

Mr. Sumeet Bagadia
Head - Commodities & Currencies Research
Destimoney Securities Pvt. Ltd.



Mr. Bagadia has more than eight years of experience in the Indian financial markets. After completing his MBA in the Finance stream, Mr. Bagadia started his career at one of the leading broking firms in India, Sharekhan. He is associated with Destimoney Securities Pvt. Ltd. since last three years and is in charge of the research team for commodities and currencies. Mr. Bagadia is the youngest research-head in the country and is sought by print and wire services on a regular basis for his views and comments on the commodity as well as currency markets.

On February 19, 2014, NCDEX launched futures contracts in Silver – ‘SILVRHEDGE’, in line with the innovative futures contracts in gold. Like GOLDHEDGE, SILVRHEDGE contract also has international parity, as it excludes the premium amount, local taxes and custom duty.

In this context, we requested Mr. Sumeet to share his views along the following points:

1. In your opinion, how SILVRHEDGE would benefit hedgers, jobbers and speculators?

Well, it is a good initiative taken by NCDEX. Contracts like Gold Hedge and Silver Hedge are very good contracts for hedgers; as far as jobbers and speculators are concerned they are more concerned with market depth and volumes in the contract. Silver Hedge has direct co-relation with COMEX Silver, so to initiate a trade, hedgers, jobbers and

speculators have to track the movement of COMEX Silver and the local currency which is USDINR, rest of the factors like import duty, local

tax and premium should not be taken into consideration while having a view or initiating a trade in Silver Hedge.

2. Which domestic and international factors should market participants consider before entering in SILVRHEDGE futures?

The only domestic factor which one needs to consider is the movement of local currency i.e. USDINR. On the other side, the only international factor to be watched out for is the movement of COMEX Silver. These are the only two factors which one needs to consider before entering Silver Hedge futures.

3. What is the potential of SILVRHEDGE as portfolio diversifier for retail investors?

Well, the margin required in absolute rupee terms is low, as the contract size (15 kg) is small compared to other exchanges. Because of the low margin, retail investors can easily create a position in Silver Hedge. The normal margin requirement in Silver is approximately ₹ 70,000 with other exchanges; on other hand, at NCDEX it is exactly half because of the lower contract size, this makes the contract appealing and eye-catching for a retail investor.

4. What are the biggest challenges and opportunities for the Silver industry in India - the world's second largest importer of silver, in the next five years?

The usage of Silver is on rise. Silver is one of the best electrical and thermal conductors, which makes it ideal for a variety of electrical end uses, including switches, multi-layer ceramic capacitors, conductive adhesives, contacts and in silvered film in electrically heated automobile windshields. Silver is also used as a coating material for optical data-storage media, including DVDs.

Silver's antibacterial qualities have applications that reach far beyond the medical world. Washing machines, refrigerators, air conditioners, air purifiers and vacuum cleaners all rely upon silver nanoparticles to sterilize up to 650 types of bacteria. Nanotechnology is still at a very early stage in terms of its usage. The full extent of its application remains to be seen but scientists and consumers are hopeful regarding the environmental implications of nanotechnology. Even if the Indian economy maintains its current pace of growth, there can be good demand for silver in next few years.

5. How silver prices have been impacted with gold imports becoming expensive last year? In this context, do you think that SILVRHEDGE futures contracts would serve as effective hedging tool?

In the last few months or in a year or so, most of the investors have switched or shifted to silver because of sharp rise in gold prices. Looking at the trend, at present it seems that silver is more bullish than gold, so in such a scenario, a contract like Silver Hedge is a best commodity to trade in or invest in for a long term. Also the external factors like import duty and premium are not included in Silver Hedge, which makes the contract more reliable and viable for an investor or hedger. This makes the contract a perfect tool for hedging.