

Future Scenario of Bullion

¹ VIJAYAGIRI SHIREESHA, MBA student

² Dr. Mohammad Ikramullah Aman, HOD

³ MR. M. ABDUL BASITH, Assistant Professor

Department of MBA

Shadan College of Engineering & Technology

1. INTRODUCTION

A commodity derivative derives the value of its from an underlying asset, and that is always an investment. Commodities, in words that are easy are any goods which are unbranded and common. Gold, cotton etc., sugar, wheat, jute, pepper, rubber, silver, are several of the typical commodities. For e.g. apple juice is usually an investment whereas the 'Real' apple juice can't be referred to as an investment. One could be astonished to understand that in the US commodities markets there are futures out there while on cattle.

Commodity includes all sorts of products. FCRA defines "goods" as "every sort of movable home apart from actionable statements, securities" and cash. Futures' trading is structured in these kinds of commodities or products as are allowed by the Central Government. At present, all products and goods of farming (including fossil origin, mineral, and plantation) are permitted for futures trading under the auspices of the commodity exchanges recognized underneath the FCRA. The national commodity exchanges are realized by the Central Government for organizing trading in almost all allowable commodities including prized (gold & nonferrous metals and silver); pulses and cereals; ginned and unpinned cotton; oilseeds, oilcakes and oils; raw jute as well as jute items; Gur and high sugar; onions and potatoes; tea and coffee; spices and rubber, etcetera.

Commodities market basically represents another type of organized market the same as the stock market as well as the debt market. Nevertheless, commodities market, due to the distinctive nature of its lends to the profits of a broad spectrum of people as investors, producers, exporters, importers, corporate etc .

2. OBJECTIVES OF THE STUDY:

- To understand about the commodity market
- To Study the level of awareness of commodities futures
- To analyze the perception of investors towards commodities futures
- To Study the "Factors considered by the Investors" and Those, Which Ultimately Influence him while investing.
- Another objective is to study the volatility of the market.

LIMITATIONS OF THE STUDY:

- The sample used for the study has been taken from the investors only of the twin cities Hyderabad and Secunderabad
- The survey is done among those investors who have some knowledge of trading and not of the general public.
- The random sampling technique has been used for the primary research, i.e., no segregation is done on the basis of the age, gender, type of trading (Equity or commodities)

- Although adequate care was taken to elicit the accurate information from the respondents, some of them have felt difficulty in crystallizing their feelings into words.

3. RESEARCH METHODOLOGY:

This chapter deals with aspects related to approach of Survey method was adopted in this project.

Main information is information which is customized to a company's needs, by personalizing genuine strategy focus groups, field-tests, survey, observation or interview.

Main details provides much more certain outcomes compared to secondary investigation, that is a particularly vital consideration when someone introducing a brand new service or product. Additionally, main analysis is generally dependent on statistical methodologies. The small sample is able to give a precise representation of a specific market.

Secondary information is based on info learned from scientific studies earlier done by federal agencies, chambers of commerce, other businesses and industry associations. This consists of census bureau info. A whole lot of sort of this info is usually discovered in libraries and on the internet, but looks on company publications, and also newspapers and magazines.

Analysis of specific investment patterns will be achieved by this main data analysis. In this particular project survey did with a questionnaire and have a sample size of forty people that are mainly IT personnel, other company people and physician. Aside from these we've additionally gone to the application provider to recognize the understanding of the understanding of theirs with regard to the

commodity futures. The questionnaire has the financial condition of the people, investments made, age group, nature of the company etc.

As ShareKhan securities Ltd. distributes a number of buy solutions as Demat accounts with regard to the equities as well as commodities, insurance, mutual funds, etc. This particular survey is going to help them in acquiring advertising techniques for the purchase solutions of theirs.

PRIMARY DATA COLLECTION:

For any personalized requirements on the task, main data was collected by way of a survey in the twin cities of Secunderabad and Hyderabad. A Random test of forty investors was surveyed. They have been all asked to reply to a questionnaire true to the consent of theirs. The responses from the buyer was important, gauging the perception of the investors to commodity futures or maybe capital industry. Additionally, it throws light on the variables, that influence them making choices while investing. Additionally the interaction with few of the investors goes quite a distance in knowing the inlaid advantages for the choices of theirs.

