

Q&A WITH MEMBER

Ms. Rajini Panicker
 Head of Commodities - Research
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Ms. Panicker currently heads the Phillip Capital Commodity Research & Strategy Desk. She has over sixteen years of work experience in Commodity & Financial Derivatives. She specializes in research and advisory services on Oilseed complex, Grains, Cotton and is responsible for designing customized hedging and trading strategies for large Commodity Corporations and Trading Firms. Ms. Panicker is regularly invited by all leading business channels such as CNBC, Times Now, Bloomberg TV and by prominent commodity newswires to share her views on commodity price trends. She has a Masters Degree in Economics from Bombay University.

On September 25, 2014, NCDEX launched 'AGRiMSauda' – the first of its kind exchange-traded forward contracts. AGRiMSauda provides opportunity for physical market players to reduce the counter-party default risk by executing their bilateral trade under the regulatory framework of the Exchange as also the Forward Markets Commission (FMC), without having to give up their comfort of trading in contracts customized to their needs.

In this context, we asked Ms Panicker for her views on how participants can benefit from our new market segment.

1. India has a long history of trading in commodity forwards. According to you, what is the speciality of Agrim Sauda?

The ability to lock in price of a commodity as further as 60 days (fixed price

contract) to 180 days (reference price contract), with assurance of delivery, has attracted end user and interest of trading firms. The long held disadvantage against futures that delivery of the commodity is not assured, has been addressed with forwards and is a considered as a welcome development by the end user community.

2. Do you think AGRiM Sauda will add value to existing forward market business? How?

Definitely. The convenience of a bi-party contract with customized commodity specifications and the counter party risk mitigation through the Exchange risk management systems is a unique business model.

3. In your opinion, how can the different participants in the commodity value chain use the AGRiM Sauda platform?

Both the sell side and the buy side of the commodity chain can draw benefit from forward contracts. The buy side and the sell side, can lock in price for a long term horizon, which provides buyers with margin forecasts on final products, while the sell side is assured timely payments on its domestic market sales.

4. Which factors should one consider before entering in AGRiM Sauda?

Quality specifications, mode of delivery and pricing day.

5. What role does technology play in enhancing efficiency while trading AGRiM Sauda?

The spot market price discovery provided by the platform is useful for commodity participants in their procurement and trading activities for informed decision making.

6. How do you see commodity-based exchange-traded forwards segment evolving in the days ahead?

I hope to see a number of other commodities getting introduced to forward contracts. Additionally as participants realise the advantages of forward contracts - the absence of counter party risk, the locked-in price with margin based payments, exchange forward contracts could play an important role in the way commodities are traded in the country.

7. What would you suggest to improve this new segment available on the Exchange?

For larger reach, client view terminals should be facilitated.

