CHAPTER IV

PROFILE OF COMMODITY EXCHANGES IN INDIA
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Indian financial markets have progressively opened themselves to the global economic trends. The re-introduction of derivative trading in commodities is one of such significant decisions in the right direction as it has lead an India has experience of unprecedented boom in terms of number of modern exchanges, number of commodities allowed for derivatives trading as well as the value of futures trading in commodities.

31 Similarly, Narendra L. Ahuja (2006) has dealt extensively with the steps taken by the government to improve the market in terms of technology, transparency and trading activity. And now Indian commodity markets have emerged stronger, bringing in greater precision, visibility, transparency and vibrancy.

At present Commodity futures are traded on six national commodity exchanges and sixteen Regional commodity exchanges in India. The national and regional commodity exchanges operating in India are as follows:

<table>
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<tr>
<th>National Commodity Exchanges</th>
<th>Commodities traded</th>
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<tbody>
<tr>
<td>Multi Commodity Exchange of India Ltd., Mumbai</td>
<td>Pepper, Soy bean, Kapas, Soy Meal, CottonSeed Turmeric, Castorseed, Castor-oil, Crude Palm Oil Guarseed, Cottonseed – Oilcake, Nickel, Rubber, Copper, Tin, Gram, Sugar Grade – M, Sugar Grade – S, Gold.</td>
</tr>
<tr>
<td>National Commodity &amp; Derivatives Exchange Ltd., Mumbai</td>
<td>L S Cotton Ahmedabad, M S Cotton Bhatinda, Crude Palm oil - Kandla, Rape/Mustard seed, Soya oil – Indore, Soy bean – Indore, Gold, Silver.</td>
</tr>
<tr>
<td>National Multi Commodity Exchange of India Limited., Ahmedabad</td>
<td>Gur, Groundnut Oil, Sunflower Oil, Rapeseed/Mustard seed, Rapeseed/Mustard seed Oil, Rapeseed/Mustard seed oil-Cake, Soy bean, Soy Oil, Copra, Cotton Seed, Safflower.</td>
</tr>
<tr>
<td>Indian Commodity Exchange Limited, New Delhi</td>
<td>Rice, Wheat, Maize, Pulses, Oilseeds, Crude oil, Natural gas, Coal, Gold, Silver, Copper, Zinc, Nickel, Steel, Carbon credit.</td>
</tr>
<tr>
<td>Ace Derivatives and Commodity Exchange Limited, Mumbai</td>
<td>Agri-commodities, Metals, Crude oil.</td>
</tr>
<tr>
<td>Universal Commodity Exchange Ltd., Navi Mumbai</td>
<td>Gold, Silver, Crude oil, Rubber, Mustard, Soya bean, Refined Soya oil and turmeric.</td>
</tr>
</tbody>
</table>

*Source: [www.sebi.gov.in/sebiweb/commodities](http://www.sebi.gov.in/sebiweb/commodities)*
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<thead>
<tr>
<th>Regional Commodity Exchange</th>
<th>Commodity traded</th>
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<td>1. Bikaner Commodity Exchange Ltd., Bikaner</td>
<td>Mustard seed</td>
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<td>2. Bombay Commodity Exchange Ltd., Vashi</td>
<td>Ground nut</td>
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<td>3. Chamber Of Commerce, Hapur</td>
<td>Gur, Mustard seed</td>
</tr>
<tr>
<td>4. Central India Commercial Exchange Ltd., Gwalior</td>
<td>Gur, Mustard seed</td>
</tr>
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<td>5. Cotton Association of India, Mumbai</td>
<td>Cotton</td>
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<td>6. East India Jute &amp; Hessian Exchange Ltd., Kolkata</td>
<td>Hessian Sacking</td>
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<tr>
<td>7. First Commodities Exchange of India Ltd., Kochi</td>
<td>Copra, Coconut Oil and Oil cake</td>
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<tr>
<td>8. Haryana Commodities Ltd., Sirsa</td>
<td>Mustard seed</td>
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<tr>
<td>9. India Pepper &amp; Spice Trade Association., Kochi</td>
<td>Pepper</td>
</tr>
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<td>10. Meerut Agro Commodities Exchange Co. Ltd., Meerut</td>
<td>Gur</td>
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<tr>
<td>11. National Board of Trade, Indore</td>
<td>Soya bean, Mustard seed</td>
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<td>12. Rajkot Commodity Exchange Ltd., Rajkot</td>
<td>Groundnut Oil, Castor seed</td>
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<td>13. Rajdhani Oils and Oilseeds Exchange Ltd., Delhi</td>
<td>Gur and Mustard seed</td>
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<td>14. Surendranagar Cotton oil &amp; Oilseeds Association Ltd.</td>
<td>Kapas</td>
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<td>15. Spices and Oilseeds Exchange Ltd. Sangli</td>
<td>Turmeric</td>
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<td>16. Vijay Beopar Chamber Ltd., Muzaffarnagar</td>
<td>Gur and Mustard seed</td>
</tr>
</tbody>
</table>

