MCX
METAL & ENERGY
Trade with Trust

# STEEL REBAR



**Multi Commodity Exchange of India Limited (MCX) is a state-of-the-art commodity futures exchange based in India. The exchange facilitates online trading in commodity futures contracts across segments, including bullion, base metals, energy, and agricultural commodities, besides offering clearing and settlement services. The exchange thus provides an effective mechanism for price risk management.**

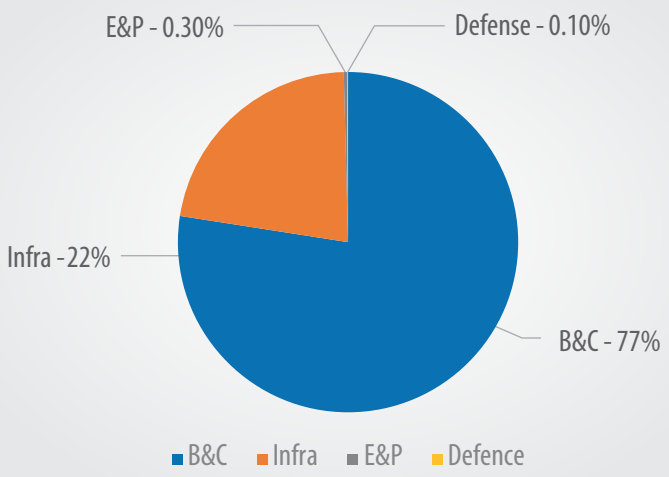
## INTRODUCTION

- Steel Rebar (alias सरिया as called in हिंदी) are high-strength reinforcement bars. Rebars are widely used for different construction projects. Made from high strength steel, Rebars possess several qualities that make them the most preferred material for various construction projects.
- Owing to the its properties, rebars form the backbone of any reinforced cement concrete (RCC) structure, whether it is the foundation, columns, beams or slabs, and their quality is critical in defining the overall quality of the structure.
- Rebars are the backbone of civil construction. They are deeply anchored into concrete to bear the load of buildings, slabs, beams and columns. They should be able to withstand the furies of nature such as windstorms and earthquakes.

## APPLICATION

Steel Rebar is used as a tension device in all construction work and masonry structures. India's domestic steel rebar production capacity is approx. 35 million MTs. Due to direct application in every developmental work, the Steel Rebar market is scattered across India. Steel Rebar of Fe500 grade is widely used for construction of skyscrapers, mountain bridges and railway bridges. Integrated Steel plants are usually operate closer to their mining locations. Non-Integrated producers depend on scrap recycling and sponge iron as their raw material. Thus the producers of Steel Rebars are located throughout different regions in India.

## Steel Rebar Usage and Share by sector




*Source: Metalogic PMS*

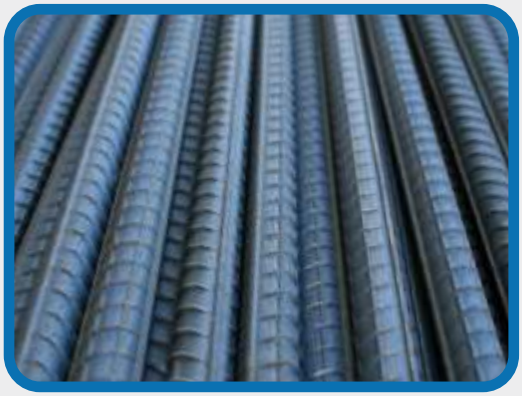
- MCX is the leading commodity exchange in India, with a market share of 96.70% (FY 2022-23)
  *In terms of the value of commodity futures contracts traded. (Source: Exchange website)
- MCX reaches out to around 700 cities and towns in India (F.Y. 2022-23)

**Download MCX MOBILE APP**
from PlayStore/AppStore
on your phone to view the
MCX Futures Prices, Options Prices
& Commodity Indices (iCOMDEX)




