MCX
METAL & ENERGY
Trade with Trust

LEAD



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. Lead futures on MCX are being trading since 27 March 2006.

INTRODUCTION

- Lead (Pb) is very corrosion-resistant, ductile and malleable blue-grey metal that has been in use for at least 5,000 years.
- It is usually found in association with zinc, silver and copper ores.
- It is one of the most sustainable and recyclable commodities. It can be recycled infinitely, without loss of its physical or chemical properties.
- Recycled lead accounts for more than 60 per cent of the total lead production.
- Lead production consumes less energy than the production of any other metal.

APPLICATION

Lead is principally used for manufacturing batteries, especially the ones used in automobiles, motorcycles, electric cars and bicycles. Its incredible density provides unrivalled protection from radiation and is used in hospitals, dental surgeries, laboratories and nuclear installations. Lead-acid batteries are a vital back-up emergency power supply during power failure in computer installations, banks, telephone exchanges, and aircraft control towers, among others. In the ongoing quest for clean energy, people have been turning to alternative sources such as wind power and solar cells, whose storage and distribution systems rely on lead acid batteries. In earthquake-prone regions, such as Japan and California, the buildings are mounted on lead shock absorbers that help minimize damage during tremors.

- 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 8,378 MTs of Lead Ingots changed hands during F.Y. 2022-23 via Exchange platform.
- Only Lead Ingots with minimum purity of 99.97% are accepted.



INDIAN SCENARIO

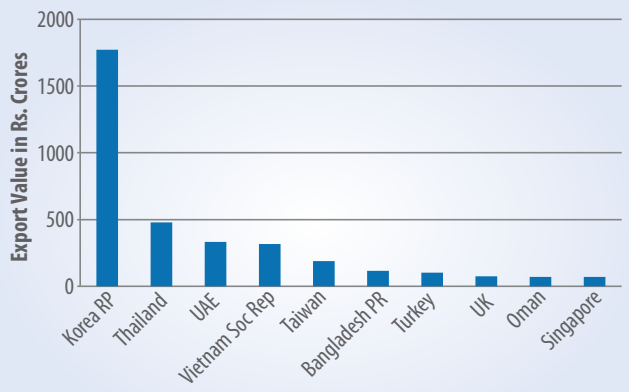
Production

- India's lead industry is characterized by the presence of only one player in the primary segment: Hindustan Zinc Ltd.
- Due to lack of adequate mine production, India has to depend heavily on imports for its lead requirements.
- The largest source of lead worldwide is secondary lead which is generated via recycling. The secondary producers cater to about 55% of Indian lead demand.
- The production of primary Lead stood at 2,11,000 MTs during Apr 2022 - Mar 2023 (in F.Y 2022-23) as compared to 1,91,000 MTs during Apr 2021 - Mar 2022 (in F.Y. 2021-22), as per data from Ministry of Mines.

Exports and Imports

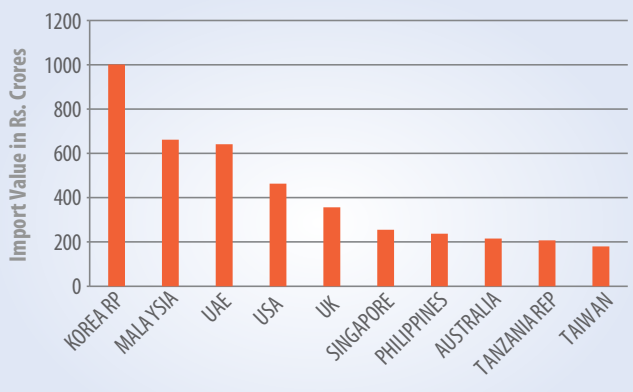
- Total Lead (HS Code-78) exports from India during F.Y. 2022-23 decreased 4.41% to Rs. 3,875 crores compared to Rs. 4,054 crores during F.Y 2021-22.
- Total Lead (HS Code-78) imports to India during F.Y. 2022-23 increased 18.39% to Rs. 6,271 crores compared to Rs. 5,297 crores during F.Y 2021-22.
- 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. 2022-23)



