How India Can Transform Local Prices into Global References



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Damodharan has authored insights, facilitated workshops, and contributed to thought leadership initiatives that shape industry dialogue on evolving trends and regulatory impacts. By combining rigorous analysis with practical advisory, he delivers solutions that help clients uncover the drivers behind market shifts and translate insights into actionable strategies. This approach ensures decisions are informed, value-oriented, and aligned with long-term resilience—giving clients' confidence that they are supported by CRU's proven expertise and market perspective.

> *The key differentiator of an international benchmark from a published price number — and why India, despite being a significant player in the metals, mining and fertiliser industries, has no international reference for its prices.*

EXECUTIVE SUMMARY

India is a major player across metals, mining and fertilisers. It is the second largest producer of aluminium, steel and urea, the 4th largest producer of iron ore and one of the most globally important importers of metallurgical coal and fertilisers. In several of these markets, India sits at the centre of global supply or demand flows, yet, outside of fertilisers, no single Indian price series has become the internationally recognised benchmark. In markets where commercial contracts depend on references, independent market intelligence helps companies judge whether a price series is robust enough to rely on.

In this insight, we examine why certain price series are preferred to use as global benchmarks in contracts, what structural conditions they require, and why Indian price series, despite their market significance, have not yet penetrated. We study what makes a price series eligible for use in commercial contracts, and what steps are needed for it to become a credible international reference.

HOW WILL THE USE OF INDIAN DOMESTIC PRICES IN COMMERCIAL CONTRACTS BY INTERNATIONAL COMPANIES BENEFIT INDIAN INDUSTRY?

A domestic benchmark matters when it improves day-to-day commercial decisions. If the reference price reflects Indian market conditions more closely, buyers and sellers can price contracts with less basis risk, manage margins more effectively, and reduce repeated disputes over freight, duties, port charges, and local supply conditions. It also makes budgeting and working-capital planning more reliable, because finance and commercial teams can forecast revenue and cost against a price that better matches reality.

A credible local benchmark can also improve the financing discussion indirectly. Lenders, investors, and trading houses are generally more comfortable where future cash flows are easier to explain, compare, and stress-test. A benchmark that is widely used and trusted can therefore make mines, smelters, mills, terminals, and trading businesses easier to assess and finance, because pricing risk becomes more visible and easier to manage.

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DEFINING A CONTRACT-GRADE BENCHMARK

After examining the existing price series widely used in commercial contracts in international markets such as Aluminium Rotterdam/MJP/US Midwest premium, or Iron Ore 62% Fe CFR China or Metallurgical Coal HCC FOB Australia; it becomes clear that a price series should contain these six characteristics:

- **Physical Liquidity:** concentrated and continuous trade between diverse buyers and sellers at a defined hub.
- **Product Standardization:** The price series must reference a clearly defined, commercial-grade specification that the industry produces, trades, and recognizes as fungible.
- **Governance & Methodology:** The price series should adhere to independently administered principles such as those of the International Organization of Securities Commissions (IOSCO), with a clear, transparent methodology and sufficient checks and balances against manipulation.
- **Cleared Derivatives:** Enabling industry participants to hedge their exposure via futures or swaps. This increases the adoption of the price series in commercial contracts.
- **Currency & Convertibility:** The price series should be quoted in USD or in a fully convertible local currency. This enables foreign counterparties to participate in transactions without FX or capital-control friction.
- **Track Record & Resilience:** A long track record builds confidence and trust, as the price series will have endured global crises, financial shocks and geopolitical events, increasing the confidence to use in contracts for the long term.

In practice, the challenge for market participants is not simply identifying a

price, but understanding whether it is sufficiently robust, transparent and repeatable to support commercial contracts. This is where independent market analysis and price assessment become especially valuable.

Below is a reference to key price series and their characteristics. The price series mentioned are only samples and not a complete list across commodities or regions. I have plotted how these price series fare against each of these characteristics.

Characteristic	Rotterdam Aluminium Premium	Coal - HCC FOB Australia	Iron Ore - 62% Fe CFR China	Steel - US Midwest HRC	Urea - FOB Middle East
Physical liquidity	Europe responsible for 29% of global (ex-China) primary aluminium consumption	Large seaborne trade	Massive China-bound flow	Strong US domestic flow	Large tender-driven flow
Product standardisation	P1020A ingot spec	Premium Low-Vol HCC	62% Fe fines	HRC commercial grade	Granular 46% N
Governance & methodology	PRA-assessed	PRA-assessed	PRA-assessed	PRA-assessed	PRA-assessed
Cleared derivatives	CME futures	SGX/CME futures	SGX futures	SGX/CME futures	SGX/CME futures
Currency & convertibility	USD denominated	USD denominated	USD denominated	USD denominated	USD denominated
Track record & resilience	Long, crisis-tested	Long, crisis-tested	Long, crisis-tested	Long, crisis-tested	Long, crisis-tested

Among these, three are must have characteristics: Physical Liquidity, Product Standardisation, and Governance & Methodology.

WHAT MAKES A PRICE SERIES UNDESIRABLE AS A BENCHMARK?

