MCX
METAL & ENERGY
Trade with Trust

ALUMINIUM



Multi Commodity Exchange of India Limited (MCX) is a state - of - the - art commodity futures exchange based in India. The exchange facilitates online trading in commodity futures contracts across segments, including bullion, base metals, energy, and agricultural commodities, besides offering clearing and settlement services. The exchange thus provides an effective mechanism for price risk management. Aluminium Futures on MCX are being trading since 26 October 2005.

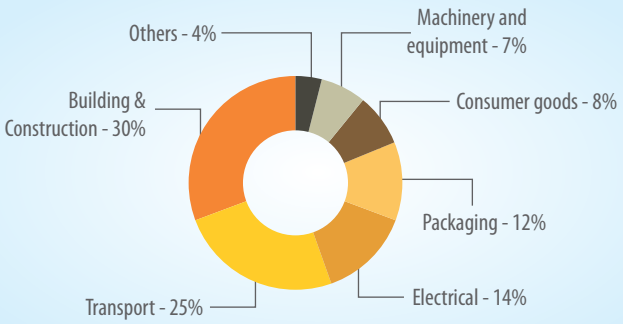
INTRODUCTION

- Aluminium (Al) is the third most abundant element present in the earth's crust. It exists in a very stable combination with other materials, particularly silicates and oxides.
- It is resistant to common atmospheric gases and a wide range of liquids. Hence, aluminium is known for its durability and high resale value.
- Aluminium is a unique metal—light weight, strong, durable, flexible, and impermeable. It is rust resistant and 100 per cent recyclable.
- Primary Aluminium is aluminium tapped from electrolytic cells or pots during the electrolytic reduction of metallurgical alumina (aluminium oxide). It thus excludes alloying activities and recycled aluminium.

APPLICATION

Aluminium's unique characteristics make it a highly attractive metal. It is primarily used in transportation, packaging (cans) and defence and consumer electronic industries. Its high strength - to - weight ratio makes it suitable for the construction of aircrafts, cars and train carriages. Transportation equipment and building construction account for more than 50 per cent of aluminium consumption.

Aluminium consumption, by sector



Source: Wood Mackenzie; Credit Suisse

- MCX is the leading commodity exchange in India, with a market share of 96.70% (F.Y. 2022-23)
  *In terms of the value of commodity futures contracts traded. (Source: Exchange website)
- MCX reaches out to around 700 cities and towns in India (F.Y. 2022-23)

Download MCX MOBILE APP

from PlayStore/AppStore
on your phone to view the
MCX Futures Prices, Options Prices
& Commodity Indices (iCOMDEX)



COMRIS

COMRIS is a demat platform for handling and delivery with e-receipt of commodity deposited at MCXCCL accredited warehouses (MAWs)

- A Total of 36,561 MTs of primary Aluminium changed hands during F.Y. 2022-23 via Exchange platform.
- Only LME approved brands of Primary Aluminium with minimum purity of 99.70% is accepted



INDIAN SCENARIO

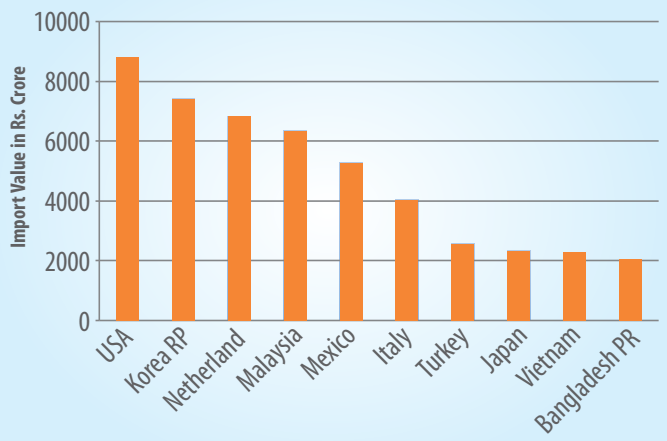
Production

- India is a significant producer and consumer of Aluminium, with production at about 40,73,000 MTs of Primary Aluminium during Apr 2022 - Mar 2023 (in F.Y 2022-23) as compared to 40,26,000 MTs during Apr 2021 - Mar 2022 (in F.Y. 2021-22), as per data from Ministry of Mines.
- Odisha (51%), Andhra Pradesh (16%) and Gujarat (9%) account for more than 76 % of the bauxite ore - which is the principal ore for making aluminium - reserves in India.
- Major Indian companies which produce aluminium are National Aluminium Company Ltd. (a public sector unit); Hindalco Ltd. and Vedanta Group.

