Volatile cotton prices drive Mafatlal Industries to hedge on MCX

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KOLKATA/MUMBAI, JUNE 21/--/The recent years have enormously exposed the Indian cotton industry to the global price mayhem and as a result high volatility has been seen in the commodity's prices. Thus, making it imperative for the vulnerable cotton stakeholders, including the corporates to embrace price risk management to safeguard themselves against elevated levels of price volatility and thus protect their incomes. One such company which has resorted to hedge its price risk through derivatives trading on Multi Commodity Exchange of India (MCX) is Mafatlal Industries Limited.

MCX Cotton futures which is considered as a benchmark price indicator in India and going by FY16 figures, the trust of stakeholders is constantly on the rise which is evident from the average turnover which stood at Rs. 218 crore and the average Open Interest at 50860 MT. MCX cotton average daily turnover in May 2017 stood at Rs. 204 cr as compared to Rs. 160 cr in May 2016, which is a notable increase of 28 per cent. Mrugank Paranjape, MD & CEO, MCX, said, "It is heartening to see that increasing number of corporates are using commodity exchange platform to hedge their price risk exposures. During the last one year, the average daily volume of the cotton contract traded on MCX has increased significantly, thereby, proving high hedging interest in this contract. Corporates such as Mafatlal Industries hedging on MCX is a testament in itself of the trust these corporates pose in our platform." According to Aniruddha Deshmukh, MD & CEO, Mafatlal Industries Ltd., "Risk management is a great necessity to stay alive in any business. More particularly for efficient functioning of the cotton sector with increased price volatility in cotton during the recent times, risk management measures become extremely critical for the textile companies. With efficient price risk management in place, through MCX platform, we can now safeguard our business margins."

Milan Shah, CFO, Mafatlal Industries Ltd said, "Operating in a highly competitive environment where prices of our key input, cotton, is unpredictable, our need for risk management to protect the bottom-line is quite acute. Besides, being a listed entity, compliance under SEBI's Listing Obligations and Disclosure Regulations (LODR) 2015 also necessitates adequate disclosures of risks to our shareholders, leading us to take steps to hedge those risks. We understand that this transparency will help our investors appropriately price our business. We are glad to use the MCX platform to adequately manage cotton price risk, and hope to consolidate our competitive position by using its cotton derivatives as part of risk management solutions."