjit Prasad, Managing Director and CEO

Commodity derivatives market regulator SEBI has taken many measures to widen the market by allowing new categories of institutional participants but with limited success.

Five exchanges are now competing in a shallow market. Simply put, it will be the survival of the fittest and there is no space for legacy players, said Sanjit Prasad, Managing Director and CEO, Indian Commodity Exchange in an interview with *BusinessLine*. You either innovate or perish is the unwritten rule in this game, he added.

Excerpt:

How did your steel contract to attract market attention?

Steel is the best example of how a future contract can send price signals in advance. Last year, we launched futures trading in long steel used in infrastructure and construction. Prices of these contracts went up in August and September but from October it was on a secular downward trend. The open interest in our contract is over 10,000 tonnes and 3,500 tonnes of stock is kept in our warehouses. Lot of people did not accept the price signal and said it was wrong. Now, steel prices are in dumps and people accept that the economy is in bad shape.

All the steel consuming sectors such as auto, real estate and white goods are suffering. Today major industries and scrap dealers are tracking our steel prices. All important hubs of steel and secondary markets in Jalna, Durgapur, Ghaziabad, Raipur are pricing the products on the basis of ICEX. We are also working on plans to launch hot-rolled coil steel contract.

What made you to launch an app with a blog?

The move was to improve transparency. Over 10,000 people have downloaded the app and about 5,000 people are glued to it for live updates on steel prices. This is an open platform with cent per cent transparency. No exchange has an app with a chat facility. If you go to any market people want to know the price and that is discussed threadbare in the blog.

What is the response for your Basmati paddy contract?

Of India's overall agriculture product exports, Basmati rice accounts for 25 per cent. Before the launch of the contract we met farmers, traders and exporters to understand their problem. We have seen number of companies being wiped out after the US economic sanctions on Iran. India is the major exporter of basmati rice and it goes to Iran. Prices dipped and fell further after prediction of good rains in Punjab and Haryana, the main basmati growing States. People are slowly realising the importance of hedging.

One of your rival exchanges NCDEX also launched Basmati paddy contract...

More than me talking about the other exchange you can see the volumes of the product in both the exchanges. We have been working at grassroots level on this contract for the last two years. Before launching this contract, we were told to get approval from the committee of All India Rice Exporter Association. We had to do lot of explaining as nobody is going to pass a proposal that will end their pricing power. Nobody wants a transparent pricing platform. Today, exporters and buyers are happy that they have a benchmark price. In basmati, the longer you hold the better is realisation. On the flip side, there is a huge price risk. Farmers now can take price signals in advance and decide on when to convert their paddy into rice.

How many farmers are participating on your platform?

Farmers may or may not come on the exchange platform. The beauty of this market is they can just take the price signal. When farmers go to the mandi with their produce, they can ask for exchange price. Initially we are targeting exporters, stockists, agents besides farmers producer organisations.

What is the progress on your diamond contract?

The success of the contract can be gauged from the fact that the Minister of State for Finance in a recent meeting acknowledged the concept of diamond futures as the best ‘Make in India’ programme. We have seen middle-class people from Bhilai and Jamshedpur taking delivery of diamond through our platform. You can get the diamond delivered at home instead of going to Surat. People have to pay ₹900 for 30 months and 1-carat certified diamond is delivered to them. One can even start a systematic investment plan in diamond. We also have three options of 30 cents, 50 cents and 1 carat diamond. The price is 30 to 40 per cent cheaper than retail price.

How are your financials?

We have a healthy net worth of ₹190 crore. We expect to turn profitable in two years. SEBI has classified exchanges as market infrastructure companies. There are two ways an infrastructure institution can go. You can do it the IL&FS way or you can go on a genuine straight line process. We want to win trust rather than focusing on building volumes.

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