COMRIS

COMRIS is a demat platform for handling and delivery with e-receipt of commodity deposited at MCXCCL accredited warehouses (MAWs)



**Steel Rebar Usages & Shared by Category ('000 tons)**

| | Consumption | Share |
|---|---|---|
| B&C | 22522 | 77% |
| Infra | 6417 | 22% |
| E&P | 92 | 0.3% |
| Defence | 33 | 0.1% |
| **Total** | **29064** | **100%** |

## INDIAN SCENARIO

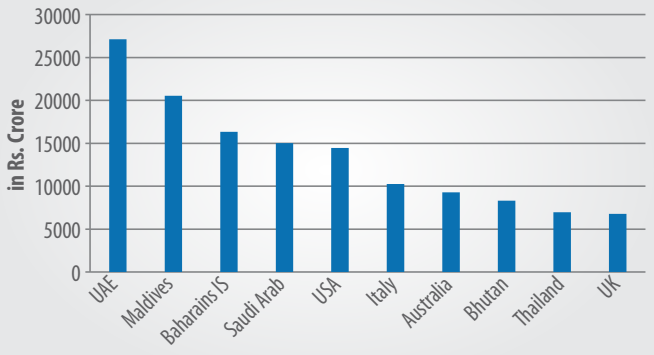
### Production

- India is a significant producer and consumer of Steel Rebars, with production capacity at about 35,00,00,00 MTs of Primary and Secondary production as per data from Study by Metalogics.
- Jharkhand located in East India is currently producing 52,00,000 MTs of Steel Rebar, which is highest in India.
- Major Indian companies producing Steel Rebars from ore route are Tata steel, SAIL, RINL, JSW, AM/NS, etc.

### Exports and Imports

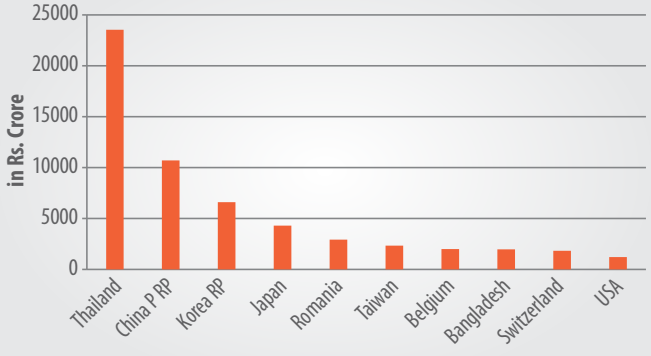
- Total Steel Rebar (HS Code- 7214 & 7215) exports from India during F.Y. 2022-23 decreased 64.48% to Rs. 2,183.40 crores as compared to Rs. 6,146 crores during F.Y. 2021-22.
- Total Steel Rebar (HS Code- 7214 & 7215) imports to India during F.Y. 2022-23 increased 117.16% to Rs. 615 crores as compared to Rs. 283.59 crores during F.Y 2021-22.
- The top 10 export destinations and top 10 import sources for India during F.Y. 2022-23 have been illustrated in the graphs given below:

