

Multi Commodity Exchange of India Ltd (MCX) is a demutualised exchange with permanent recognition from the government of India. MCX offers futures trading in 56 commodities including bullion, energy, grains, plastics, metals, oil and oilseeds, fibres, spices, pulses, sugar, plantations and carbon credits as on March 31, 2008. The average daily turnover on the MCX platform was Rs. 102,827.60 million during fiscal 2007-08.

INTRODUCTION

- ▶ Gold is primarily a monetary asset and partly a commodity.
- ▶ More than two third of gold's total accumulated holdings, relating to "value for investment," is with central banks' reserves, private players, and high-karat jewelry.
- ▶ Less than one third of gold's total accumulated holdings is a "commodity" for jewelry in the western markets and usage in industry.

MARKET CHARACTERISTICS

- ▶ The gold market is highly liquid. Gold held by central banks, other major institutions, and retail jewelry is reinvested in the market.
- ▶ Due to a large stock of gold, against its demand, it is argued that the core driver of the real price of gold is stock equilibrium rather than flow equilibrium.
- ▶ Effective portfolio diversifier: This phrase summarizes the usefulness of gold in terms of "Modern Portfolio Theory," a strategy which is utilized by many investment managers today. Using this approach, gold can be used as a portfolio diversifier to improve investment performance.
- ▶ Effective diversification during "stress" periods: Traditional methods of portfolio diversification often fail when they are most needed, that is during financial "stress" (instability). On these occasions, the correlations and volatilities of return for most asset class (including traditional diversifiers, such as bonds and alternative assets) increase, thus reducing the intended "cushioning" effect of a diversified portfolio.

DEMAND AND SUPPLY

- ▶ China is the world's largest gold producer with 280 tonnes in 2007, followed by the South Africa and Australia.
- ▶ India is the world's largest gold consumer with an annual demand of 800 tonnes.

With a market share of 62%, MCX remains the no. 1 commodity exchange in India.



Demand and Supply (Tonnes)

| | Q3 '07 | Q3 '08 | % ch Q3 '08 vs Q3 '07 |
|--------------------------------|---------------|---------------|-----------------------|
| Supply | | | |
| Mine production | 640 | 655 | 2 |
| Net producer hedging | -82 | -63 | - |
| Total mine supply | 558 | 592 | 6 |
| Official sector sales | 178 | 23 | -87 |
| Old gold scrap | 215 | 244 | 13 |
| Total supply | 950 | 858 | -10 |
| Demand | | | |
| Fabrication | - | - | - |
| Jewelry | 630 | 669 | 6 |
| Industrial & dental | 117 | 104 | -11 |
| Sub total of above fabrication | 746 | 773 | 4 |
| Bar & coin retail investment | 116 | 183 | 58 |
| Other retail investment | -11 | 49 | - |
| ETFs & similar | 139 | 150 | 8 |
| Total demand | 991 | 1155 | 17 |
| Inferred investment | -41 | -297 | - |
| London PM Fix (US\$/oz) | 680.13 | 871.60 | 28 |

Source: GFMS Ltd.

FACTORS INFLUENCING THE MARKET

- ▶ Above ground supply from sales by central banks, reclaimed scrap, and official gold loans
- ▶ Producer/miner hedging interest
- ▶ World macroeconomic factors such as the US dollar and interest rate
- ▶ Comparative returns on stock markets
- ▶ Domestic demand based on monsoon and agricultural output

India in the World Gold Industry (in 2005)

(In tonnes)

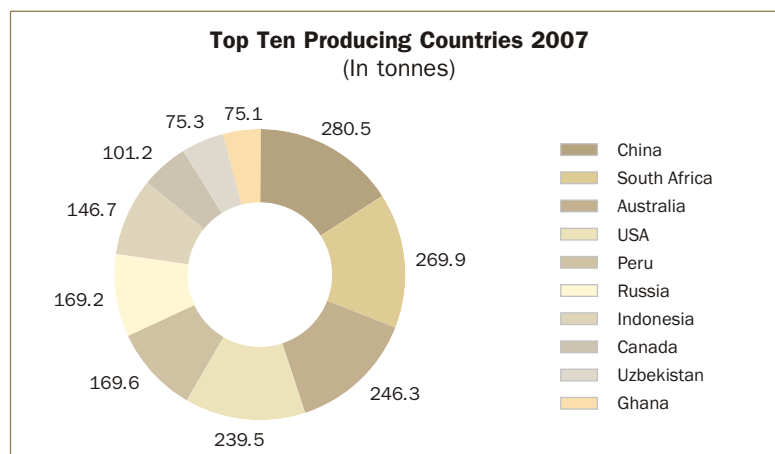
| | India | World | Share% |
|-----------------------|---------|-------------|--------|
| Total stocks | 13,000 | 145,000 | 9.00 |
| Central banks holding | 400 | 28,000 | 1.40 |
| Annual production | 2 | 2,600 | 0.08 |
| Annual recycling | 100-300 | 1,100-1,200 | 13.00 |
| Annual demand | 800 | 3,700 | 22.00 |
| Annual imports | 600 | | |
| Annual exports | 60 | | |

