



Chana @ NCDEX

Benchmark for the industry

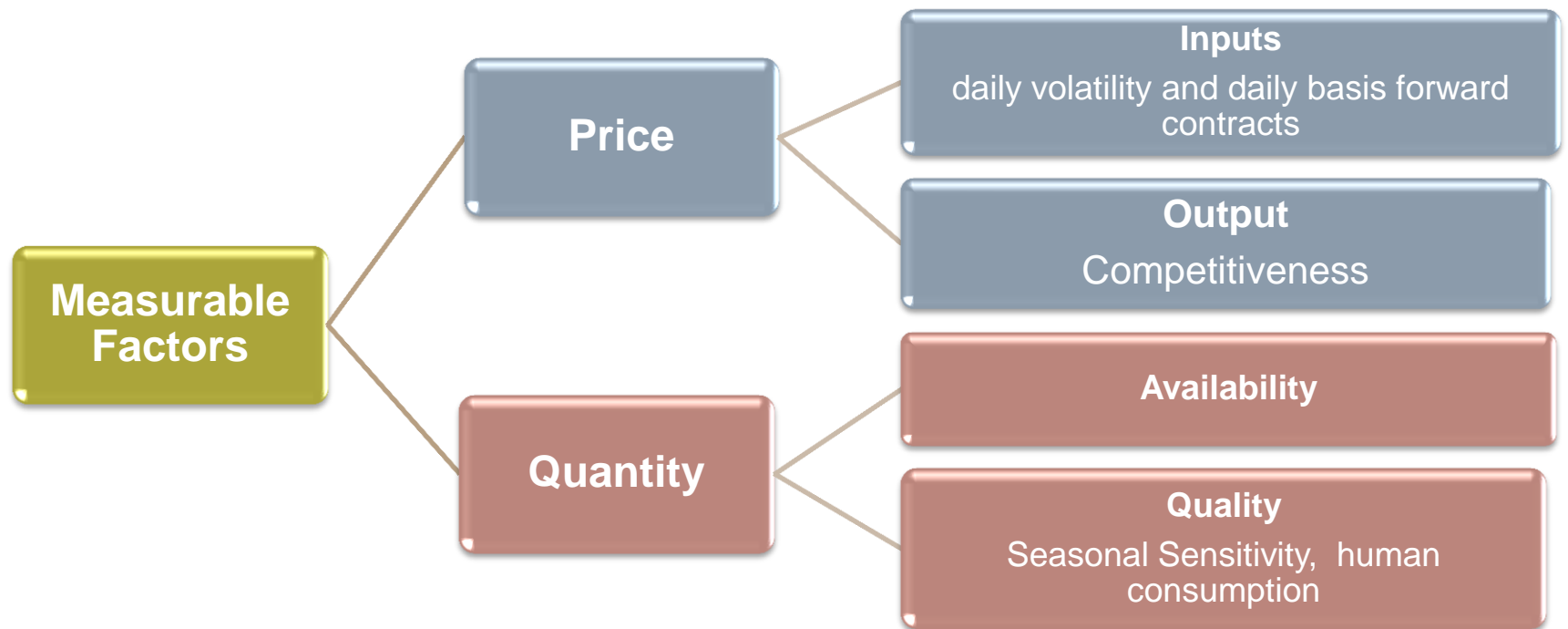
The Pulses Conclave 2014 - GOA

Introduction - NCDEX

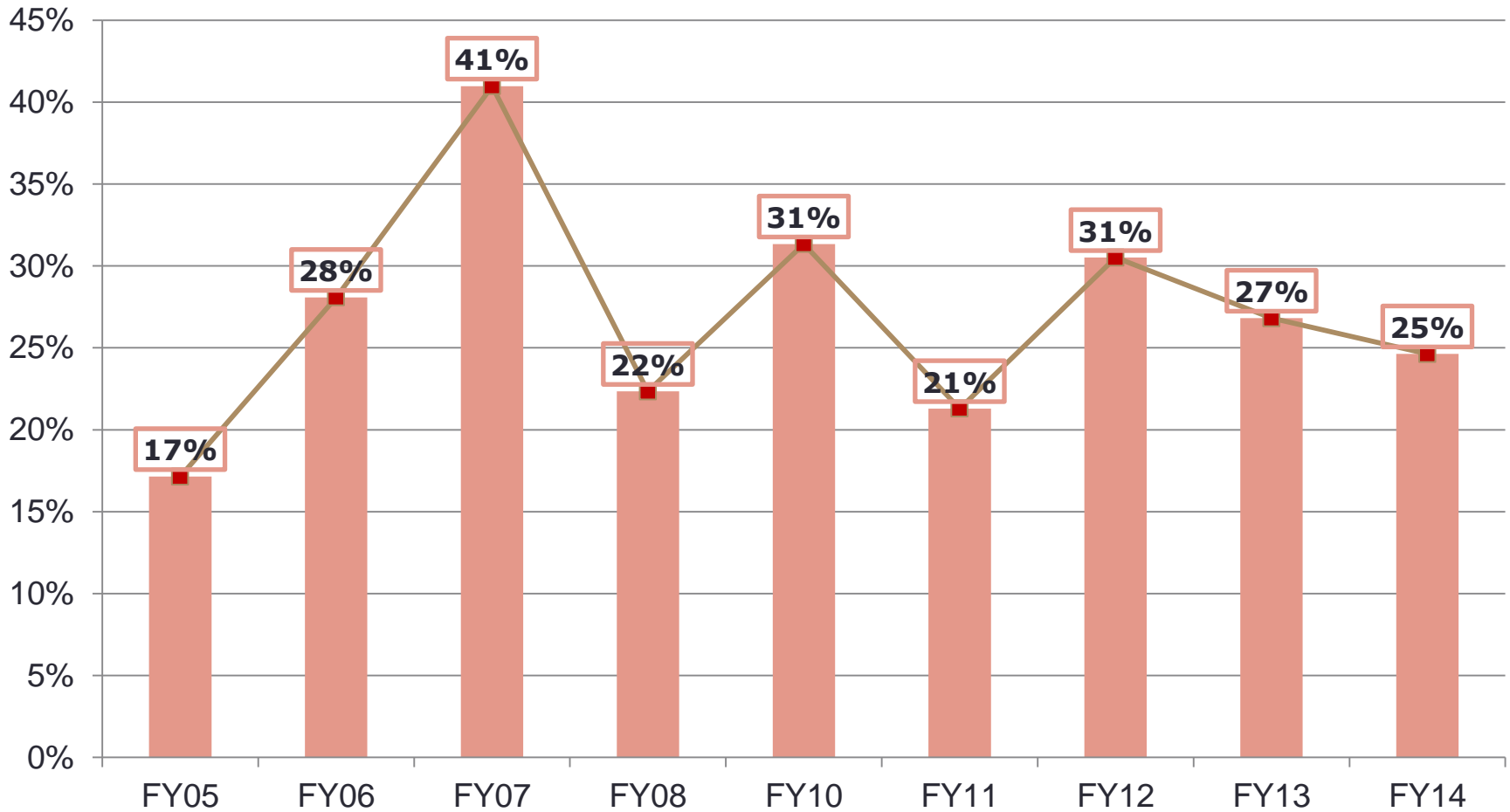
- Owned by 14 distinguished National and Global entities
- NCDEX holds 87% share of quantity traded in agriculture derivatives market
- NCDEX has approved more than 500 warehouses PAN India with a storage capacity of 2.3 mn MT
- Participation of Value Chain from PAN India to discover fair price of the commodity
- NCDEXSPOT is providing an electronic auction platform to procure pulses by Various state Govt to ensure nutritional portion in Mid-Day Meal and other such Schemes

Trading in Physical Market - Need of Risk Management

- Unregulated Forward contracts and hence there was always risk of counter-party defaults
- Liquidity in forward contracts is limited
- Lack of far month forward contracts