**Top Export Destinations for India (F.Y. 2022-23)**



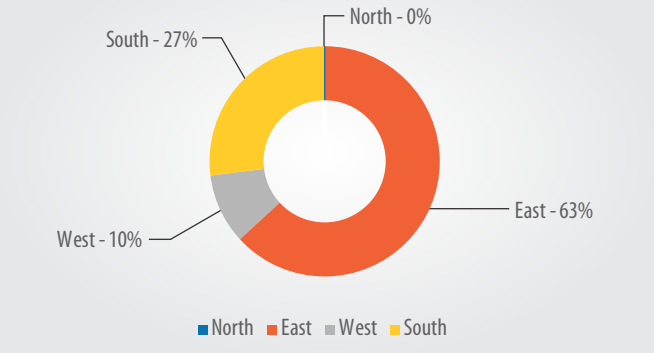

**- Data for period Apr 2022 - Mar 2023 #Source: Ministry of Commerce, GoI*

**Top Import Sources for India (F.Y. 2022-23)**



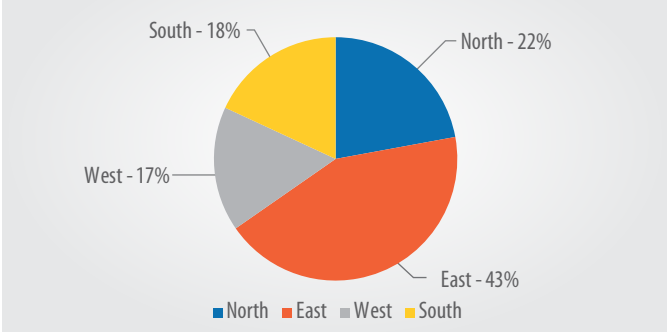

**- Data for period Apr 2022 - Mar 2023 #Source: Ministry of Commerce, GoI*

**Integrated Steel Plants**




| Integrated Steel Plants | |
|---|---|
| **Region** | **Capacity** |
| North | 0 |
| East | 9.6 |
| West | 1.5 |
| South | 4.1 |
| **Total** | **15.2** |

**Other Producers**




| Integrated Steel Plants | |
|---|---|
| **Region** | **Capacity** |
| North | 4.4 |
| East | 8.6 |
| West | 3.3 |
| South | 3.6 |
| **Total** | **19.8** |

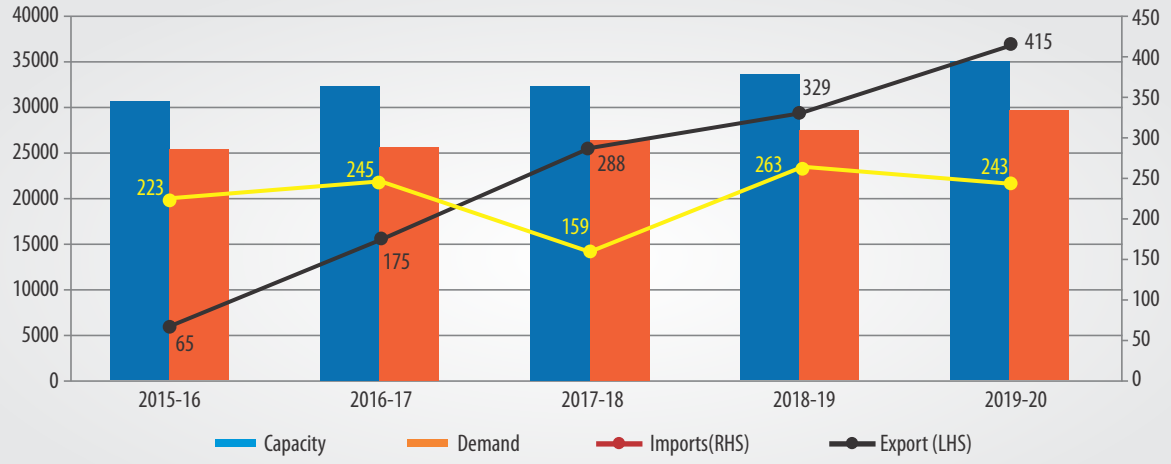
## FACTORS INFLUENCING THE MARKET

- Domestic demand and supply has its major effect on the prices of Steel Rebar.
- Economic events, such as industrial growth, recession and inflation, affect the prices.
- Commodity-specific events, such as the construction of new production facilities or processes, new uses or the discontinuance of historical uses, unexpected plant closures (natural disaster, supply disruption, accident, strike, etc.), or industry restructuring, affect the prices.
- Trade policies set by the government (implementation or suspension of taxes, penalties, and quotas) affect supply as they regulate (restricting or encouraging) material flow.
- Geopolitical events involving governments or economic paradigms and armed conflict can cause major changes.
- As societies develop, their demand increases based on their current economic position, which could also be referred to as the 'national economic growth factor'.

