INSIGHTS AND PERSPECTIVES

PRICING IN INDIA: CENTRAL TO ECONOMIC GROWTH AND MARKET DEVELOPMENT

From Price-Taker to Price-Maker:
India's Benchmark Moment



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> *India produces, consumes and finances commodities at continental scale — yet the prices that govern its mines, tenders and balance sheets are still written elsewhere. That is an outcome of architecture and can be rebuilt.*

Walk the value chain of almost any key commodity in India - gold through Zaveri Bazaar, copper for the transmission grid, crude oil into a west-coast refinery - and you will encounter a quiet constant. The material is Indian or destined for Indian use. The buyer and the seller are Indian. The logistics, the taxes and the risks are Indian. The price is not.

The paradox is one of scale. India, the second-largest consumer of gold,is the world's largest consumer of gold and silver jewellery[1], the third-largest consumer of crude oil[1], and a significant producer and consumer of the base metals — copper, aluminium, and zinc — on which its energy transition depends. By volume, by value, and by the number of livelihoods involved, India is a first-order participant in nearly every major commodity market. Yet in the determination of price it remains, across most of those markets, a spectator.

That price is set, more often than not, in London — on the London Metal Exchange (LME) for base metals, against the London Bullion Market Association (LBMA) for bullion — or against some other offshore assessment, and then imported into Indian commerce through royalty formulas, customs valuations, procurement tenders and long-term sales contracts. A recent diagnostic of India's commodity ecosystem catalogued more than fifty key benchmarks in active use across multiple commodities spanning metals, bullion, energy and agriculture — the very segments in which India's own exchanges, led by the Multi Commodity Exchange of India (MCX) with 97%+ market share[2], already run deep and liquid markets. The noticeable finding was not the number. It was the structural reality: offshore references are not a market habit that Indian participants happen to indulge; they are hardwired into the legal and procedural fabric of Indian commerce.

Consider a telling example. The Mines and Minerals (Development and Regulation) Act,1957 (MMDR) framework- the statute governing mineral royalties — pegs royalty calculations for key minerals to LME and LBMA prices[3]. A zinc mine in Rajasthan therefore pays a royalty whose arithmetic begins in London, even as a liquid, rupee-denominated zinc contract trades in Mumbai. The observation is uncomfortable but revealing; price-taking in India is largely an outcome of inherited architecture rather than a deliberate market verdict. And architecture, unlike geography, can be redrawn.

THE ANATOMY OF DEPENDENCE

Why does the dependence persist? Three structural barriers recur across every commodity examined, and it is their interaction — not any one of them — that keeps Indian contracts and indices internationally referenced.

The first is template hardwiring. Royalty schedules, tariff formulas, tender documents and legacy contracts name international benchmarks explicitly[4], so CFOs, tender committees and drafting lawyers who follow the standard text renew the dependence — usually without ever making a conscious choice.

The second is liquidity and participation depth. Where domestic reference prices exist, some are still building the trading volumes and breadth of contributors that their offshore counterparts have accumulated over decades, and a treasurer will naturally ask whether a price can absorb a large contract before anchoring to it.

The third is trust, governance and basis risk. An established offshore benchmark carries a long record of methodology, audit and practice, and a domestic alternative builds comparable familiarity over time; until that familiarity accrues, the offshore reference often remains the more convenient default.

It is worth noting what would help most. As yet, there is no widely settled convention — formal or informal — that points participants toward a credible Indian reference where one is available. In its absence, and with physical-market contracts still only loosely linked to exchange-determined domestic prices, the existing default tends to carry forward of its own accord. Convention, in pricing, is self-

[1] Gold: As per 2025 joint report by Apex Trade Association of India (ASSOCHAM) and Indian Credit Rating Agency (ICRA). Silver: As per World Silver Survey 2025. Crude: As per PIB Backgrounder, GoI, dated 27 January 2026.

[2] MCX's FY25 annual report states that MCX accounts for 98.10% of the total traded value of commodity futures and 97.4% of commodity options traded across all Exchanges.

[3] As described in the second schedule of Mines and Minerals (Development and Regulation) Act, 1957.