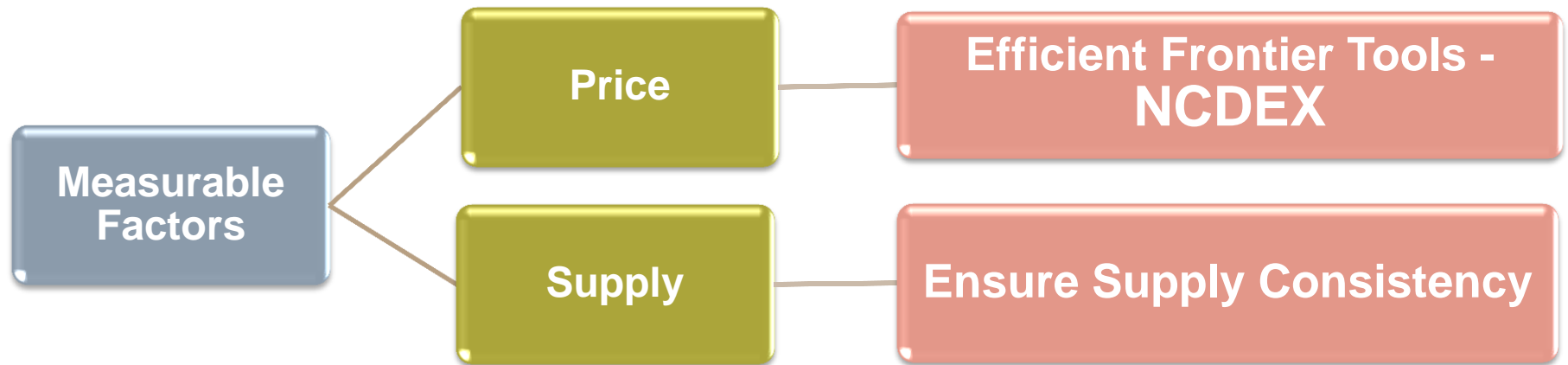


Average Price Annualized Volatility



Tool for Risk Management

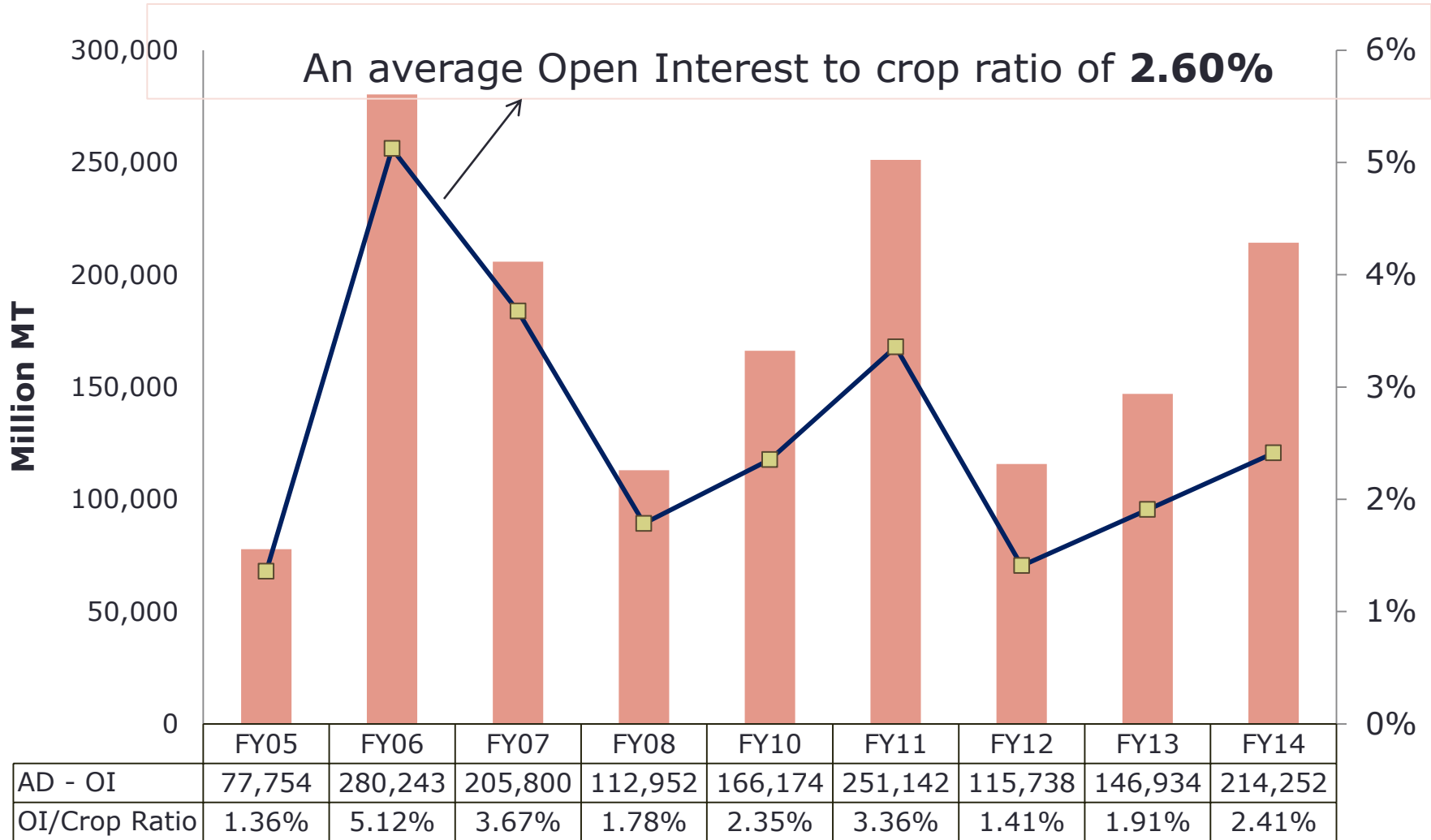
- Regulated long term forward contracts with reference price model
- Medium to ensure risk of counter-party defaults
- Contracts with healthy liquidity
- Availability of far month contracts for better price discovery
- Models to hedge buffer stocks and purchases for efficient financial planning