Source: [www.sebi.gov.in/sebiweb/commodities](http://www.sebi.gov.in/sebiweb/commodities)
4.1 National Commodity Exchanges in India

Multi-Commodity Exchange has gained leadership in non-agri commodities with nearly 85 percent of total volume of trading in comparison to other commodity exchanges, whereas, National Commodity and Derivative exchange limited gained leadership in agri commodities. Ahmedabad- based National Multi commodity exchange has shaped its own position to have proficiency in plantations. The other national exchanges that is, Ahmedabad Commodity exchange, Indian Commodity exchange limited and Universal Commodity exchange have also gained space agri and non-agri commodities to some extent.

4.1.1 Multi Commodity Exchange of India Ltd., Mumbai (MCX) :

Multi Commodity exchange is the electronic futures exchange which is headquartered in Mumbai. The Government of India has granted permanent recognition to the exchange to facilitate electronic trading, clearing, delivery and settlement of contracts and to carry out the operations for commodity futures across the nation.

Multi Commodity exchange has started its operations in November 2003 and as on March 31, 2015 the exchange holds a market share of about 85 percent in the Indian Commodity futures market. The exchange offers more than forty commodities in both agri-commodities and non-agri commodities. On the basis of the number of futures contracts traded, it is the world’s largest exchange in case of Gold and Silver, the second largest exchange in Natural Gas and third largest exchange in Crude Oil.

Multi Commodity exchange is the first exchange in India to provide futures trading in Crude oil, Almond and steel. The exchange launched MCX COMDEX, the first composite futures index of the commodity which provides the members of the exchange with the valuable information regarding market conditions in the major commodities. As well, the exchange introduced other indices namely MCXAgri for agricultural commodities index, MCXEnergy for energy commodities index and MCXMetal for metal commodities index.

4.1.2 National Commodity and Derivatives Exchange of India Limited, (NCDEX)

National Commodity and Derivatives Exchange limited is a public limited company established on April 23, 2003 as per the Companies Act, 1956. The exchange has obtained the Certificate for Commencement of Business on May 9, 2003. And the
exchange commenced the operations on December 15, 2003. The headquarters of the exchange is located in Mumbai and provides facilities to its members all over the country.

National Commodity and Derivatives Exchange limited is an online multi commodity exchange. The exchange shareholders consists of large national level institutions, large companies and public sector banks. The Promoter shareholders of the exchange are Industrial Credit and Investment Corporation of India Limited (ICICI), Life Insurance Corporation of India (LIC), National Bank for Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE). Other shareholders: Canara Bank, Punjab National Bank (PNB), Indian Farmers Fertilizer Cooperative Limited (IFFCO), Goldman Sachs, Intercontinental Exchange (ICE), Shree Renuka Sugars Limited, Jaypee Capital Services Limited and Build India Capital Advisors.

The institutional promoters and shareholders of the exchange are prominent players in the respective arenas and bring with them the institutional building experience, trust, nation-wide reach, technology and risk management skills.