SECONDARY DATA COLLECTION

The primary energy sources of secondary details are the different sites as Sharekhan Commodities Pvt Ltd, Multi Commodity Exchange (MCX), National Derivatives and Commodity Exchange (NCDEX), Chicago Board of Trade (CBOT), New York Mercantile Exchange (NYMEX) and much more this kind of organizations. Along with the above mentioned options, dealing with sharekhan associates as well as interaction with their personnel offered a pragmatic advantage to my theoretical concepts.

4 .REVIEW OF LITERATURE

Conceptual frame work

Commodity markets are marketplaces where primary or raw items are exchanged. These raw commodities are traded on regulated commodities exchanges, where they're purchased as well as purchased in contracts that are standardized.

This article concentrates on current debates as well as the past concerning global product markets. It addresses bodily item (food, metals, along with electricity) markets although not the reasons that providers, like those of governments, nor debt, nor investment, could be viewed as an investment. Articles on reinsurance marketplaces, stock markets, bond markets as well as currency markets deal with those issues individually and in much more depth. One particular emphasis of this document may be the connection between basic commodity funds as well as the more complicated tools available in the commodity markets.

1.3 HISTORY

Product futures' trading continues to be initially recorded in the 17th century in Japan. The futures' trading was essentially accomplished with the seasonal farming items to make sure their constant source all of the season around. Japanese merchants utilized to keep grain in the warehouses for the potential use of theirs and used-to offer receipts against that saved rice. These bills were called as 'rice tickets' which then ultimately evolved into the grounds for the business currency of theirs. The guidelines that had been started during this particular time for trading these rice tickets resemble the guidelines set for American futures trading. In the

United States, the commodity futures trading began in the center of the 19th century with the aid of the Chicago Board Of Trade established in the entire year 1848. Gradually then approximately ten commodity exchanges have been put in place with a multitude of agricultural products being traded.

Commodity derivative sector began in India in cotton in the 1875 and in the oilseeds in 1900 at Bombay. Advanced trading in raw jute as well as jute items began for Calcutta of the entire year 1912. But however, inside couple of years of the establishment of theirs, the forwards trading in these commodities was blacklisted in the entire year 1960. Lately, in the entire year 2003, this kind of ban on trading was lifted as well as the trading in commodity futures was going. Permission was awarded to build online multi commodity exchange to facilitate trading. The lengthy period of prohibition of advanced trading in significant commodities as cotton and for oilseeds complex has an enduring effect on the improvement of the commodity derivative marketplaces in India and also the futures market of commodities end up left much behind the derivative markets in the evolved nations, that have been operating uninterruptedly. Consequently, today the task prior to the commodity markets is making up because of the loss of development as well as growth in the 3 years of federal policies, that had the outcome of limiting the expansion of the derivative market segments.

DEFINITION OF AN EXCHANGE:

A derivatives or futures exchange is identified as being a trading community which links a main marketplace, in which all of those with buying & selling passions in something intended to enable the changing danger is able to meet up with, with a mechanism (such as clearing house), validating, for intermediating, and improving the recognition of anonymous counterparts. Key element to a profitable exchange is definitely the effective transfer of risk of all the exchange participants. This involves effective trading methods, settlement & clearing systems, practical items and membership buildings.

What is Exchange?

A commodities exchange is an exchange where different commodities as well as derivatives items are traded. Many commodity markets throughout the world trade in agricultural products along with other raw materials (like wheat, metals, oil, pork bellies, milk products, coffee, cocoa, cotton, maize, sugar, barley, etc.) as well as contracts dependent on them. These contracts are able to consist of area costs, forwards, options as well as futures on futures. Additional advanced solutions can include interest rates, swaps, environmental instruments, or maybe ocean freight contracts. Steel contracts began being traded for the very first time on the London Metal Exchange in 2008.