Source: gold.org

* All data in round figures

Top Ten Producing Countries 2007

(In tonnes)



Source: GFMS Ltd.

End-Use Gold Demand

(In tonnes)

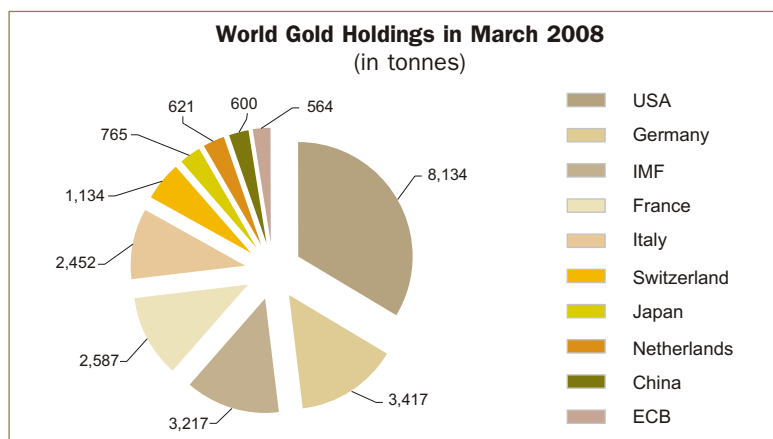
| | Q3 2007 | Q3 2008 | % change Q1'08 vs Q1'07 |
|------------------------------------|---------|---------|----------------------------|
| Jewelry consumption | 602.10 | 647.60 | 8 |
| Industrial & dental | 116.60 | 103.70 | -11 |
| Electronics | 78.80 | 71.30 | -10 |
| Other industrial | 23.60 | 19.80 | -16 |
| Dentistry | 14.20 | 12.70 | -11 |
| Identifiable investment | 244.60 | 382.10 | 56 |
| Net retail investment | 105.10 | 232.10 | 121 |
| Bar hoarding | 59.60 | 100.90 | 69 |
| Official coin | 38.20 | 61.20 | 60 |
| Medals/imitation coin | 18.30 | 21.00 | 15 |
| Other identified retail investment | -11.00 | 49.10 | - |
| ETFs & similar products | 139.50 | 150.00 | 8 |
| Total identifiable demand | 963.30 | 1133.40 | 18 |
| London PM Fix (US\$/oz) | 680.13 | 871.60 | 28 |

Source: GFMS Ltd.

Globally, MCX ranks No. 1 in silver, No. 2 in natural gas, and No. 3 in crude oil, gold, and copper in futures trading.



MCX has strategic alliances with nine leading commodity exchanges of the world.



Source: GFMS Ltd.

IMPORTANT WORLD MARKETS

- ▶ London is the biggest and the oldest gold market in the world.
- ▶ Mumbai is under India's liberalized gold regime.
- ▶ New York is the home of gold futures trading.
- ▶ Zurich is a physical turntable.
- ▶ Istanbul, Dubai, Singapore, and Hong Kong are doorways to important consuming regions.
- ▶ Tokyo, where TOCOM sets the mood of Japan.

Top Ten Gold Holding countries vis-à-vis their % of Gold compared with Forex Reserves (as on March-2008)

| Country | Tonnes | % of Reserves |
|-------------|--------|---------------|
| USA | 8134 | 79.8 |
| Germany | 3417 | 68.9 |
| France | 2587 | 59.7 |
| Italy | 2452 | 70.4 |
| Switzerland | 1134 | 42.9 |
| Japan | 765 | 2.3 |
| Netherlands | 621 | 63.6 |
| China | 600 | 1.1 |
| ECB | 564 | 26.7 |
| Russia | 451 | 2.8 |

Source: GFMS Ltd.