Risk Management Tool – NCDEX

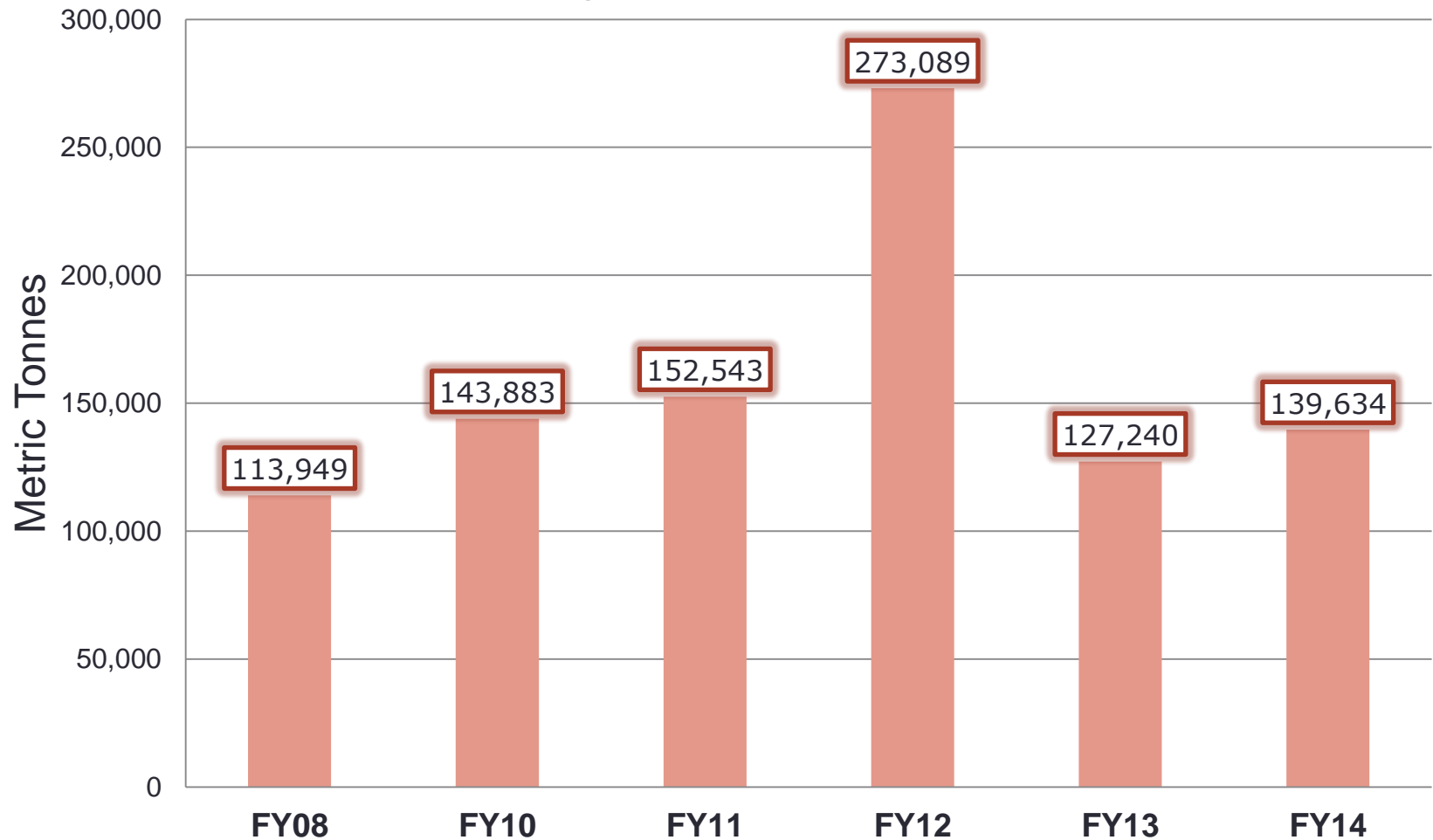
- MOST liquid CHANA futures contract in the World
- Large no. of active clients for efficient price discovery
- Stringent regulatory environment, hence ensuring honoring and smooth settlements of contracts
- Value chain can hedge their prices against their physical trades
- Better price discovery in the far months

