MCX to launch 6-9 commodities in Futures in FY18

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The Multi Commodity Exchange of India (MCX) is keen on exploring new product launch avenues in fiscal year 2017-18. The exchange's Managing Director and Chief Executive Mrugank Parajape tells Moneycontrol's Tarun Sharma that some of the commodities being looked at include pepper, palmolein, groundnut, brass and diamond.

Paranjape says there is definitely a market for diamond in the futures space and is betting Indian jewellery consumption and MCX's partnership with Singapore Diamond Investment Exchange.

Here are edited excerpts of the interview.

Q: About 18 months after the merger of Forward Markets Commission with Securities Exchange Board of India (SEBI), do you think the market's expectations have been fulfilled?

A: There were 3-4 areas of expectations from the FMC-SEBI merger. First, in terms of much more standardisation and rationalisation of practices of rules of regulations across the two segments.

The second was that with a new regulator —with the inter-linkages with the other financial sectors — we would see both, an increase in the number of products and participants or the type of products and participants.

Q: The market feels that if stock exchanges get the licence of issuing commodity exchange, MCX will have a major impact because everybody wants to come out in non-agri segment. How do you see the challenge?

A: For MCX, it means an opportunity. As much as it means that somebody can compete with us in commodities, it also means that we can enter new segments, whether it is currency, fixed income or equities. We have to decide, but it is straight away a good opportunity for us as well.

Q: Among currency, equity and fixed income categories, which one you prefer and launch when the universal exchange will be rolled out?

A: Each of these segments has its own benefits, has its own plus points. If you look at it globally, equity exchanges and fixed income commodity currency exchanges are slightly distinct. So, as an asset class currency or fixed income is much closer to commodities than equities.

Q: How many new products will MCX launch in FY18?

A: We are talking of new commodities in the Futures segment when I say products. When it comes to a completely new type of product like an Option or an index that is something totally different.

Within the Futures space, at least 6-9 commodities is something that we would be very happy with. We have been speaking about some of these in the past, like there is pepper, RBD Palmolein, groundnut in the agri side. In the non-agri side you have got brass and diamond. We are also looking at some deliverable contracts in metals.

Q: Sometimes the regulator is not comfortable with the pricing of some products like copper…

A: I think that has already been taken case off. You would see maybe even as we speak we have started reflecting the international benchmark for copper.

Q: We are expecting that MCX will launch the gold contracts but the problem is big players like Titan and others are getting the gold loan very easily. If you compare the Options charges and the gold loan charges, they approximately are similar. So, do you think that players will come on MCX platform and trade on option?

A: It is not a foregone conclusion on whether we will launch gold as an option contract. A lot will depend on what the regulations finally say. Maybe, if the regulations create a situation where it may be beneficial to do one product versus the other. However, what I can assure you is that we are in touch with almost every one of our market participants more so from a hedging perspective.

At the same time, we believe there is still a lot of depth in bullion.

Q: When you came to MCX, the exchange was stagnating. What do you see as the key trigger points for MCX?

A: There are trigger points which are in positive direction and there are trigger points which could be in the negative direction.

In the positive direction, I think we are looking at trigger points which will give us better volumes. From a pricing perspective, we are more or less stable. I don't think there is any upside in pricing left anymore.

When it comes to volumes, I think for us the hope comes from the fact that the growth that we have seen in the last three years has happened without any of the big triggers.

The big triggers will be in products, participants and im distribution.

In products, there will be a bigger uptick when Options come in, when index comes in and when complex derivatives are allowed.

In participation, there will be an uptick when institutions are allowed — more so as and when we allow banks.

Q: You have lot of cash on your books. Are you planning any acquisitions?

A: No, nothing really on the inorganic side at this juncture.

Q: You have tied with Singapore Diamond Investment Exchange (SDiX). What is the potential you see for the diamond trade in India?

A: We believe that overall spot trading will also become an integral part of this business. Given that SDiX is one of the only spot trading platforms for diamonds, it is a great partnership to look forward to.

The second is that India has been a big exporter when it comes to diamonds in terms of the finished goods. India has been also one of the good consumer of diamonds. So, clearly there is a market on the futures side.

Q: Are you still in talks with CME for a stake sale?

A: We were never in talks, to the best of my knowledge, for a stake sale.