MEASUREMENT

Weight Conversion Table

| To convert from | To | Multiply by |
|--------------------|--------------------|-------------|
| Troy ounces | Grams | 31.1035 |
| Million ounces | Tonnes | 31.1035 |
| Grams | Troy ounces | 00.0321507 |
| Kilograms | Troy ounces | 32.1507 |
| Tonnes | Troy ounces | 32,150.70 |
| Kilograms | Tolas | 85.755 |
| Kilograms | Taels | 26.7172 |
| Kilograms | Bahts | 68.41 |
| Troy ounces | Grains | 480.00 |
| Troy ounces | Avoirdupois ounces | 1.09714 |
| Troy ounces | Penny weights | 20.00 |
| Avoirdupois ounces | Troy ounces | 0.911458 |
| Short tonne | Metric tonne | 0.9072 |



Gold purity is measured in terms of karat and fineness:

- › Karat: pure gold is defined as 24 karat
- › Fineness: parts per thousand

Thus,

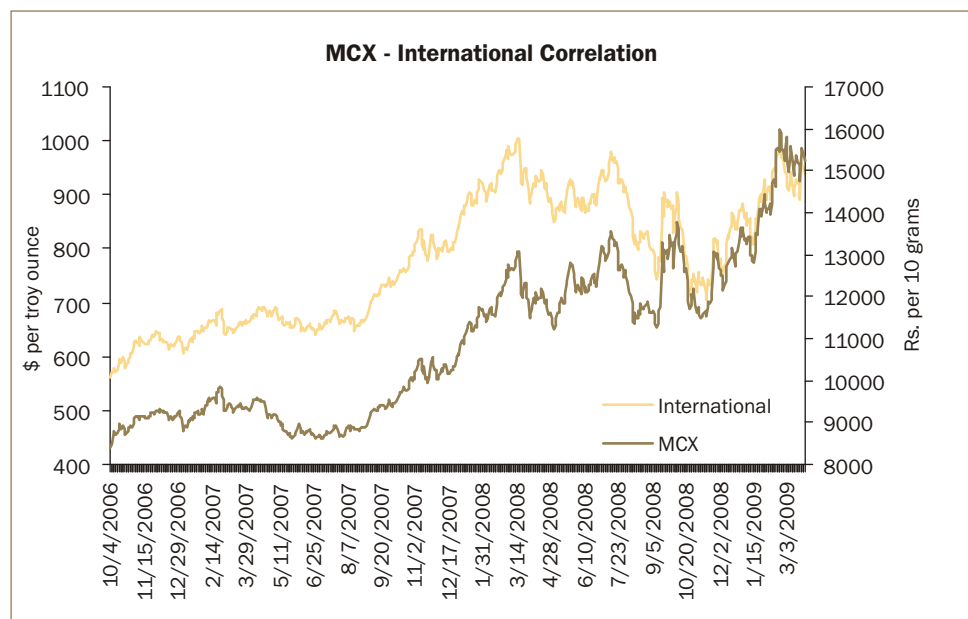
18 karat = (18/24)th of 1,000 parts = 750 fineness

1 troy ounce = 31.1034768 grams

BENEFITS OF TRADING ON MCX

- › India's no. 1 commodity exchange to trade bullion futures
- › Highly liquid contracts
- › Deliverable contracts with internationally accepted gold bars
- › Flexibility to chose from two different contract sizes, Gold (1 kg) and Gold Mini (100 g), that best meets the needs
- › Highly efficient and transparent market

The average daily turnover of MCX is US\$ 1.9 billion.



IMPORTANT WEB SITES

- www.gfms.co.uk
- www.nymex.com
- www.gold.org
- www.dmcc.ae
- www.usagold.com

- www.lbma.org.uk
- www.tocom.com.jp
- www.kitco.com
- www.iab.gov.tr

MCX now reaches out to over 380 cities and towns with the help of 7,269 terminals



