MCX
METAL & ENERGY
Trade with Trust

ZINC



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. Zinc Futures on MCX are being trading since 27 March 2006.

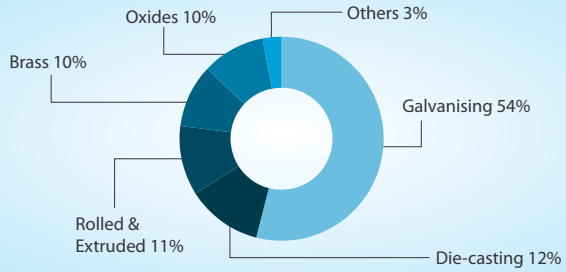
INTRODUCTION

Zinc is a bluish white lustrous metal. It is normally covered with a white coating on exposure to the atmosphere. It is the fourth most common metal in use, after iron, aluminium and copper. Zinc can be recycled infinitely, without loss of its physical or chemical properties. It is present in a wide variety of foods and is found particularly in association with protein foods. Zinc is not found as a metal in the earth's crust and is only found as zinc compounds. It is mostly used for galvanisation and in the battery industry. It can be melted on a cooking stove. For a metal, it boils at a low temperature. It is not magnetic and easily forms alloys with other metals.

APPLICATION

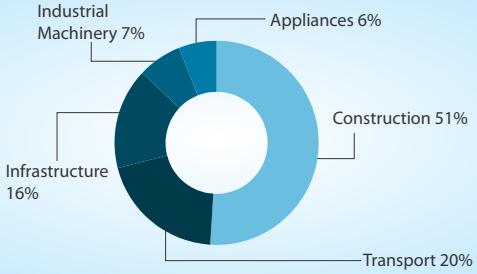
Roughly 50 per cent of all metallic zinc produced today is used to galvanise other metals, such as steel or iron, to prevent corrosion. Large quantities of zinc is used to produce die-castings, which are used extensively by the automotive, electrical and hardware industries. Zinc is also used as a chemical compound in rubber, ceramics, paints and agriculture. Zinc coating is widely used to protect finished products ranging from structural steelwork for buildings and bridges to nuts, bolts, strips, sheets, wires and tubes.

Global Zinc Consumption, by First-use



Source: Brook Hunt— A Wood Mackenzie Company

Global Zinc Consumption, by End-use



Source: Brook Hunt— A Wood Mackenzie Company

- 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 17,808 MTs of Special High Grade Zinc Ingots changed hands during F.Y. 2022-23 via Exchange platform.
- Only LME approved brand of Primary Special High-Grade Zinc ingots with minimum purity of 99.995% is accepted.



INDIAN SCENARIO

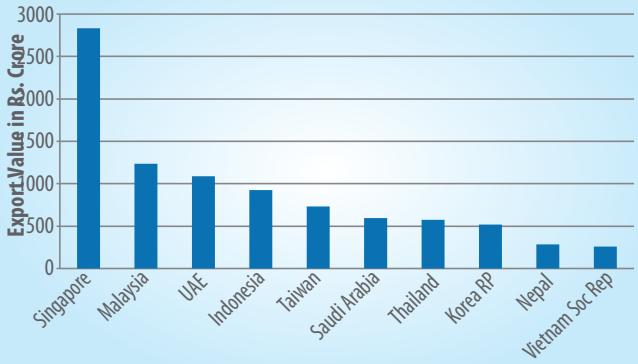
Production

- India has an excellent world class open-pit zinc mine in Rajasthan called Rampur Agucha. This mine produces world-class zinc. The concentrate is produced in India, refined and then used for domestic consumption. The balance is exported.
- According to Ministry of Mines, India's refined Zinc production stood at 8,21,000 MTs during Apr 2022 - Mar 2023 (in F.Y 2022-23) as compared to 7,76,000 MTs during Apr 2021 - Mar 2022 (in F.Y 2021-22), as per data from Ministry of Mines.
- In India, the main producer of zinc is Hindustan Zinc Limited (HZL), with annual production capacity of 8,43,000 MTs.