The very purpose of using a price series is to maintain neutrality and to reflect the market. Of course, there are other benefits, but these form the core objectives. Certain factors can make a price series undesirable, such as:

- **Prices are administered** (subsidies, tenders, mill list prices).
- **Monopoly or Duopoly markets - Supply or demand is concentrated** in 3–4 players or locked inside captive/integrated chains.
- **No single dominant logistic centres** - multiple hubs with no dominant delivery point.
- **The currency is not freely convertible** – to reduce friction for global participants to freely trade.
- **Trade policy is volatile** - export duties, bans and anti-dumping break multi-year continuity.
- **No cleared derivative exists** to allow hedging.

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ATTEMPTS TO GET INDIAN PRICES RECOGNISED INTERNATIONALLY

Indian entities have made efforts to use domestic prices in international contracts, but in most cases these references have not become widely adopted by international counterparties. The attempts tend to fall into two categories: domestic industrial contracts and aspirational benchmark launches.

WHERE AND WHY INDIAN DOMESTIC PRICE SERIES FALL SHORT

Indian price series generally fall short on the same core characteristics that make a benchmark internationally usable. They are often too concentrated, too opaque or too policy sensitive. In many cases, prices are still driven by bilateral negotiation, administered pricing, subsidies, or trade restrictions rather than continuous market clearing. That means international counterparties may see the price as informative, but not yet contract-ready.

Price Series	Commodity	Outcome
NMDC monthly iron ore prices	Iron ore	Worked domestically, not internationally
Indian HRC mill list prices	Steel	Worked locally, not internationally
India aluminium premium initiatives	Aluminium	Did not take off
CFR India met coal calls by Indian steel mills	Metallurgical coal	Did not materialise as a benchmark, due to less liquidity of CFR India transactions
Indian fertiliser tender outcomes	Urea / DAP	Moved global prices, but not as a benchmark

For an Indian price series to be used in commercial contracts by international companies, it must pose characteristics of a real benchmark market, not just a local reference price. That means the underlying market needs regular spot trading, consistent product definitions, transparent reporting, independent assessment, and enough liquidity for counterparties to use and hedge it with confidence. The objective is not to create a "national price" for prestige, but to make the reference **credible, repeatable, and contract-grade** for cross-border buyers and sellers.

1. How Indian companies enable this?

Indian producers, traders and large consumers need to move away from opaque, bilateral pricing and help

Commodity	Market structure	Desirable characteristics	Where it stands today?	Why not preferred?
Indian aluminium premium	Highly concentrated oligopoly — 3 major producers dominate	Thin domestic liquidity; no deep derivative; no widely accepted premium assessment	Local reference at best	Net exporter market; no liquidity hub; no derivative
Indian HRC	Concentrated oligopoly — a few large mills dominate, but many smaller players exist	Standardised grades exist, but pricing is fragmented; limited hedging	Domestic pricing reference only	Fragmented pricing, import parity, policy volatility
Indian iron ore	Concentrated / semi-administered market — NMDC and captive miners dominate	High domestic volume, but low merchant trade and weak price discovery	Administered domestic price, not benchmark	Captive mining, export restrictions, low-grade exports
CFR India met coal	Fragmented supply market — many global producers; not monopoly/duopoly	Large import volume, but fragmented by grade and port	Import cost reference, not benchmark	Too fragmented by grade/port; derivable from FOB Australia + freight
Indian fertilisers	State-influenced, procurement-led concentrated market — demand concentrated through public importers	Standardised products, but pricing is tender-driven and policy-heavy	Tender-driven demand signal, not benchmark	Subsidy-driven market, state procurement, no continuous spot price

build a visible market. That means reporting more spot transactions, using one clear product specification, and writing more contracts on an index-linked basis rather than fully fixed prices. This will in turn open opportunities for hedging and risk management, because a benchmark only becomes meaningful when market participants actually rely on it in day-to-day business.

2. What role do regulators play?

Regulators need to protect the credibility of the reference price. That means clear and stable methodology rules, market surveillance, anti-manipulation safeguards, and consistent treatment of benchmark data. They should also avoid actions that break continuity or distort discovery, such as sudden export bans, ad hoc duties, distorting subsidy programmes or arbitrary restrictions. If Indian prices are to be adopted internationally, the market must be seen as independent, stable, and rule-based.

3. How can government support?

The government influences how the market functions. It should reduce policy uncertainty, limit abrupt trade interventions, and where possible allow more market-based pricing and less administered pricing or subsidy-driven procurement. In sectors such as fertilisers, iron ore and steel, that means supporting continuous trade, clearer logistics hubs, and freer price discovery. In simple terms: if India wants its prices to matter globally, the market must be allowed to form those prices more often than policy does.

CONCLUSION

India's scale in metals, mining and fertilisers is undeniable, but scale alone does not create a global benchmark. A price series becomes internationally useful only when it is transparent, liquid, standardised, hedge-able, and trusted by the market. Where Indian prices fall short on these conditions, they remain commercially important but local in nature. For Indian companies and policymakers, the implication is clear: if Indian prices are to be used in international contracts, the market must become more market-led, more consistent, and less policy-distorted. Until then, global contracts will continue to rely on established international references, with Indian prices used mainly as domestic signals and differentials. In markets that are still evolving, the most useful support comes from independent analysis that helps companies distinguish between a local number and a true contract-grade reference. That is where transparent market insight becomes most valuable.