PRICING IN INDIA: CENTRAL TO ECONOMIC GROWTH AND MARKET DEVELOPMENT



Throughout history, economic growth of nations has been supported by access to essential commodities. The metals that build infrastructure, the energy that powers factories, the agricultural inputs that feed populations — commodities lie at the heart of a growing economy. What distinguishes the world's most economically consequential nations is not merely their consumption of commodities, but their influence over how those commodities are priced.

India today stands at a defining crossroads in this regard.

India is already among the world's largest consumers of several critical commodities. The country consumes approximately 165 million tonnes of steel annually, making it the world's second-largest consumer. India accounts for nearly 25 percent of global gold demand — over 700 tonnes per year. India is the third-largest consumer of crude oil globally, consuming about 5 million barrels per day. In base metals, India's consumption footprint is expanding rapidly in line with infrastructure development, renewable energy deployment, and manufacturing growth.

Yet despite this scale of physical presence, India remains largely a price-taker in global commodity markets. Prices for the commodities that Indian businesses consume, produce, and trade are set in trading hubs outside the country. What this means is that Indian manufacturers, importers, and producers must navigate price volatility generated by markets that often reflect conditions in other economies rather than India's own supply-demand realities.

The concept of 'Price in India' addresses this structural gap. It is not about rejecting international benchmarks — global commodity prices serve an important coordination function across supply chains. The opportunity is to develop credible, transparent domestic price discovery mechanisms that reflect India's growing economic weight: its physical consumption, production realities, quality standards, logistics structures, and financial market depth.

The Cost of Not Having Domestic Price Benchmarks

The absence of robust domestic commodity benchmarks is not an abstract problem. It translates into measurable economic costs for Indian businesses every day.

Consider aluminium. India hosts some of the world's largest integrated aluminium smelting operations. Indian companies produce millions of tonnes of primary aluminium annually from Indian mines, through Indian refineries, to Indian smelters. Yet aluminium transactions in India are routinely priced against a benchmark derived from an offshore marketplace. When its aluminium price spikes due to its own warehouse dynamics or geopolitical developments in, say, Russia that affect Russian exports elsewhere, Indian buyers of aluminium from Indian sellers absorb that volatility regardless of whether Indian domestic supply-demand fundamentals warrant it.

This basis risk — the difference between the global benchmark and actual domestic realities — represents a persistent cost for Indian industry.

The cumulative cost of this dependence is difficult to quantify, but it manifests in three ways: first, as an unnecessary volatility exposure for Indian businesses; second, as sub-optimal risk management, since hedging against a poorly correlated international benchmark provides incomplete protection; and third, as lost opportunity to build the financial market depth that makes India's capital markets globally influential.

Creating and nurturing credible benchmarks

Credible commodity price benchmarks are not created by regulatory fiat or financial market activity alone. History shows that they develop organically when markets are deeply connected with actual production, consumption, storage, logistics, and trading ecosystems. By this standard, India's physical commodity market strengths are substantial and underutilised as a foundation for price discovery. The strategic opportunity is to connect these powerful physical ecosystems more deeply with transparent financial market infrastructure — transforming India's role from a large consumer absorbing international price signals to an active participant in creating them.

Physical markets and financial markets in commodities are not separate systems — they are deeply interdependent. When physical market participants — producers, processors, manufacturers, and traders — actively use financial markets for price discovery and risk management, the two systems reinforce each other. India's commodity derivatives market has made significant strides in building this connectivity, especially in connecting commercial and retail financial participants. The next phase of development requires deeper participation from institutional investors and expanding commercial hedger engagement — particularly from those who currently lack the tools or awareness to manage commodity price risk effectively.

Creating deeper commodity derivatives markets also calls for broadening institutional participation. The window of participation for some categories of permitted institutions, such as Mutual Funds and Foreign Portfolio Investors is rather narrow currently, while some categories like banks, insurance companies and pension funds are not allowed at all in India's Exchange Traded Commodity Derivatives market. Addressing this gap would significantly deepen the market and bring in new participants, viz. the customers of these institutions, which would in turn substantially improve price discovery, leading to creation of price benchmarks.

Presenting Commodity Insights Yearbook 2026

This edition of the Commodity Insights Yearbook focuses on creating and nurturing Indian commodity prices as benchmarks. It features thirteen articles encompassing multiple facets connected to this theme.

Damodharan N. presents the characteristics of a benchmark and suggests ways for an Indian price series to become internationally useful by being transparent, liquid, standardised, hedge-able, and trusted by the market. **Mayuri Singh** goes a step further and mentions a distinct 'Benchmark Formation' phase that commodity prices need to undergo to build trust, integrity, and widespread adoption. Explaining the need for domestic commodity price benchmarks, **Joymalya Bandopadhyay & Rachit Kumar** point out to a few benchmark-able prices already available and prescribe ways to further build upon these 'green shoots'.

Sandeep Daga observes that India's growing economic footprint has triggered a shift toward domestic pricing systems which better reflect country-specific realities, trade flows, and currency advantages. Similar observations are made by **Sachin Shetty**, who highlights that Indian commodity prices—driven by taxes, duties, and local supply-demand—serve as more accurate transactional references than global benchmarks, best evidenced by sector-specific trends in steel and gold. The thought is also echoed by **Pranay Shukla** with evidence from ferrous metals markets. Driven by a massive investment cycle, surging infrastructure spending, and a strategic return to net-exporter status, India's ferrous market is decoupling from global benchmarks and transforming from a passive price follower into a vital regional price reference, he articulates.

Other authors too have provided rationale for nurturing domestic price benchmarks in specific commodity contexts. In the context of Lead, **Vijay Pareek** explains the need for a local benchmark that considers local factors, taxation being a prominent one, which global benchmarks do not consider. The need is accentuated by fragmentation across regional markets and prices, he comments. Also writing from the Lead market's perspective, **Amol Mehra** observes the transition from fixed-pricing models to pricing in more sophisticated marketplaces, and finds India's Lead sector possessing the potential to become a global pricing hub, provided it adopts a unified, formal price discovery mechanism to replace fragmented, informal systems.

Prof. Vivek Rajvanshi holds that international commodity benchmarks are unsuitable in India as they fail to account for Indian factors such as taxes, logistics, and exchange rates, which necessitates establishing credible domestic commodity benchmarks. **Dr. Mili Kar** contextualises the theme in the ongoing volatile global environment, which underscores the critical need for domestic policies to sustain the nation's economic growth momentum.

Authors from the financial services sector too echo many of these views. **Mudit Singhania** remarks that India is transitioning to creating domestic commodity benchmarks to better reflect its status as a major global consumer and producer, thereby reducing reliance on external pricing. **Sirshendu Basu** opines that pricing power in a commodity like Gold can come to India from creation of a strong formal market architecture marked by strengths in liquidity, vaulting, transparent delivery, hedging depth and international participation. **Anil Ghelani** sums up the theme commenting that 'Price in India' is not merely a slogan; it is about building the institutional conditions under which India's prices, already shaped by Indian policy, logistics, currency, and behaviour, can become transparent, referenceable, and contract-ready.