Rebar production in India has been very fragmented with few states producing majority of the finished product. Apart from the primary (ISP) producers, numerous rolling mills have come up in various parts of the country whose production is not accounted for.

As per the statistics of JPC, Ministry of Steel and Metalogic's industry survey, 203 mills are authentic producers of rebar (ISP and secondary) and their data has been taken by the agencies to estimate the demand in India. The total production of these mills accounts to 29.6 million tons.

**MCX vs LME Correlation***




Source: JPC, DGIC, Industry Estimates; Figures in '000

## USAGE AND MARKET SHARE

Rebar as a finished product has a major demand originating from the building and construction industry. Building and construction (B&C) is the largest steel consuming sector in the country, accounting for 43% of the total finished steel consumption. Along with Infrastructure, B&C sector accounted for about 66% of the consumption.

However, referring only to rebar usage, the scenario has a complete shift. B&C and infra offer 99% demand for rebar which leaves the rest 1% for Engineering & Packaging (E&P) and Defence applications.

The defence application although may also involve high grade stainless rebars which are made up of alloy steel unlike the usual non-alloy (carbon) rebar.



| Salient Features of MCX Steel Rebar Futures Contract | |
|---|---|
| **Symbol** | **STEELREBAR** |
| Description | STEELREBARMMMMYY |
| Contract Listing | Contracts are available as per the Contract Launch Calendar. |
| Contract Start Day | 1st day of contract launch month. If 1st day is a holiday then the following working day. |
| Last Trading Day | Last calendar day of the contract expiry month. If last calendar day is a holiday then preceding working day. |
| Trading Unit | 5 MT |
| Quotation/ Base Value | 1 MT |
| Price Quote | Ex-Warehouse at Raipur district (excludes only GST) |
| Maximum Order Size | 200 MT |
| Tick Size | 10 rupee per MT |
| Daily Price Limits | The Exchange has implemented a narrower slab/operating range of 4%. Whenever the narrower slab is breached, the relaxation will be allowed up to 6% without any cooling off period in the trade.<br>In case the daily price limit of 6% is also breached, then after a cooling off period of 15 minutes, the daily price limit will be relaxed upto 9%.<br>In case price movement in international markets is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3%. |
| Initial Margin* | Minimum 8% or based on SPAN whichever is higher |
| Extreme Loss Margin | Minimum 1% |
| Maximum Allowable Open Position | For individual client: 1,20,000 MT or 5% of the market wide open position, whichever is higher for all Steel Rebar contracts combined together.<br>For a member collectively for all clients: 12,00,000 MT or 20% of the market wide open position, whichever is higher for all Steel Rebar contracts combined together. |
| Delivery Unit | 5 MT with tolerance limit of + / - 10% |
| Delivery Period Margin** | Delivery period margins shall be higher of:<br>a. 3% + 5 day 99% VaR of spot price volatility Or b. 25% |
| Delivery Centre | Ex-Warehouse at Raipur district, Chhattisgarh<br>As per SEBI circular SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021, the exchanges may accredit warehouses of a WSP within 100 kms radius of the delivery centers. |
| Additional Delivery Centre (s) | 1. Thane district in Maharashtra<br>2. Palwal district in Haryana (NCR)<br>3. Chennai district in Tamil Nadu<br>4. Durgapur district in West Bengal<br>As per SEBI circular SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021, the exchanges may accredit warehouses of a WSP within 100 kms radius of the delivery centers. |
| Quality | Specifications & Shape: Steel Rebars conforming to IS: 1786-2008 (including amendments).<br>1. Base strength grade : Fe500<br>2. Base size : 12 mm<br>Eligible producer list will be notified by the Exchange time-to-time including sunset clause. Reliance shall be placed by the WSP on the Producer's Test Certificate. The details mentioned on the producer's test certificate should match with those on the sticker / digital tag on each bundle. The Exchange may prescribe quality-testing requirement(s) if so desired. |