#Source: Ministry of Commerce, GoI

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



#Source: Ministry of Commerce, GoI

Fundamentals and Balance Sheet (Quantity)

Indian Scenario In MT's	2020-21	2021-22	2022-23
Production	2,14,398	1,91,000	2,11,000
Import	3,14,960	3,03,574	3,50,203
Export	1,76,610	2,29,870	2,02,254
Consumption	3,52,749	2,64,703	3,58,949

Source: Ministry of Mines; Ministry of commerce

GLOBAL SCENARIO

Demand and Supply

- In 2022, the global refined Lead production was around 12.34 million metric tonnes (MMT), as compared to 12.4 million metric tonnes (MMT) in 2021.



Global Refined Lead Production



#Source – USGS Mineral Commodity Summaries

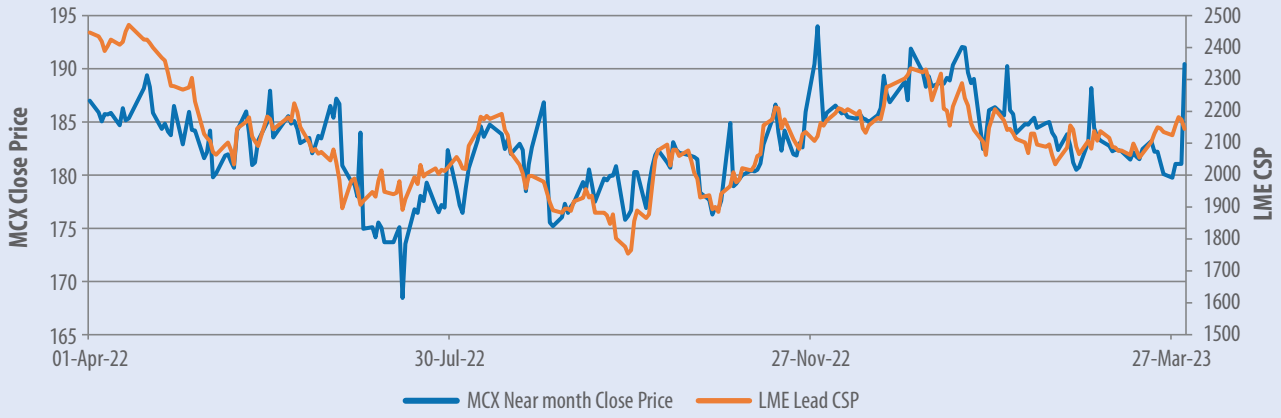
Export and Imports

- China, Australia and United States were the major producers of Lead in 2022 with production of 2 million MT's, 0.44 million MT's, and 0.28 million MT's respectively.
- Australia, United Kingdom and India were the top three exporters in 2022 accounting for 773 million, 611 million and 471 million USD of Lead exports, respectively
- USA, India and Germany were the top import destinations, with 1,558 million, 763 million and 659 million USD of imports respectively.