4.1.3 National Multi Commodity Exchange of India Limited (NMCE)

National Multi-Commodity Exchange of India Limited is committed to provide world class services of on-line screen based Futures Trading of permitted commodities and efficient Clearing and guaranteed settlement, while complying with Statutory/Regulatory requirements. We shall strive to ensure continual improvement of customer services and remain quality leader amongst all commodity exchanges.

National Multi-Commodity Exchange of India Limited has many firsts to its credit - the first, online, demutualized, multi-commodity exchange in the country to get national status. The exchange not only revived futures trade electronically in the commodities in India after a gap of 41 years, but also integrated the centuries old commodity market with the latest technology. It is backed by compulsory delivery based settlement to ensure transparent and fair trade practices. The exchange offers electronic platform for future trading in plantation, spices, food grains, non-ferrous metals, oil seeds and their derivatives.
National Multi-Commodity Exchange of India Limited is promoted by the commodity related institutions namely, Central Warehousing Corporation (CWC), Punjab National Bank (PNB) National Agricultural Cooperative Marketing Federation of India (NAFED), Gujarat Agro-Industries Corporation Limited (GAICL), Gujarat State Agricultural Marketing Board (GSAMB), Neptune Overseas Limited (NOL) and National Institute of Agricultural Marketing (NIAM).

4.1.4 Indian Commodity Exchange Limited

Indian commodity exchange has the electronic trading system to enable the members with the reliable, effective and transparent trading platform. The exchange also provides grading and warehousing facilities to facilitate delivery of the commodity. The exchange is preferably established to attract the participation of farmers in futures trading, provide reliable and effective market information, price risk management and the opportunity of hedging in commodity market.

Indian Commodity Exchange is a public-private partnership with Reliance Exchange next Limited as anchor investor and has India bulls Financial Services Limited., Indian Potash Limited., and others as its stakeholders. As on 31st March 2013, the exchange trades in 13 commodities including metals, energy, oil seeds and few agricultural products.

4.1.5 Ace Derivatives and Commodity Exchange Limited, Mumbai

Ace Derivatives and Commodity Exchange Limited is a screen based online commodity exchange in India. Ace Commodity exchange is earlier known as Ahmedabad Commodity exchange which has been in existence for more than five decades in Commodity trading.

In addition to its suitable trading platform, Ace Commodity Exchange provides a clearing and settlement facility that supports the whole process of trade mediation including registration of trades, settlement of contracts and mitigation of counter-party risk; giving traders the peace of mind in times of increased market volatility.
4.1.6 Universal Commodity Exchange

Universal Commodity Exchange Limited is the next generation national level commodity exchange for derivatives market across all commodity segments. Universal Commodity Exchange Limited is headquartered in the financial capital of India, Mumbai with presence in all major trading destinations across the country.

It aims to be one of the largest commodity derivatives exchanges ensuring price transparency and a robust risk management & surveillance system for facilitating online trading, clearing & settlement operations for the market across the country. The Exchange's strategic philosophy is driven by an expert management team with deep domain knowledge & expertise of the capital & commodities market. Universal Commodity Exchange Limited strives to be recognized as a change agent by facilitating a neutral and transparent price discovery platform to set the benchmarks of the country.

4.2 Regional Commodity Exchanges of India

4.2.1 Bikaner Commodities Exchange Limited

The Bikaner Commodities Exchange Limited (BCEL) is headquartered at Bikaner, India and was set up by the participants in the Mustard, Guar and Gram industry to facilitate their futures trading. The exchange is a self-regulatory organization under the supervision of the Forward Markets Commission. The exchange was essentially set up to enable trading in mustard futures. It is managed by an elected Board of Directors who are assisted in the day to day functioning of the exchange by a set of standing committees. It is the first recognized Commodity Exchange in Rajasthan. At present, it is conducting futures trading in the following Commodities.