Exports and Imports

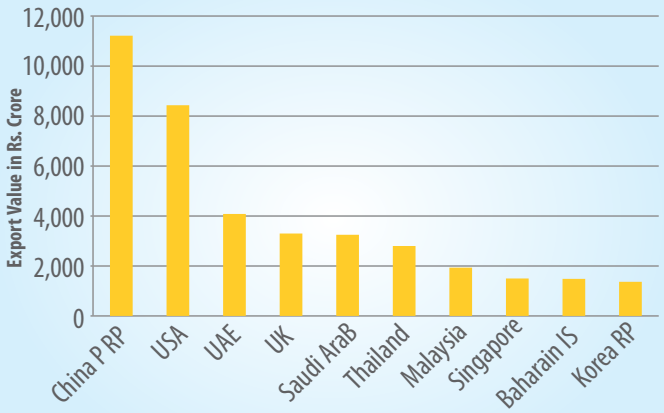
- Total Aluminium (HS Code-76) exports from India during F.Y. 2022-23 decreased 10.41% to Rs. 70,931 Crores as compared to Rs. 79,169 crores during F.Y. 2021-22.
- Total Aluminium (HS Code-76) imports to India during F.Y. 2022-23 increased 24.29% to Rs. 56,291 Crores as compared to Rs. 45,289 crores during F.Y 2021-22.
- The top 10 export destinations and top 10 import sources for India during F.Y. 2022-23 have been illustrated in the graphs given below -

Top Export Destinations for India (F.Y. 2022-2023)



#Data for period Apr 2022 - Mar 2023 #Source: Ministry of Commerce, GoI

Top Import Sources for India (F.Y. 2022-23)



#Data for period Apr 2022 - Mar 2023 #Source: Ministry of Commerce, GoI

Fundamentals and Balance Sheet (Quantity)

Indian Scenario In MT's	2020-21	2021-22	2022-23
Production	36,15,839	40,12,000	40,73,000
Import	20,60,267	23,34,473	25,48,796
Export	27,35,652	34,54,219	28,70,536
Consumption	29,40,454	28,92,255	37,51,261

Source:Ministry of Mines; Ministry of Commerce

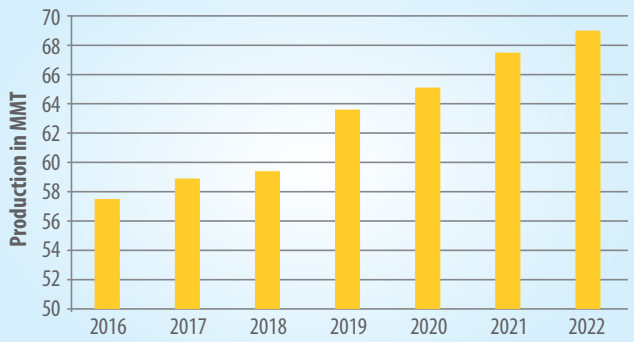
GLOBAL SCENARIO

Demand and Supply

- The world's primary Aluminium production was around 69 million metric tonnes (MMT) in 2022 compared to 67.5 MMT in 2021.