FACTORS INFLUENCING THE MARKET

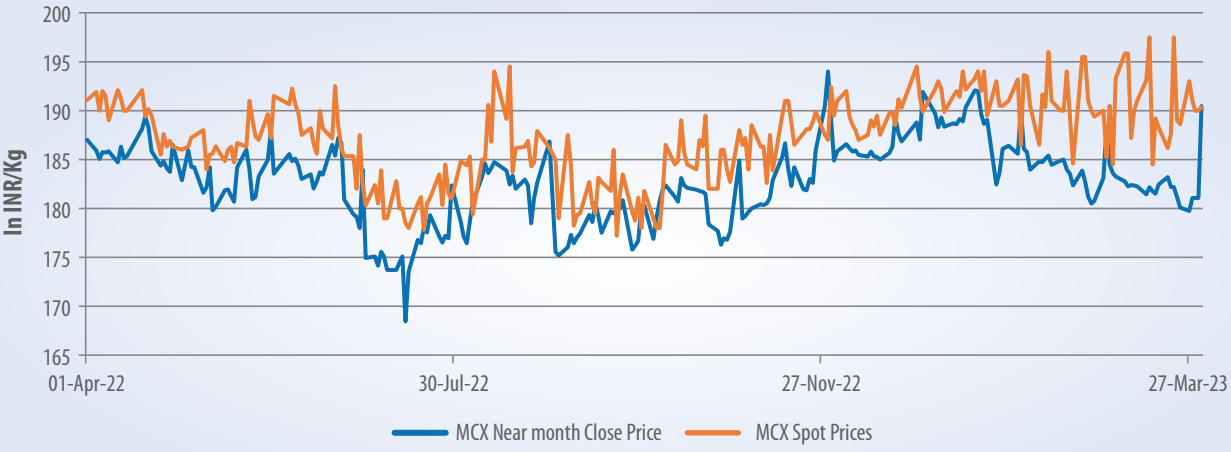
- Lead prices in India depend on the domestic and international sectors prices, freight rates, custom duties, trade agreements and the USD-INR exchange rate.
- Economic events, such as industrial growth, recession, and inflation, affect metal prices.
- Commodity-specific events, such as the construction 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, and so forth), 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*



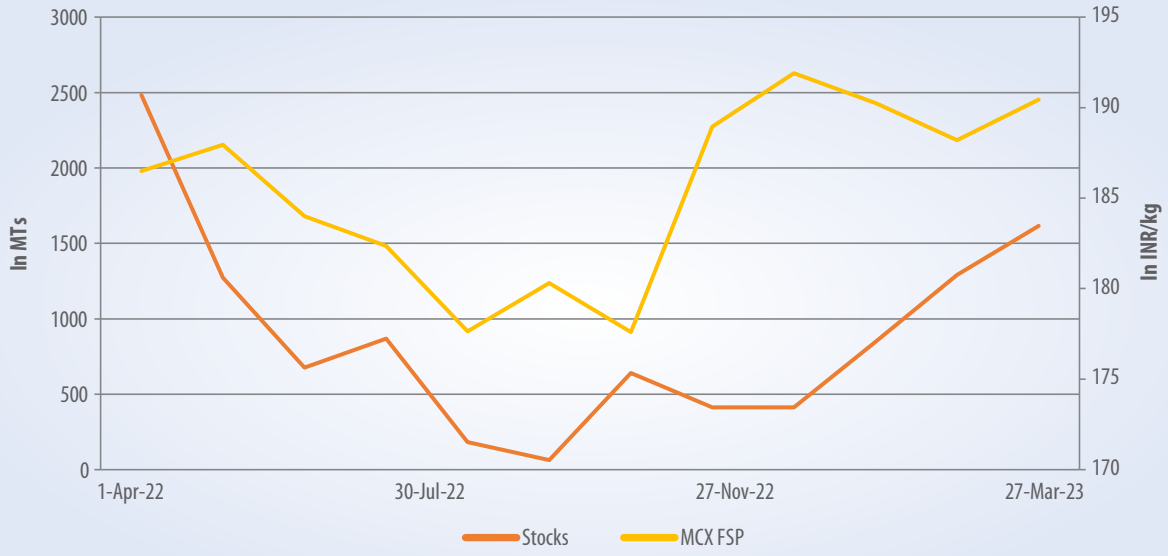
Correlation between MCX near month closing prices and LME Cash Settlement Price (CSP) stood at 76.99% for the period Apr 2022 – Mar 2023. | #Source: MCX Website; Westmetall