| Salient Features of MCX Steel Rebar Futures Contract | |
|---|---|
| Additional Deliverable Grade | Steel Rebars conforming to IS: 1786-2008 (including amendments).<br>1) Acceptable strength grades under IS-1786-2008 (including amendments)<br>a) Fe 500-D<br>b) Fe 550<br>c) Fe 550-D<br>2) Acceptable sizes :<br>a) 8 mm<br>b) 10 mm<br>c) 16 mm<br>d) 20 mm<br>e) 25 mm<br>Eligible producer list will be notified by the Exchange time to time including sunset clause. Reliance shall be placed by the WSP on the Producer's Test Certificate. The details mentioned on the producer's test certificate should match with those on the sticker / digital tag on each bundle. The Exchange may prescribe quality testing requirement(s) if so desired. |
| Premium/Discount for Additional Deliverable Grade | To be declared at the launch of the contract |
| Staggered Delivery Tender Period | The staggered delivery tender period would be the last 5 trading days (including expiry day) of the contracts.<br>The seller/buyer having open position shall have an option, of submitting an intention of giving/taking delivery, on any day during the staggered delivery period.<br>On expiry of the contract, all the open positions shall be marked for compulsory delivery. |
| Delivery allocation | Delivery intensions of Seller(s) shall be randomly allocated to ensure that all buyers have an equal opportunity irrespective of the size or value of the position. However, preference may be given to buyers who have given an intention of taking delivery.<br>Pay-in will be on T+1 working days i.e. excluding Saturday, Sunday & Public Holiday.<br>The buyer to whom the delivery is allocated will not be allowed to refuse taking delivery. If the seller fails to deliver, the penal provisions as specified for seller default shall be applicable. |



## Salient Features of MCX Steel Rebar Futures Contract

**Delivery order rate**

On Staggered Delivery Tender Days:

The delivery order rate (the rate at which delivery will be allocated) shall be the closing price (weighted average price of last half an hour) on the respective tender day except on the expiry date.

On Expiry:

On expiry date, the delivery order rate or final settlement price shall be the Due Date Rate (DDR) and not the closing prices.

**Due Date Rate (Final Settlement Price)**

The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz.,E0 (expiry day), E-1 and E-2.

In the event the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

| Scenario | Polled spot price availability on | | | | FSP shall be simple average of last polled spot prices on: |
|---|---|---|---|---|---|
| | E0 | E-1 | E-2 | E-3 | |
| 1 | Yes | Yes | Yes | Yes/No | E0, E-1, E-2 |
| 2 | Yes | Yes | No | Yes | E0, E-1, E-3 |
| 3 | Yes | No | Yes | Yes | E0, E-2, E-3 |
| 4 | Yes | No | No | Yes | E0, E-3 |
| 5 | Yes | Yes | No | No | E0, E-1 |
| 6 | Yes | No | Yes | No | E0, E-2 |
| 7 | Yes | No | No | No | E0 |

In case of non-availability of polled spot price on expiry day (E0)/predetermined number of days due to sudden closure of physical market under any emergency situations noticed, Clearing Corporation shall decide further course of action for determining FSP and which shall be in accordance with MCXCCL circular no. MCXCCL/SPOT/077/2020 dated April 13, 2020.

On the day of expiry the trading shall be allowed up to 5pm.

**Delivery Logic**

Compulsory Delivery

* A) The Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable minimum MPOR, refer latest circulars issued by MCXCCL from time to time.

B) For all the applicable margins, refer the latest circulars issued by the Exchange or Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) from time to time.

** Delivery Period Margin-As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/77 . dated Sep 01, 2016

Content by: **PMT (Base Metals), MCX** | Designed by: **Graphics Team, MCX**

**Multi Commodity Exchange of India Limited**
Corporate address: **Exchange Square, Chakala, Andheri (East), Mumbai - 400 093, India**
**Tel. No. 91-22-6731 8888 | info@mcxindia.com | www.mcxindia.com | CIN: L51909MH2002PLC135594**

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