Exports and Imports

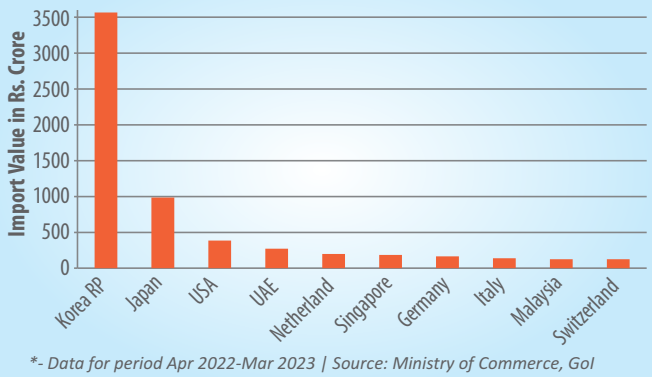
- Total Zinc (HS Code-79) exports from India during F.Y. 2022-23 increased 41.53% to Rs. 10,608 crores as compared to Rs. 7,495 crores during F.Y. 2021-22.
- Total Zinc (HS Code-79) imports to India during F.Y. 2022-23 increased 44.19% to Rs. 7,313 crores as compared to Rs. 5,072 crores during F.Y. 2021-22.
- 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)



*- 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	7,15,445	7,76,000	8,21,000
Import	1,89,189	2,27,430	2,80,452
Export	3,00,031	2,83,216	3,54,230
Consumption	6,04,603	7,20,214	7,47,222

Source: Ministry of Mines; Ministry of commerce

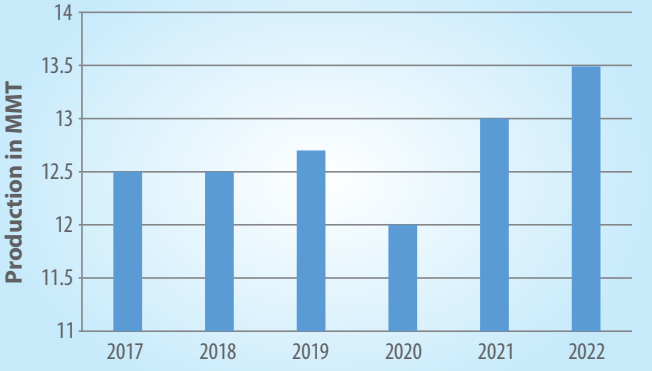
GLOBAL SCENARIO

Demand and Supply

- In 2022, the global Zinc production was around 13.49 million tons, as compared to 13 million metric tonnes (MMT) in 2021.