[4] Multiple sources including Second schedule of MMDR Act, Average Sale Prices published by Indian Bureau of Mines, Domestic Natural Gas Pricing Guidelines (2014), CERC Composite Index for coal etc.

reinforcing — which is also why a few well-chosen examples can begin to shift it.

WHAT INDIA STANDS TO GAIN

The case for reversing this is financial, fiscal and strategic.

For producers and consumers, a domestic reference price reflects domestic fundamentals — monsoon-driven demand cycles, freight differentials, duty structures, the actual clearing price of Indian supply and demand — rather than conditions on the other side of the planet. For hedgers, it collapses basis risk: an Indian corporate hedging against an offshore benchmark today carries the gap between the reference price and its own realised price, with a currency overlay on top. That gap is one reason India's hedging story remains so thin — barely 2 per cent of the roughly ₹.1 lakh crore[5] of commodity exposure carried by India's top seven commodity-exposed firms are hedged domestically, even though domestic contracts in bullion and energy already offer meaningful depth. Pricing and hedging are two halves of one architecture: credible domestic benchmarks make onshore hedging rational, and onshore hedging deepens the very liquidity that makes benchmarks credible.

For the exchequer, royalties and tariffs aligned to domestic realities track conditions that are genuinely Indian, rather than movements in faraway markets that may bear little relation to local supply and demand. For markets, benchmarks are the flywheel: references support contracts, contracts support liquidity, and liquidity in turn supports better references. And for policy, an India-authored price spine is valuable infrastructure — a data asset for inflation management, strategic procurement and trade negotiation that an imported index can rarely replicate. History suggests reference prices are built rather than inherited. Brent and the regional crude markers became anchors because the surrounding architecture — contracts, participants and assessment standards — was deliberately developed around them. Emerging markets have shown that the same is achievable in a single generation: China's Shanghai exchanges, for instance, have grown domestic contracts[6] in gold, copper and crude into references that the region increasingly watches. There is no structural reason a credible Indian bullion or energy reference cannot, in time, come to serve a similar role across South Asia. There is also a quieter, institutional benefit. Benchmark administration is itself an export industry — the assessments, data services and settlement infrastructure that surround a trusted reference price generate fees, talent and standing. London earns from the LME long after the metal has left its warehouses. There is no reason Mumbai should not earn similarly from prices the world will eventually need: an Indian price for Indian demand is, sooner or later, a price the world will watch.

GREEN SHOOTS, ALREADY PRICED

The most encouraging finding of the diagnostic is that domestic anchoring is not a hypothesis. It is already happening — and the most developed examples sit squarely in the exchange-traded universe.

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MCX bullion spot prices already underpin gold and silver Exchange Traded Funds (ETFs): domestic, regulated investment products marking to a domestic, regulated price. The Reserve Bank uses Indian Bullion and Jewellers Association (IBJA) assessments for Sovereign Gold Bonds — the sovereign, in effect, already trusts an Indian benchmark with its own instrument. And in base metals and energy, liquid rupee-denominated futures on commodity exchanges like MCX provide exactly the raw material — transparent, continuous, audited price formation — from which credible reference prices can be built. The instinct is spreading in the wider economy too, with producers and index bodies beginning to reference internal and national price series; but it is in bullion, metals and energy that the foundations are deepest.

Each green shoot carries the same lesson. Each required three things: a credible compiler, a willing first user, and a use-case where the domestic price was simply better than the imported one. That is the template. The task now is not to invent the model but to systematise it — to move from incidental adoption to deliberate architecture. Benchmarks are built commodity by commodity, use-case by use-case — and a handful of working proofs is how every pricing regime in history has started.

FROM INTENT TO ARCHITECTURE: FOUR MOVES WORTH MAKING

What might a methodical architecture look like? Four moves suggest themselves, each building on the last.

The first is to prioritise the green shoots. Rather than attempting all commodities at once, the effort could begin where Indian benchmarks and liquid domestic markets already exist — bullion above all, followed by the energy and base-metal contracts where exchange depth is greatest. A simple screening framework — availability of data, market depth, procurement relevance, legal complexity — would surface the best candidates; pilots could then document the lessons before the harder commodities are attempted. Early wins matter, because they create the confidence on which everything else depends.