The Commodity traded at the exchange is Mustard seed. It is one of the major oilseed crops occupying the second position next to groundnut in the economy of India. In India, It is considered as Cash-crop. In India, Mustard seed is cultivated more in Rajasthan, Uttar Pradesh, Haryana, West Bengal, Madhya Pradesh, Gujarat and Assam. These states contribute around 90 percent of the total production of Mustard seed.
4.2.2 The Bombay Commodity Exchange Ltd

The Bombay Commodity Exchange Limited (BCE) was known as The Bombay Oilseeds and Oils Exchange Limited (BOOE). It began operations in 1900 through the Gujarati Vyapari Mandali in Mumbai to regulate oilseeds futures market. The name of this company was changed to The Bombay Oilseeds & Oils Exchange Limited with effect from April, 1950.

In 1950, the Exchange was recognized under the Bombay Forward Contracts (Control) Act, 1947 for regulating futures trading in all oilseeds. In 1952, the Forward Contracts Regulation Act was enacted repelling all erstwhile statutes in respect of commodities futures trading. In 1963, the Exchange launched futures trading in groundnut oilcake expeller variety.

But futures trading in oils and oilseeds, which was successfully operational, received a severe jolt in mid 1960s, when the Govt. banned futures trading in all edible oils and its products. Further, in 1971 futures trading in cottonseed was banned and in 1977, it was banned in respect of castor seed and linseed too. Hence, there was absolute absence of futures trading in all commodities in BCE since 1977 to 1985. In 1985, the Govt. again allowed BCE to launch futures trading in castor seed, which is operational since then.

The Commodity traded in the Bombay Commodity Exchange Limited is Groundnut. It is also known as Peanut. It is one of the major oilseed crop suitable for cultivation in exotic areas. It is the third largest oil seed produced in the world and second largest produced in India. India conquers the second position with respect to Production and stands first with respect to area cultivated. Groundnut seeds are the ironic source of edible oil with 46 percent and proteins with 27 percent. The major producing states in India are Andhra Pradesh, Orissa and Karnataka.

4.2.3 Chamber of Commerce, Hapur

The Chamber of Commerce was incorporated on October, 1923. Chamber of Commerce ensures to provide a wholly independent, transparent and efficient system in respect of trading, clearing and settlement. At present mustard seeds/rapeseeds and jaggary (Gur) are being traded in the exchange. Many other commodities are expected to be traded shortly.
Gur is a natural commodity of Sugarcane. It will be in more unprocessed form than Sugar. The process of manufacturing Gur is easier and more expedient than Sugar and it will be healthier than consuming sugar. India accounts for more than 60 percent of the world production. It is produced majorly in Brazil, India, Thailand, Australia, etc. In India, conventional methods are used for Jaggery production because most of its manufacturing entities are located in rural areas. In India, the major producing states are Kushinagar district of Uttar Pradesh, Maharastra, Karnataka and Tamilnadu.

4.2.4 Cotton Association of India, Mumbai

It is incorporated in 1921 engaged in providing a wide range of services to the value chain of cotton. The main activities of the association are it has established cotton testing services at different locations, Training programmes are organized on various aspects to trade cotton, Disseminates data through its website.

The commodity traded in Cotton Association of India is Cotton. Cotton is the most prominent fibre crop in India and in the world. It provides the basic raw material to cotton industry. It is produced more in China, USA and India. In India, 80 percent of the total area production takes place in Punjab, Haryana, Gujarat and Rajasthan.

4.2.5 First Commodities Exchange of India Limited, Kochi

First Commodities Exchange of India Limited (FCEI) is a professionally managed online multi commodity exchange promoted in the year 2000 by Cochin Oil Merchants Association and First Commodity clearing Corporation of India Limited to provide a meaningful presence in the world of commodity futures.

It is the first commodity exchange approved by the Government of India for futures trade in Copra Coconut oil and Oil cake. Since ancient times, Kochi has been the center of Spices and Coconut oil trade in India. Even during pre-independent days forward trading in these agri-commodities were taking place in this exchange. Thus when the Government introduced futures market in commodities during 1999, the promoters of this exchange with their century old domain knowledge in the business were among the first to stake claim.

The success of the strategy is apparent from the fact that the fast growing member list includes well known regional and national industry players. Over the years, it has
switched over to complete screen based trading where limits are fixed with pre-margin requirements and settlements counter guaranteed.

