Textile firms increasingly using MCX to hedge cotton price risks

SURESH P IYENGAR
Mumbai, February 27

High volatility and global price fluctuations have made textile companies take to active price risk management to protect their incomes.

Textile majors such as Mafatlal, Welspun and Arvind are already hedging the price risk on the MCX. A new entrant is Vardhaman Textiles.

The other leading brands that hedge on the Exchange include Louis Dreyfus, Manjeet Cotton, SportKing, and Gill & Company.

The average daily volume of cotton traded on the MCX has increased to 1.31 lakh bales (of 170 kg each) in the last two months compared to 87,025 bales a day in the same period last year with increased participation by ginners, spinners, mills, traders and exporters.

The increase in corporate participation has led to higher delivery of cotton stock at the exchange-accredited warehouses at Rajkot, Kadi, and Mundra in Gujarat; Yavatmal and Jalna in Maharashtra; as also Adilabad and Warangal in Telangana.



The stock in MCX-approved warehouses increased five-fold to 82,300 bales in January from 12,000 bales in the same period last year.

IJ Dhuria, Director (Raw Materials), Vardhman Textiles, said the company just started hedging on the platform to de-risk its business and has so far traded 150 contracts of 25 bales each.

Though the liquidity is good in the near month contract, it has to improve in far month contracts for the company to further firm up strategy on hedging on the platform, he said.

The regulator should also increase the trading limit for genuine corporate hedgers to boost volume and enhance participation by allowing institutional investors and banks, said Dhuria.

Mrugank Paranjape, Managing Director, MCX, said increased corporate participation will enhance the quality and the process of information convergence in MCX cotton futures and make the contract a benchmark of choice, besides taking price signals to other major global markets in cotton trade.