In a first, MCX to launch futures trading in brass

SURESH P IYENGAR

Mumbai, March 13

MCX, the country's largest commodity exchange, will launch futures trading in brass for first time in the world at an event on March 21, and will go live on trading from March 26.

Brass will be the first non-ferrous contract with compulsory delivery options – the IS-319 grade brass ingots and billets can be delivered at Jamnagar in Gujarat.

Initially, three contracts ending in April, May and June will be available for trading, and the lot size would be of one tonne, valued at ₹3.55 lakh. Out of the 5,000 small and medium units producing brass, about 3,000 are located at Jamnagar.

Details p16

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Out of the 5,000 small and medium units producing brass, about 3,000 are located at Jamnagar, and they account for 80 per cent of the brass sold in India. The rest of units are spread across Moradabad in Uttar Pradesh and Jagadhari in Haryana.

Handling of brass delivery should not be an issue due to the concentration of trade in Gujarat and other delivery centres would be considered as trade matures, said an MCX spokesperson.

Imports

Small units in Jamnagar import over 7,500 tonnes of metal scrap monthly from the US, the UK and south-east Asia, and process them into ingots and billets. Prices of scrap, known as 'honey' in trade parlance, are very volatile depending on supply and demand, and is sold at discount to zinc and copper traded on LME (London Metal Exchange).

Brass, an alloy, usually contains 60 per cent zinc and the rest is copper. It finds varied industrial use in electrical appliance, switch gears, sanitary ware, automobiles and defence sectors. The conversion cost from scrap to billets and ingots varies between ₹14-18 per kg, depending on the efficiency of the plant.

Dharmendra Joshi, Proprietor, Mascot Metal said the lack of a domestic benchmark price was a major drawback in the highly unorganised trade and many small traders are taken for a ride.

With the launch of a transparent brass futures contract, MCX will emerge as the benchmark price as volume picks up in two months time, he said.

Asked whether the small units have the expertise to trade on the futures platform, Paras Shah, Proprietor, Gravity Metal, said most of the companies, which import scrap, already hedge their price risk either in zinc or copper contracts on the MCX.