

ICEX to launch trading in steel long futures from August 28

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Representative Image

Indian Commodity Exchange (ICEX) today said it is launching trading steel long futures on its trading platform from Tuesday August 28.

With this, ICEX will widen its product offerings to its existing product portfolio of diamond derivatives, a statement issued here said.

The futures trading in steel long will provide the industry with a more structured and healthy price discovery platform as well as a national level benchmark price as a ready reference for the participants, enabling them to mitigate price risk.

Initially, three contracts expiring in November 2018, December 2018 and January 2019 will be available for trading. The trading lot size and delivery unit of the contract is 10 MT, with compulsory delivery at Ghaziabad the designated delivery location.

The price will be quoted ex-warehouse Ghaziabad (basis centre) exclusive of GST and other levies, but inclusive of basic customs duty and other related duties in case of imports, the release said.

Elaborating about the launch, Sanjit Prasad, managing director and CEO, ICEX, said, "Steel industry is exposed to tremendous price volatility. In the last 1-year steel spot prices rose by 40 percent to reach peak in June 2018 and then came down by 10 per cent from its peak and are currently again on an upward trend. The launch of steel long futures contract will serve the immediate need of market participants."

"Post GST, the commodity will see participation from the stakeholders including, traders, importers, exporters, manufacturers and infrastructure industry among others, who are looking to hedge their price exposure," he added.

With India well poised to become the second largest manufacturer of steel, producing approximately 100 million MT, amid high price volatility of around 16 per cent annualised, ICEX steel futures could not have come at such a right time.

Around 50 percent of Indian steel production is used directly in the construction sector, which is the second biggest contributor to Indian GDP.

With the government pushing infrastructure development such as road construction, laying of railway lines, construction of new airports, a strong need for a domestic benchmark steel price is being felt by the steel long value chain participants, Prasad said.