Average Open Interest and Ratio with Crop



Chana Performance

Average Daily Quantity Traded



Annual Correlation between Spot price and Futures Price of Chana

Financial Year	Correlation Coefficient
FY05	81.33%
FY06	95.35%
FY07	95.21%
FY08	94.62%
FY09	93.58%
FY10	91.73%
FY11	94.74%
FY12	98.47%
FY13	97.11%
FY14	93.29%

Annual Correlation between Spot price and Futures Price of Chana



Impact of NCDEX on Trading Ecosystem

- Price Transparency
- Efficient Risk Management tool for Value Chain
- Price Dissemination
- Infrastructure Development
- Mandi modernization
- E-Trading – FCI, STC, SFAC
- Grading & Standardization

Looking Ahead

- New Futures Contract on NCDEX
 - TUR
 - URAD
 - Yellow Peas
- Direct Delivery
- Exchange for Physical
- Hedge Policy & Banks
- Improved Warehousing

Thank You!!

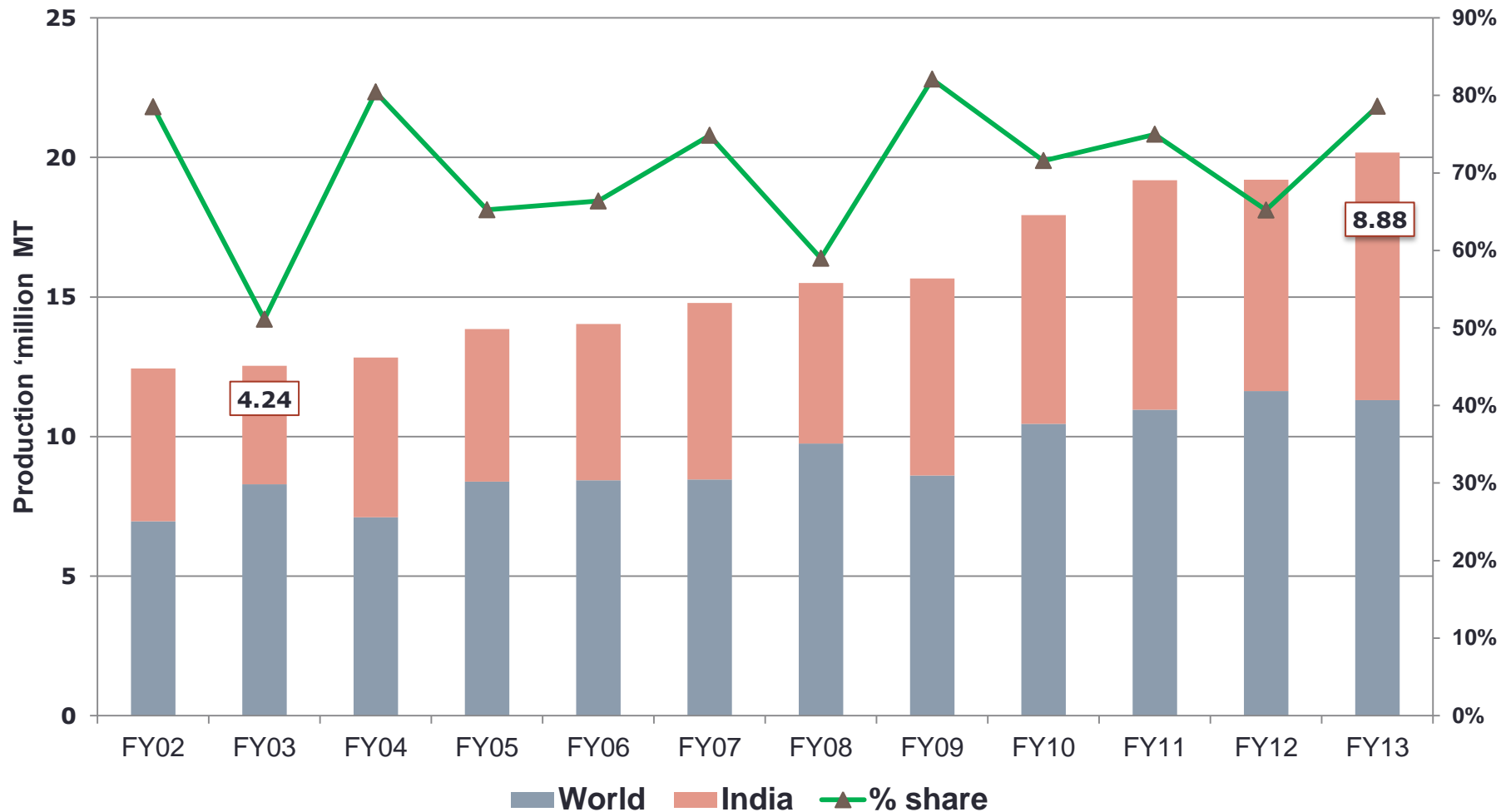
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Indian share of Chana across World



Source: FAO Stat

Introduction - Chana

- India has produced almost 71% of Chana produced in world - last decade
- We have recorded more than 100% increase in production from 4.24 mn MT in FY03 to 8.80 mn MT FY13
- Domestic production is growing at CAGR rate of 7.67% whereas imports at CAGR rate of 29.91%.
- Chana is the most grown, consumed and processed pulse in India and holds about **44%** share in total pulses produced
- Export of pulses, except for Kabuli chana, was initially prohibited for six months in 2006. It was then extended from time-to-time up to March 31, 2014.

Major milestones

- Recorded highest value of 2893 Crores as on 23rd September 2011
- Recorded highest quantity traded of 1.18 mn MT as on 22nd March 2006 which is 18% of the total crop produced that year.
- Recorded highest Open Interest of more than 5 Lakh MT on 30th December 2005 which is 9% of the total crop in FY06.
- Recorded a maximum participation of 3500 active clients in a single trading day through a maximum of 500 members

New Initiatives

- Exchange For Physical (EFP)

Exchange for Physical

- Electronic form of forward contracts
- EFP allows smooth exit with reference price model with assured delivery from preferred supplier
- Corporate Policy to lock in relative price risk on NCDEX to eliminate defaults.
- Merchandisers to transact relative price contracts (+/- NCDEX Futures) with preferred suppliers
- Banks to monitor/review hedging for loans

Advantages of EFP

- Enables risk management using NCDEX Futures
- Delivery between the specific firms at mutually agreed quality, location and premiums.
- Prevents slippage loss; if each party closes position independently

EFP process flow