MCX Lead - Spot Vs Futures Price



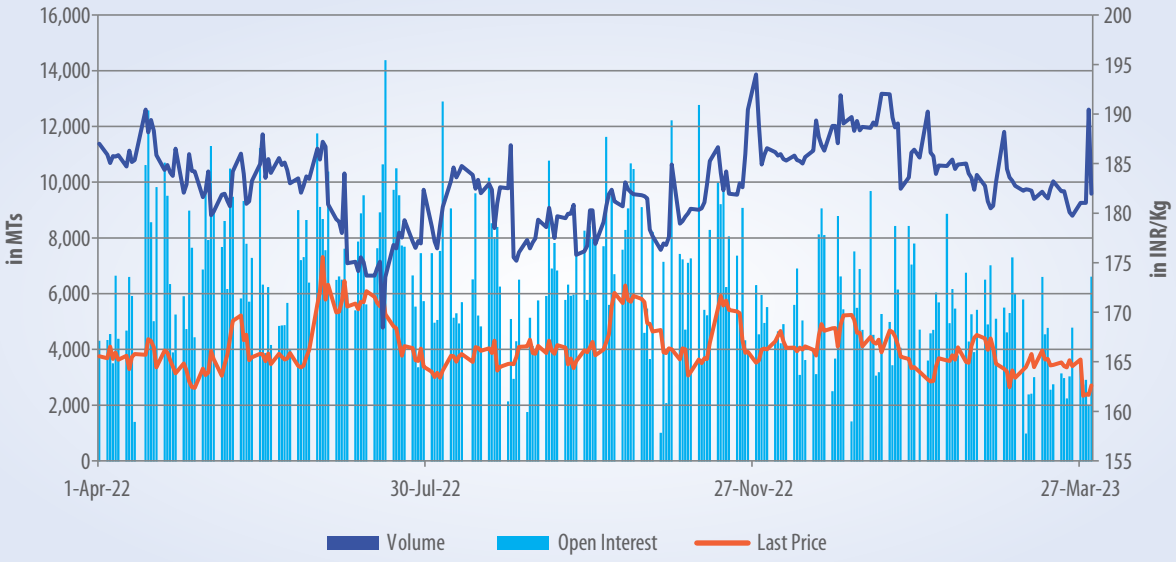
Correlation between MCX near month closing prices and MCX Spot Price stood at 67.54% for the period Apr 2022 - Mar 2023. | #Source: MCX Website

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



**FSP – Final Settlement Price | #Source: MCX Website*

MCX Lead Price, Volumes & Open Interest



#Source: MCX Website

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

IMPORTANT WEB SITES

www.ilzsg.org | www.metalbulletin.com | www.basemetals.com | www.futuresource.com | www.metalsmarket.net | www.metalsplace.com | www.metalprices.com | www.gfmsmetalsconsulting.com | www.woodmacresearch.com | www.world-bureau.com | http:\\minerals.usgs.gov



Salient Features of MCX Lead and Lead Mini Futures Contract		
Symbol	**LEAD**	**LEADMINI**
Description	LEADMMMYY	LEADMINIMMYY
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	5MT	1 MT
Quotation/ Base Value	1 Kg	
Price Quote	Ex-Warehouse at Chennai district in Tamil Nadu (excludes only GST)	
Maximum Order Size	100 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: 3,500 MT or 5% of the market wide open position, whichever is higher for all Lead contracts combined together. For a member collectively for all clients: 35,000 MT or 20% of the market wide open position, whichever is higher for all Lead 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 Chennai district in Tamil Nadu 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.	
Additional Delivery Centre(s)	1. Thane district in Maharashtra 2. National Capital Region (NCR) 3. 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	Lead Ingots with minimum purity of 99.98%. MCX 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	LME approved brands with minimum Lead purity of 99.98% 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/mcx-lmeapproved-brands.	
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 (E-Expiry day) by 2.00 p.m. except Saturday, Sunday and Public holiday. The electronic holdings of Lead in ComRIS Account shall be eligible for delivery in the Lead mini contracts.	

Salient Features of MCX Lead and Lead Mini Futures Contract

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.
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. 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

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