Global Primary Aluminium Production



#Source: USGS Mineral Commodities Summaries

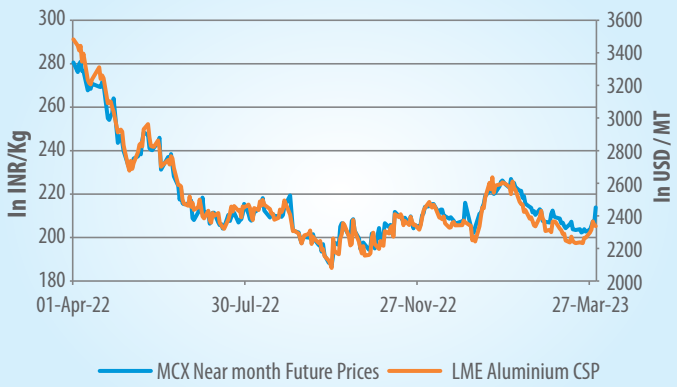
Exports and Imports

- China, India and Russia were the top three Aluminium producing countries in 2022 accounting for 40 million MTs, 4.0 million MTs and 3.7 million MTs respectively.
- China, Germany, USA were the top three exporting countries in 2022 accounting for 42,109 million, 21,121 million and 14,511 million USD of Aluminium exports respectively.
- USA, Germany and China were the top three importing countries in 2022 accounting for 36,665 million, 26,693 million and 11,686 million USD of Aluminium imports respectively.

FACTORS INFLUENCING THE MARKET

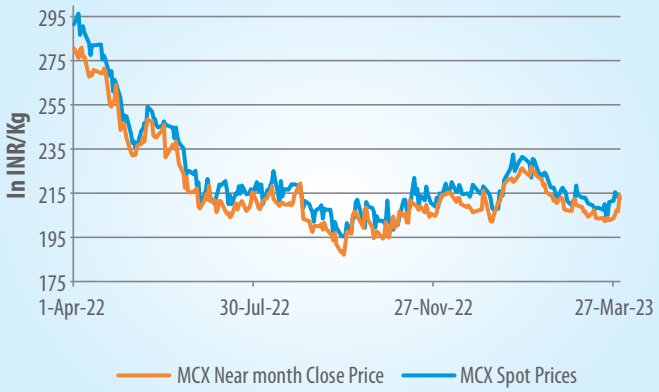
- Aluminium prices in India depend on the domestic and international sectors prices, freight rates, custom duties, trade agreements and the USD-INR exchange rate.
- Economic events, such as industrial growth, recession and inflation, affect metal prices.
- Commodity-specific events, such as the construction of new production facilities or processes, new uses or the discontinuance of historical uses, unexpected mine or plant closures (natural disaster, supply disruption, accident, strike, etc.), or industry restructuring, affect metal prices.
- Trade policies set by the government (implementation or suspension of taxes, penalties, and quotas) affect supply as they regulate (restricting or encouraging) material flow.
- Geopolitical events involving governments or economic paradigms and armed conflict can cause major changes.
- As societies develop, their demand for metal increases based on their current economic position, which could also be referred to as the 'national economic growth factor'.

MCX vs LME Correlation*



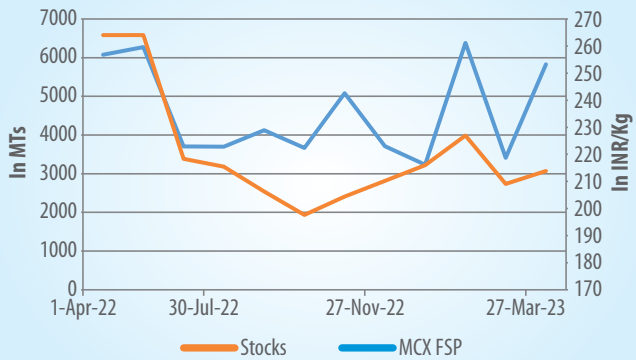
*Correlation between MCX near monthFutures prices and LME Cash Settlement Price (CSP) stood at 98.03% for the period Apr 2022 - Mar 2023. #Source: MCX Website & Westmetall

MCX Aluminium - Spot vs Futures Prices



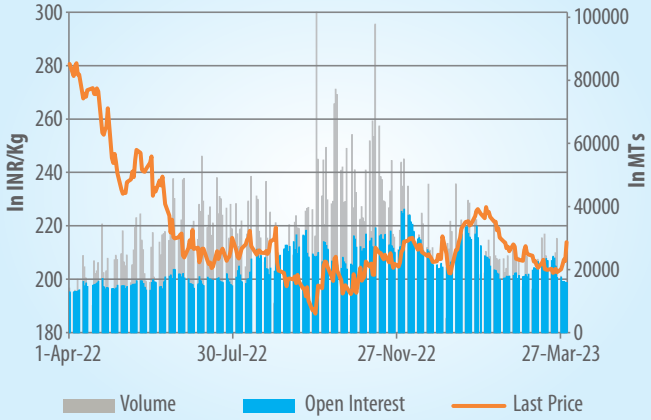
*Correlation between MCX near month closing prices and MCX Spot Price stood at 98.13% for the period Apr 2022 - Mar 2023. | #Source: MCX Website

MAW Stocks (in MTs) vs MCX FSP* (in Rs.)



