MCX, IamSMEofIndia sign MoU to create awareness about commodity price risk management benefits

By *Sutanuka Ghosal*, ET Bureau | 7 Sep, 2015, 02.52PM IST

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KOLKATA: Multi Commodity Exchange of India Ltd (MCX) and Integrated Association of Micro, Small & Medium Enterprises of India (IamSMEofIndia) signed a memorandum of understanding (MoU) aimed at creating awareness among micro, small and medium enterprises (MSMEs) on the benefits of commodity price risk management. This would encourage them to hedge on exchanges and face competition adroitly.



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MCX's collaboration with IamSMEofIndia in disseminating in-depth knowledge about the derivatives market and its benefits among MSMEs would lead to their growth and development. Since these small enterprises are the most vulnerable to price volatility, they can effectively manage price risks through hedging by using commodity futures. Moreover, the growth and sustenance of these small enterprises depend largely on a vibrant commodity market given the climate of unpredictability that prevails today.

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Mr P K Singhal, joint managing director, MCX said, "We are very happy to be associated with IamSMEofIndia for this initiative. Given the preponderance of MSMEs in the Indian industry, it is important that these small players are not only educated about the derivatives market but also get access to an efficient and cost-effective hedging platform for price discovery and price risk management. Hedging is very critical for stabilizing the incomes of small enterprises so that these entities remain sustainable and competitive."

Mr Rajiv Chawla, Chairman, IamSMEofIndia said, "This joint educational effort would be a big move in the growth and development of small businesses across India that contribute nearly 8 per cent to the country's GDP. These small businesses are hubs of innovation and entrepreneurship, they provide a varied range of products, but bear the brunt of international commodity price movements. This collaborative endeavour will enable and empower them to effectively manage their risks amidst unprecedented uncertainty."