The commodity traded in this exchange is Copra. Copra is the dried substance of the coconut which is used to extract the coconut oil. Coconut oil is extracted from Copra and this has made copra as an important agri-commodity. It also produces Coconut cake, which is used as fodder for livestock. Copra rests principally as a smallholder produce. The major producing country of Copra is Philippines. In India, Karnataka state is the notable center for Copra.

4.2.6 India Pepper & Spice Trade Association, Kochi

The India Pepper and Spice Trade Association has been established in 1957 at Kochi. It is an association registered under the Companies act of 1956. The exchange is trading especially in Pepper Commodity from its establishment. The exchange has electronic trading system and the trading in the exchange takes place as per the rules, regulations and bye-laws of the association. Generally, six contracts are traded in the exchange, one for each calendar month. All futures contracts of Pepper are guaranteed by the exchange which thereby provides the counter-party guarantee of settlement. To provide guarantee of its member’s settlement, the exchange has set up a “Trade Guarantee Fund”.

The commodity traded in the exchange is Pepper. Pepper is considered as created in the Southern Western Ghats of India. It is mostly used by meat packers in pickling, baking, etc. Apart from India, it is majorly grown in Indonesia, Malaysia, Srilanka, Thailand, China etc.

4.2.7 National Board of Trade, Indore

National Board of Trade Limited was established on July 30, 1999 at Indore to provide futures trading especially for Soya bean Commodity. The main purpose of its establishment was to provide transparent and effective trading platform to the members to trade in the commodity futures market. The exchange has the effective system of Trading, Grading, Margining, Clearing and settlement mechanisms to clear the trades effectively. The Board of Directors of the exchange consist of most prominent personalities drawn from various sectors of commerce and trade and thus they are
giving valuable suggestions for the proper functioning of the exchange. It has been continuously striving to strengthen skill in the commodities futures market and to provide reliable country-wide trading services to traders to meet with the international standards.

The exchange trades in Soya bean Commodity. It is one among the main oilseed commodity in the world which account for 57 percent of the total oilseed production in world. The main producing countries of Soya bean are the United States with 32 percent of the world’s total production, Brazil with 31 percent of the world’s production and Argentina with 18 percent of the world’s production of Soya bean. India accounts for nearly 5 to 6 percent of production comparatively with the world’s production.

4.2.8 Rajdhani Oils and Oilseeds Exchange Ltd., Delhi

Rajdhani Oils and Oilseeds Exchange Limited (ROOEL) was established in 1996 to trade in futures for one commodity, Gur (a soft, unrefined form of sugar molasses, also called Jaggery). In September 1999, the exchange signed a Memorandum of Understanding with Delhi Vegetable Oil Traders Association, which represents interests of market functionaries like traders, brokers, manufacturers and commission houses in the trade of edible oils, oilseeds and oilcakes. The purpose of the alliance was to petition for permission to resume trading in edible oils, a commodity in which the exchange had considerable experience before it was banned.

The Commodity traded at the exchange is Mustard seed. It is one of the major oilseed crops occupying the second position next to groundnut in the economy of India. In India, it is considered as Cash-crop. In India, Mustard seed is cultivated more in Rajasthan, Uttar Pradesh, Haryana, West Bengal, Madhya Pradesh, Gujarat and Assam. These states contribute around 90 percent of the total production of Mustard seed.

4.2.9 Surendranagar Cotton Oil & Oilseeds Association Ltd., Surendranagar

The Surendranagar Cotton Oil and Oilseeds Association limited is a public company incorporated on 18th November 1964. It is registered at Registrar of Companies, Ahmedabad. Its Paid up capital is Rs.42,45,000.

The commodity traded at the exchange is Kapas. It is unginned cotton or the white fibrous substance covering the seed that is obtained from the cotton plant. Ginning
separates the lint from the seed. In India, it is cultivated majorly in Gujarat, Maharashtra, Andhra Pradesh, Telangana, Karnataka, Punjab, Haryana, Rajasthan, Madhya Pradesh and Tamilnadu accounts for more than 95 percent of the area under cultivation.