*FSP Final Settlement Price
#Source: MCX Website

MCX Aluminium Price, Volumes & Open Interest



#Source: MCX Website

Salient features of MCX Aluminium and Aluminium Mini Futures Contract		
Symbol	**ALUMINIUM**	**ALUMINI**
Description	ALUMINIUMMMMYY	ALUMINIMMYY
Contract Listing	Contracts are available as per the Contract Launch Calendar.	
Contract Start Day	1st day of contract launch month. If 1st day is a holiday then the following working day.	
Last Trading Day	Last calendar day of the contract expiry month. If last calendar day is a holiday then preceding working day.	
Trading Unit	5 MT	1 MT
Quotation/ Base Value	1 Kg	
Price Quote	Ex-Warehouse at Raipur district (excludes only GST)	
Maximum Order Size	150 MT	
Tick Size	5 paisa per kg	
Daily Price Limits	The Exchange has implemented a narrower slab of 4%. Whenever the narrower slab is breached, the relaxation will be allowed up to 6% without any cooling off period in the trade. In case the daily price limit of 6% is also breached, then after a cooling off period of 15 minutes, the daily price limit will be relaxed up to 9%. In case price movement in international markets is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3%.	
Initial Margin*	Minimum 8% or based on SPAN whichever is higher	
Extreme Loss Margin	Minimum 1%	
Maximum Allowable Open Position	For individual clients: 25,000 MT or 5% of the market wide open position, whichever is higher for all Aluminium contracts combined together. For a member collectively for all clients: 2,50,000 MT or 20% of the market wide open position, whichever is higher for all Aluminium contracts combined together.	
Delivery Unit	5x1 MT with tolerance limit of +/-10%	1 MT with tolerance limit of+/- 10%
Delivery Period Margin**	Delivery period margins shall be higher of: **a.** 3% + 5 day 99% VaR of spot price volatility Or **b.** 25%	
Delivery Centre	Ex-Warehouse at Raipur district in Chhattisgarh As per SEBI circular SEBI/HO/CDMRD/DMP/CIR/P/2021/551 dated April 16, 2021, the exchanges may accredit warehouses of a WSP within 100 kms radius of the delivery centers.	
Additional Delivery Centre (s)	1. Thane district in Maharashtra 2. National Capital Region (NCR) 3. Chennai district in Tamil Nadu 4. Kolkata district in West Bengal As per SEBI circular SEBI/HO/CDMRD/DMP/P/CIR/2021/551 dated April 16, 2021, the exchanges may accredit warehouses of a WSP within 100 kms radius of the delivery centers.	
Quality Specifications & Shape	Primary Aluminium Ingots with minimum purity of 99.70%. Only LME approved brands will be accepted. For the purpose of quality assessment, reliance shall be placed by the WSP on the Certificate of Analysis (CoA) issued by the producer. # List available on https://www.mcxccl.com/warehousing-logistics/lme-approved-brands.	
Additional Deliverable Grade	1) Primary Aluminium with minimum purity of 99.70% in the following shapes: **a.** Sows; **b.** T-Bars Only LME approved brands of these shapes will be accepted # . For the purpose of quality assessment, reliance shall be placed by the WSP on the Certificate of Analysis (CoA) issued by the producer.	(Not Available)