CONTRACT SPECIFICATIONS OF GOLD

| | |
|-------------------------------|--|
| Symbol | GOLD |
| Description | GOLD MMMYY |
| Trading period | Monday through Saturday |
| Trading session | Monday to Friday: 10:00 a.m. to 11:30 p.m. Saturday: 10:00 a.m. to 2:00 p.m. |
| TRADING | |
| Trading unit | 1 kg |
| Price quote | Rs. per 10 g, ex-Ahmedabad (inclusive of all taxes and levies relating to import and customs duty, but excluding sales tax/VAT, any other additional tax or surcharge on sales tax, local taxes, and octroi) |
| Maximum order size | 10 kg |
| Tick size | Re. 1 per 10 g (minimum price movement) |
| Daily price limit | 3% |
| Initial margin | 4% |
| Special margin | In case of additional volatility, a special margin at such percentage (as deemed fit) will be imposed immediately on both the buy-side and the sell-side in respect of all outstanding positions, which will remain in force for next two days. After which, the special margin will be relaxed. |
| Maximum allowable | For individual client: 2 MT (i.e. open positions including Gold Mini and Gold HNI contracts) For a member collectively for all clients: 6 MT or 15% of the market's open position, whichever is higher |
| DELIVERY | |
| Delivery unit | 1 kg |
| Delivery period margin | 5% incremental margin for last five days on all outstanding positions. Such margin will be additional to initial, additional and special margin as applicable. |
| Delivery center(s) | At designated clearing house facilities of Group 4 Securitas in Ahmedabad and Mumbai |
| QUALITY SPECIFICATIONS | |
| 995 purity | It should be serially numbered gold bars supplied by the LBMA-approved suppliers or those suppliers, as may be approved by MCX, to be submitted along with the supplier's quality certificate. |
| 999 purity | If a seller offers a delivery of 999 purity, the seller will get a proportionate premium, and the sale proceeds will be calculated in the manner of rate of delivery * 999/995. |
| Less than 995 | Rejected |

Note: Please refer to the exchange circulars for the latest contract specifications and delivery and settlement procedures.

MCX Comdex is
India's first
composite
commodity
futures price
index.



www.mcxindia.com

CONTRACT SPECIFICATIONS OF GOLD MINI

| | |
|-------------------------------|--|
| Symbol | GOLDM |
| Description | GOLD MMMYY |
| Trading period | Monday through Saturday |
| Trading session | Monday to Friday: 10:00 a.m. to 11:30 p.m. Saturday: 10:00 a.m. to 2:00 p.m. |
| TRADING | |
| Trading unit | 100 g |
| Price quote | Rs. per 10 g, ex-Ahmedabad (inclusive of all taxes and levies relating to import duty and customs, but excluding sales tax/VAT, any other additional tax or surcharge on sales tax, local taxes, and octroi) |
| Maximum order size | 10 kg |
| Tick size | Re. 1 per 10 g (minimum price movement) |
| Daily price limit | 3% |
| Initial margin | 4% |
| Special margin | In case of additional volatility, a special margin at such percentage (as deemed fit) will be imposed immediately on both the buy-side and the sell-side in respect of all outstanding positions, which will remain in force for next two days. After which, the special margin will be relaxed. |
| Maximum allowable | For individual client: 2 MT (i.e. open positions including Gold Mini and Gold HNI contracts) For a member collectively for all clients: 6 MT or 15% of the market's open position, whichever is higher |
| DELIVERY | |
| Delivery unit | 100 g |
| Delivery period margin | 5% incremental margin for last five days on all outstanding positions. Such margin will be additional to initial, additional and special margin as applicable. |
| Delivery center(s) | At designated clearing house facilities of Group 4 Securitas in Ahmedabad and at additional delivery centers in Mumbai, Chennai, and New Delhi |
| QUALITY SPECIFICATIONS | |
| 995 purity | It should be serially numbered gold bars supplied by the LBMA-approved suppliers or those suppliers, as may be approved by MCX, to be submitted along with the supplier's quality certificate. |
| 999 purity | If the seller offers delivery of 999 purity, the seller will get a proportionate premium, and the sale proceeds will be calculated in the manner of rate of delivery * 999/995. |
| Less than 995 | Rejected |

Note: Please refer to the exchange circulars for the latest contract specifications and delivery and settlement procedures.

For Customer Support : +91-22-6649 4040

To get the latest futures price of a commodity, sms "MCX <Commodity Name>" to 55454

Exchange Square, CTS No. 255, Suren Road, Andheri East, Mumbai 400 093, India.
Tel: 91-22-6731 8888 • info@mcxindia.com • www.mcxindia.com

MCX
India's No.1 Commodity Exchange

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