Global Refined ZINC Production



#Source: USGS Mineral Commodity Summaries

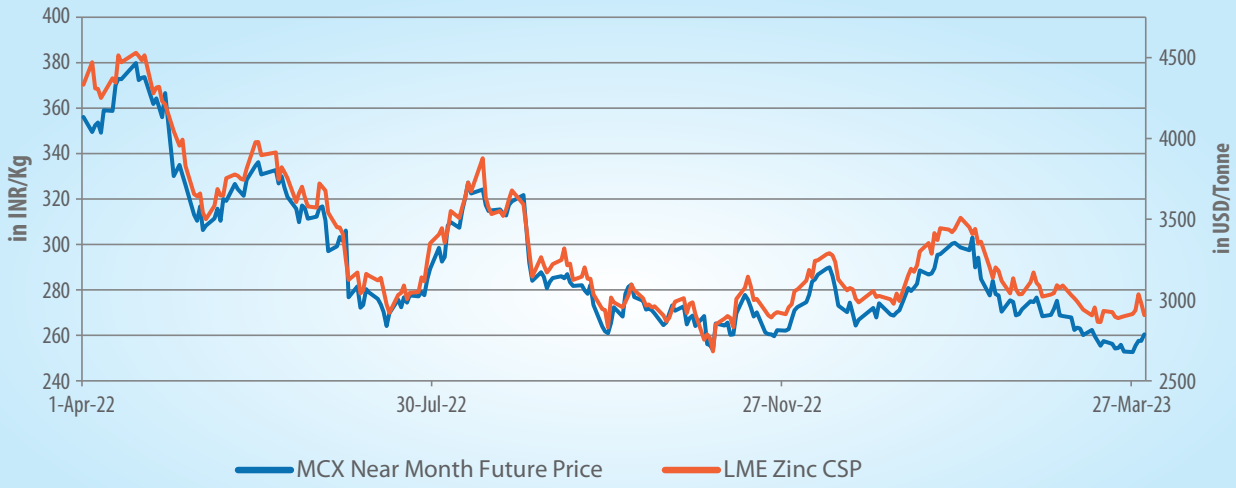
Imports and Exports

- China, Peru and Australia were the major producers of Zinc in 2022 with produce of 4,200,000 MTs, 1,400,000 MTs and 1,300,000 MTs respectively.
- Netherlands, Canada and India were the top three exporters in 2022 accounting for 1,626 million USD, 1,560 million USD and 1,356 million USD of Zinc exports respectively.
- USA, Germany and Italy were the top import destinations in 2022 with 3,137 million USD, 1970 million USD and 1,426 million USD of Zinc imports respectively.

FACTORS INFLUENCING THE MARKET

- Zinc 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 97.43% for the period Apr 2022 - Mar 2023. | #Source: MCX Website & Westmetall