Salient features of MCX Aluminium and Aluminium Mini Futures Contract		
	#List available on https://www.mcxccl.com/warehousinglogistics/lme-approved-brands. 2) Any other Primary Aluminium producer brand as approved by MCX	
Premium/Discount for Additional Deliverable Grade	a. For Sows : Discount Rs 1.00/Kg b. For T-Bars : Discount Rs 1.00/Kg	(Not Available)
Staggered Delivery Tender Period	The staggered delivery tender period would be the last 5 trading days (including expiry day) of the contracts. The seller/buyer having open position shall have an option, of submitting an intention of giving/taking delivery, on any day during the staggered delivery period. On expiry of the contract, all the open positions shall be marked for compulsory delivery.	
Delivery allocation	Delivery intensions of Seller(s) shall be randomly allocated to ensure that all buyers have an equal opportunity irrespective of the size or value of the position. However, preference may be given to buyers who have given an intention of taking delivery. Pay-in will be on T+1 working days i.e. excluding Saturday, Sunday & Public Holiday. The buyer to whom the delivery is allocated will not be allowed to refuse taking delivery. If the seller fails to deliver, the penal provisions as specified for seller default shall be applicable.	
Delivery order rate	On Staggered Delivery Tender Days: The delivery order rate (the rate at which delivery will be allocated) shall be the closing price (weighted average price of last half an hour) on the respective tender day except on the expiry date. On Expiry: On expiry date, the delivery order rate or final settlement price shall be the Due Date Rate (DDR) and not the closing prices.	
Delivery Pay-in	The seller will have to do the delivery pay-in through ComRIS Account by earmarking his existing valid commodity balance in the ComRIS Account towards the pay-in obligation. On Tender Days: On tender days by 5.00 p.m. except Saturday, Sunday and Public holiday. Marking of delivery will be done on the tender days based on the intentions received from the sellers after the trading hours. On Expiry: On expiry all the open positions shall be marked for delivery. Delivery pay-in will be on E+1 working day (Expiry day) by 2.00 p.m. except Saturday, Sunday and Public holiday. The electronic holdings of Aluminium in ComRIS Account shall be eligible for delivery in the Aluminium contracts.	
Staggered Delivery Tender Period	The staggered delivery tender period would be the last 5 trading days (including expiry day) of the contracts. Trading day will be based on availability for trading of the respective commodity on a trading day and excluding special sessions like Muhurat Trading day.	
Staggered Tender Period Margin	5% incremental margin for last 5 trading days (including expiry day) of the contract on all outstanding positions in addition to the Initial, Special and/ or any other additional margin, if any.	
Delivery order rate	On Staggered Delivery Tender Days: The delivery order rate (the rate at which delivery will be allocated) shall be the closing price (weighted average price of last half an hour) on the respective tender day except on the expiry date. On Expiry: On expiry date, the delivery order rate or final settlement price shall be the Due Date Rate (DDR) and not the closing prices.	
Due Date Rate (Final Settlement Price)	The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz.,E0 (expiry day), E-1 and E-2.	

Salient features of MCX Aluminium and Aluminium Mini Futures Contract

In the event the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

Scenario	Polled spot price availability on				FSP shall be simple Average of last polled spot prices on
	E-0	E-1	E-2	E-3	
1	Yes	Yes	Yes	Yes/No	E0, E1, E2
2	Yes	Yes	No	Yes	E0, E-1, E3
3	Yes	No	Yes	Yes	E-0, E-2, E-3
4	Yes	No	No	Yes	E-0, E-3
5	Yes	Yes	No	No	E-0, E-1
6	Yes	No	Yes	No	E-0, E-2
7	Yes	No	No	No	E-0

In case of non-availability of polled spot price on expiry day (E0)/ predetermined number of days due to sudden closure of physical market under any emergency situations noticed, Clearing Corporation shall decide further course of action for determining FSP and which shall be in accordance with MCXCCL circular no. MCXCCL/SPOT/077/2020 dated April 13, 2020. On the day of expiry the trading shall be allowed up to 5pm.

Delivery Logic	Compulsory Delivery

* A) The Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable minimum MPOR, refer latest circulars issued by MCXCCL from time to time.
B) For all the applicable margins, refer the latest circulars issued by the Exchange or Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) from time to time.

** Delivery Period Margin-As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/77 dated Sep 01, 2016

Important Links:
https://www.mcxindia.com/market-operations/warehousing-logistics
https://www.mcxindia.com/market-data/spot-market-price
https://www.mcxindia.com/market-operations/warehousing-logistics/stock-position

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