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Vardhman Textiles starts hedging cotton on MCX

BY SUTANUKA GHOSAL, ET BUREAU | FEB 28, 2018, 06.30 PM IST

Kolkata: Integrated textile manufacturing company Vardhman Textiles has started hedging of cotton on Multi Commodity Exchange (MCX) in order to cope up with persistent volatility in cotton prices, said a release issued by the exchange on Wednesday,

Cotton is the basic raw material for the textile industries and its prices are influenced by both domestic and international factors particularly with the growing globalization and international trade. During October 2016 – September 2017, cotton prices witnessed volatility of 19.25% (annualised) and with physical market size of cotton estimated at around Rs. 68000 crore, the cotton industry faced annualised price risk of over Rs. 13000 crore.

Vardhman Textiles, headquartered in Ludhiana, is the flagship company of Vardhman Group. It is one of the largest textile companies in India manufacturing cotton yarns and fabrics for a range of applications, such as hand knitting yarns, machine knitting yarns, jerseys and sweaters, sarees, dress materials and carpets—with a capacity of over 1.00 million spindles, constituting more than 4% of the country's yarn production, 1320 looms for weaving of fabrics and 180 million meter per annum of fabrics processing capacity. It is also the second largest producer of sewing threads and the market leader in hand knitting yarn in India.

Mrugank Paranjape, MD & CEO, MCX said, "We are glad to serve Vardhman as the platform of choice for their cotton price risk management obligations. Increased corporate participation has enhanced the quality and the process of information convergence in MCX cotton futures, thereby making it the hedging tool of choice for the cotton stakeholders in the country, besides transmitting signals to other major global markets in cotton trading."

IJ Dhuria, Director-Raw Materials, Vardhman Textiles Ltd. said, "MCX cotton futures contract has been gaining strength, providing us an ideal platform to hedge our inventory and raw material risks effectively. It has always been our corporate endeavour to best serve the investor interests besides strengthening our competitiveness. I am happy to note that this risk management initiative of ours will help not only convey the same through our corporate governance report but also provide for better compliance."

India is the largest producer of cotton in the world accounting for about 27% of the world cotton production. It is also the second largest exporter of Cotton in the world. India's cotton production is estimated at around 36.7 million bales (1 bale =170 kg) in 2017-18 as per the latest estimates of the Cotton Advisory Board. Major producing states are Gujarat, Maharashtra, Telangana and Andhra Pradesh, which together account for more than 70% of the total production in India.