The second is to reflect Indian benchmarks in formal pricing formulas

[5] As per FY24 annual reports of RIL, Hindalco, Tata Steel, JSW Steel, Hindustan Zinc, Vedanta and NALCO.
[6] Shanghai Gold Exchange (SGE) has launched the Shanghai Gold Benchmark Price (SHAU), Shanghai Futures Exchange (SHFE) has launched INE Bonded Copper (BC) futures and crude oil futures.

over time. This is where dependence actually lies — in royalty schedules, procurement formulas and standard tender language — and it is also where the gentlest transitions are possible. A weighted-average glide path is one option worth examining: for illustration, 80 per cent offshore and 20 per cent domestic in year one, 60/40 in year two, 40/60 in year three, with weights adjusted on the evidence of back-testing. Such an approach would give every treasurer operational clarity and every auditor a defensible formula — and no participant would face a cliff.

The third is to keep investing in benchmark credibility itself. Trust and repeatability are the currency of any reference price, and they are earned through architecture: published methodology papers for each commodity, defined contributor networks and data-submission controls, audit trails, exception handling and fallback logic, all aligned with the IOSCO (International Organization of Securities Commissions) principles that govern benchmarks globally. Over time, a commonly accepted Indian benchmark code — shaped through open consultation among market institutions, users and authorities — could give every participant a shared standard to reference. The direction matters more than the instrument: confidence is built in layers.

The fourth is to convert benchmarks into market standards. Creation alone is insufficient; commercial, OTC and exchange usage is what makes a reference price real. Contract templates, benchmark-linked products and committed pilot users all play a part — as does an honest scoreboard: the share of contracts, procurement flows and market products referencing Indian benchmarks, tracked and published, so that progress is measured in adoption rather than announcements.

What is striking about this agenda is how little of it needs to wait. Some elements would naturally mature through consultation and policy evolution over the years ahead; others can begin tomorrow through market initiative alone. The two tracks are complementary, not sequential — and the green shoots already in place suggest that progress on either reliably strengthens the case for the other.

CONTRIBUTION OF COMMODITY EXCHANGES: BUILDING IN THE OPEN

Which brings me to the role commodity exchanges like MCX can play — and, in several respects, are already playing. An exchange occupies a unique vantage point in this story: it sees the prices form, holds the data lineage, and serves the very participants whose adoption decisions will determine the outcome. That vantage point creates an opportunity to contribute — openly, neutrally and substantively — to the ecosystem's evolution.

Several contributions suggest themselves. The first is research: an authoritative, peer-reviewed atlas of India's domestic benchmark landscape, built on the exchange's own data lineage, contract history and trading volumes and validated by academic and industry reviewers, would give every subsequent conversation a common factual foundation. The second is technical depth: fully worked illustrations — transition formulas, back-tested weight paths, simulation results — that any institution examining benchmark adoption could draw on, shortening the distance between intent and implementation. The third is recognition: partnering with established industry platforms to celebrate pricing and procurement innovation wherever it occurs, on terms broad enough that the recognition is genuinely about innovation rather than any single market's promotion. The fourth is participation: public contributions to consultations on benchmark governance, modelled on global best practice and offered in the spirit of strengthening the commons. And the fifth is capability: tools, education and analytics that make domestic reference prices easier for treasurers, auditors and boards to use with confidence.

None of this presumes any particular policy outcome. All of it adds to the shared foundation — data, evidence, standards, capability — on which good outcomes are built. That, in my experience, is how market institutions earn their place at the centre of a reform: not by asking for it, but by being indispensable to it.

THE DECADE OF THE INDIAN REFERENCE PRICE

Benchmarks are discreet infrastructure. Nobody celebrates a reference price; people notice it only when it misprices their world. But that is precisely why this agenda matters. India's commodity economy has the scale, the participants and the ambition. What it has lacked is authorship of its own numbers.

The green shoots demonstrate that authorship is possible — and that the exchange-traded markets in bullion, metals and energy are where it has advanced furthest. The four moves sketched above suggest that it is plannable. And the parallel nature of the work means it can begin immediately, without waiting for any single piece to fall into place. What remains is tempo — and tempo, in my experience, is decided by those who begin. The institutions that help build India's reference prices over the next decade will be the ones the market quotes for the fifty years after that. The journey from price-taker to price-maker is, in the end, a choice of architecture. India should make that choice deliberately — and make it now.

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