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

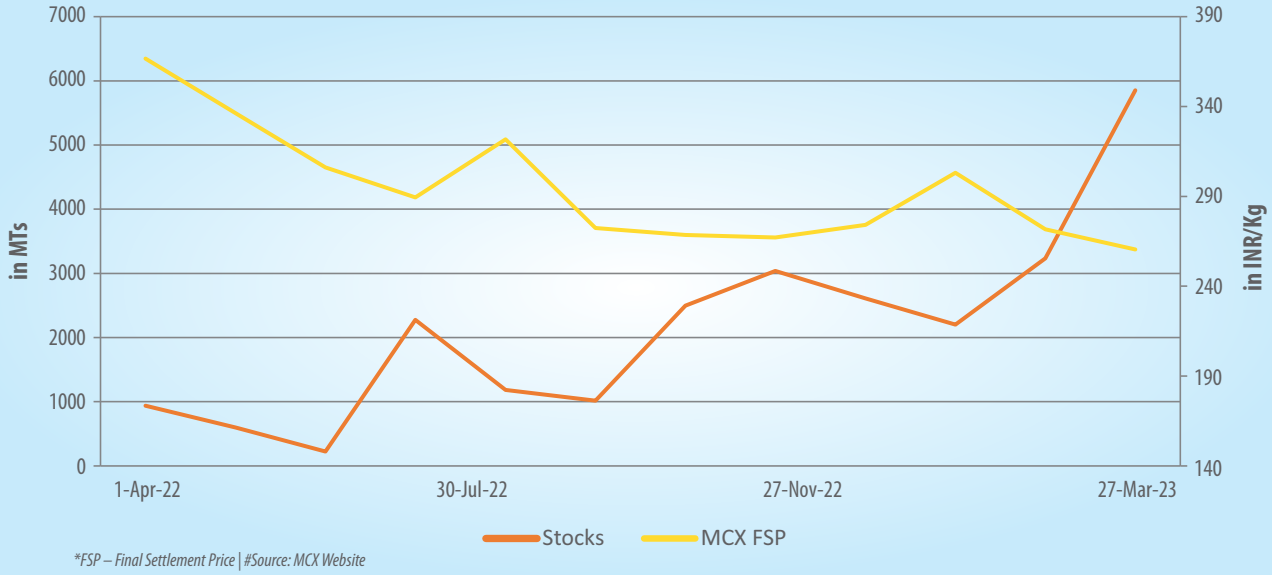


MCX Zinc – Spot vs Futures Price



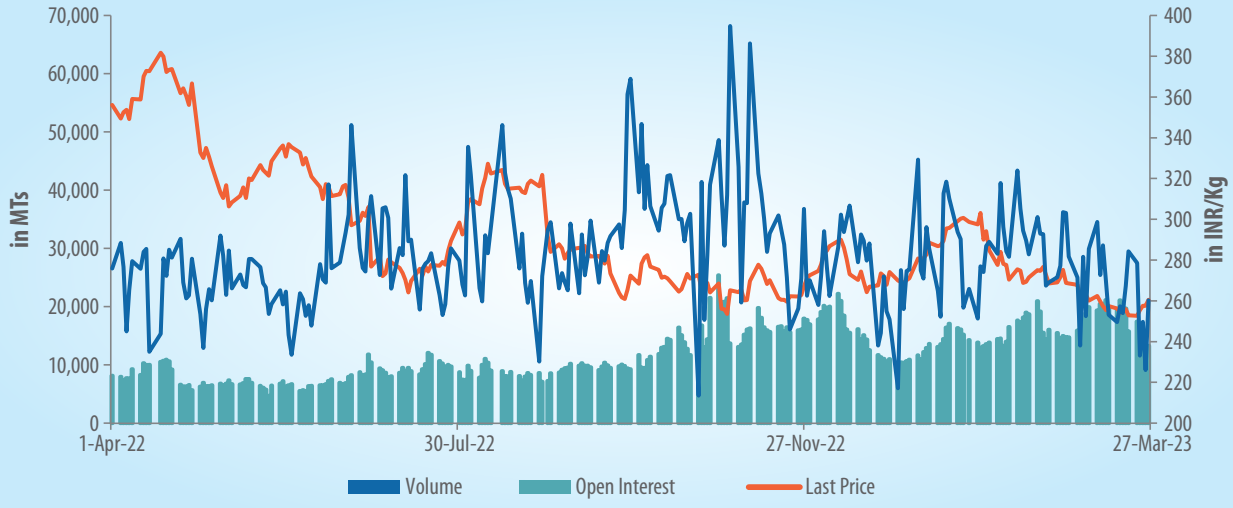
*Correlation between MCX near month closing prices and LME Cash Settlement Price (CSP) stood at 99.07% for the period Apr 2022 - Mar 2023. | Source: MCX Website

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



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

MCX Zinc Price, Volumes & Open Interest



#Source: MCX Website

Salient Features of MCX Zinc and Zinc Mini Futures Contract		
Symbol	ZINC	ZINCMINI
Description	ZINCMMMYY	ZINCMINIMMYY
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 Thane district (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 / local markets is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3%.	
Initial Margin*	Minimum 10% or based on SPAN whichever is higher	
Extreme Loss Margin	Minimum 1%	
Maximum Allowable Open Position	For individual clients: 7000 MT or 5% of the market wide open position, whichever is higher for all Zinc contracts combined together. For a member collectively for all clients: 70,000 MT or 20% of the market wide open position, whichever is higher for all Zinc 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 Thane district in Maharashtra 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. Ex-Warehouse at Kolkata district in West Bengal 2. National Capital Region (NCR) 3. Chennai district in Tamil Nadu The premium / discount for the additional delivery center to the base delivery center (Thane) will be announced by the Exchange before launch of the contract. As per 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 Special High-Grade Zinc with minimum purity of 99.995%. 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	Any other Primary Zinc producer brands as approved by MCX.	
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 Zinc in ComRIS Account shall be eligible for delivery in the Zinc contracts.	

Salient Features of MCX Zinc and Zinc 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 September 01, 2016.

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

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