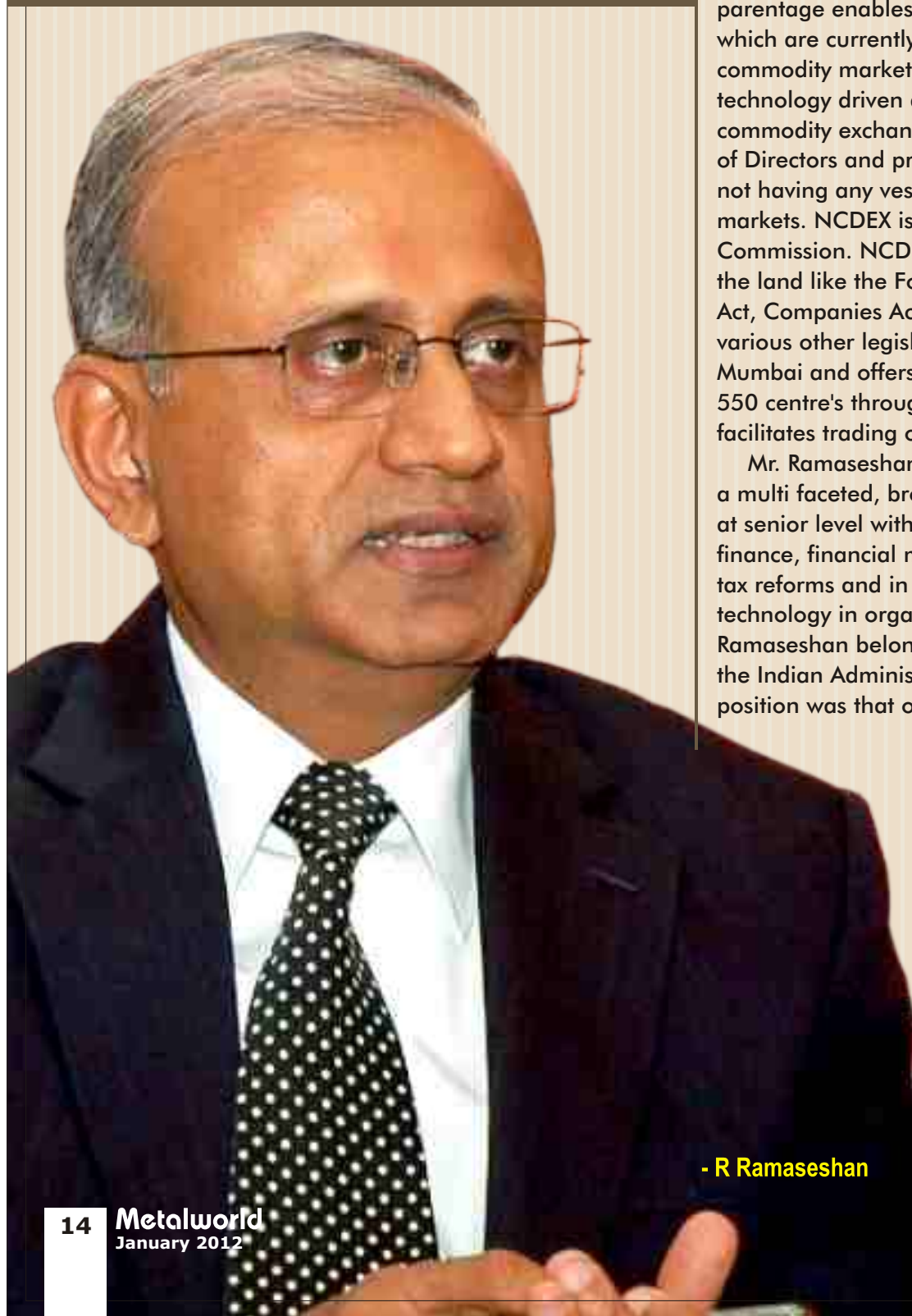


# Metal processing industry can immensely benefit from the exchange

- R. Ramaseshan



**N**ational Commodity & Derivatives Exchange Limited (NCDEX) is a public limited company incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate for Commencement of Business on May 9, 2003. It commenced its operations on December 15, 2003. NCDEX is the only commodity exchange in the country promoted by national level institutions. This unique parentage enables it to offer a bouquet of benefits, which are currently in short supply in the commodity markets. NCDEX is a nation-level, technology driven de-mutualised on-line commodity exchange with an independent Board of Directors and professional management - both not having any vested interest in commodity markets. NCDEX is regulated by Forward Markets Commission. NCDEX is subjected to various laws of the land like the Forward Contracts (Regulation) Act, Companies Act, Stamp Act, Contract Act and various other legislations. NCDEX is located in Mumbai and offers facilities to its members about 550 centres throughout India. NCDEX currently facilitates trading of 57 commodities.

Mr. Ramaseshan, MD & CEO, NCDEX, brings in a multi faceted, broad based career in government at senior level with experience in corporate finance, financial markets, and public finance and tax reforms and in the use of information technology in organisations for managing change. Ramaseshan belonged to the Karnataka Cadre of the Indian Administrative Services and his last position was that of the Chief Election Officer and

ex-officio Principal Secretary to the Government of Karnataka. Among the several positions that he had held, Mr. Ramaseshan was the Regional Head, National Stock Exchange of India Limited at their New Delhi office from November 1996 to October 1998 and is, therefore, well conversant with the functioning of the markets in the country.

In this exclusive interview with Vaishnavi Naik, Sri R Ramaseshan talks about the achievements and

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soya oil, cotton seed oil cake, castor seed), grains (wheat, maize), pulses (chana), guar seed and guar gum, steel, kapas, etc.

NCDEX differs from other exchanges as it is the only exchange in the country where price discovery of the traded commodities takes place. To support the price discovery process, the exchange has instituted an elaborate warehouse infrastructure through which delivery of over 100,000

specifically designed steel contract could provide the hedge mechanism for the steel industry.

**How can trading company participate in your activities?**

- Anyone wanting to participate in exchange trading, be it an individual or an organisation, may do so through a member of the exchange. Formalities like client identification, conclusion of necessary member client agreement, etc., have to be completed before one can trade in the exchange.

**The metal industry in Asian region is poised for a Big Boost, how can commodity exchange help the metal industry in this process ?**

- As mentioned above, the industry can benefit by using the exchange for hedging its price risk, thereby protecting the margin.

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Tell us about the historical background and present activities of NCDEX. How are you different from other commodity exchanges ?

- NCDEX was established in 2003, consequent to the policy of Government of India to allow trading in commodity futures. The exchange focused on providing trading in agricultural commodities futures and over these years has emerged as the preferred exchange for trading in Agri contracts. As of now, NCDEX has over 85% share of trading in Agri commodities.

The exchange provides for trading in a variety of Agri contracts, typical of which are spices (chili, pepper, turmeric, coriander, jeera, etc), oil and oil seeds (RM seed, soya bean, refined

**tonnes of agricultural commodities takes place after every settlement, which is unique in the NCDEX.**

**What can be the specific benefits of forward contracts for the metal processing industry in the country ?**

- Metal processing industry can immensely benefit from the exchange, as it can use the standard futures contract to hedge its price risk. In the current environment, where commodity prices are volatile, hedging in the exchange would protect the manufacturer from erosion in margin. NCDEX is a pioneer wherein a

Though the major production and consumption is in Asian region we all dance at the tunes of LME, which is UK based. How can this contradiction be sorted out ?

- This indeed is an anomaly, a historical legacy. Price determination in the producing or consuming country like India, given this legacy is difficult, if not impossible. A modest beginning could be active participation of the industry in the relevant contracts in NCDEX. With increased participation a gradual shift could occur.

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