5 COMMODITY EXCHANGES IN INDIA:

Commodity exchanges are locations that swap particularly commodities, neglecting the swap the swap of securities, stock index futures as well as options etc. Exchanges would be the centralized locations that supply a platform for both the sellers and also the customers to meet up with, established

quality standards and also set the guidelines of companies. Commodity exchanges in India plays a crucial role as it comes with something for effective risk management as well as cost transparency.

In India, you will find approximately 25 recognized local exchanges (Annexure-1- List of all of the Regional Commodity Exchanges), of which 3 are national level multi commodity switches. These 3 national level multi commodity switches are,

- National Commodity along with Derivative Exchange Limited (NCDEX)
- Multi Commodity Exchange Of India (MCX)
- National Multi Commodity Exchange Of India Limited (NMCEIL) All of the above exchanges are created under the general command of Forward Market Commission of Government of India. The additional 22 exchanges are provided below

National Commodity & Derivative Exchange Limited (NCDEX)

Derivative Exchange and national Commodity Limited (NCDEX) placed in Mumbai is a public restricted business incorporated on April twenty three, 2003 under the Companies Act, 1956 and also had commenced the operations of its on December fifteen, 2003. This's the one commodity exchange in the nation encouraged by the national level institutions. It's encouraged by ICICI Bank Limited, Life Insurance Corporation of India (LIC), National Bank for Rural Development and Agriculture (National Stock and nabard) Exchange (NSE).It is a professionally manages on the internet multi product exchange. NCDEX is controlled by Forward Market Commission and it is governed by different law of land including the Companies Act, Contracts Act,

Stamp Act, Forward Commission (Regulation) Act as well as other legislations.

Multi Commodity Exchange of India Limited (MCX)

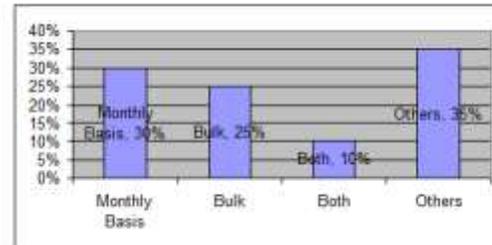
Multi Commodity Exchange is headquartered in Mumbai and it is an unbiased, de mutualised exchange with the irreversible recognition from Government of India. Key Shareholders of MCX are Financial Technologies (India) Ltd., State Bank of India, Union Bank of India, Corporation Bank, Bank of India and Canara Bank. MCX helps with internet trading, clearing and settlement operations for commodity futures industry throughout the country. MCX began to offer swap in November 2003 & has constructed strategic alliances with Bombay Bullion Association, Bombay Metal Exchange, Solvent Extractors' Association of India, Pulse Importers Association and Shetkari Sanghatana.

National Multi-Commodity Exchange of India Limited (NMCEIL)

National Multi Commodity Exchange of India Limited (NMCEIL) may be the 1st de mutualised, Electronic Multi commodity Exchange in India. On 25th July, 2001, it had been given endorsement by the authorities to manage trading in the edible oil complicated. It's been operationalised from November twenty six 2002. It's been backed by Central Warehousing Corporation Ltd. Gujarat State Agricultural Marketing Board and Neptune Overseas restricted. It's received the recognition of its in October 2002.

5 .DATA ANALYSIS

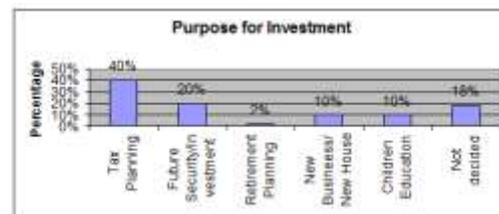
How do they invest, means on a monthly basis or in a bulk



INTERPRETATION:

- Those who invest on a monthly basis (30%) do investment both in Capital market and also in Mutual Funds.(SIP)
- The 25% mostly invest in the Mutual Funds might be in NFO. While 10% invest either in a monthly basis or bulk.
- The remaining 35% include those who don't invest, and also those who do invest as per the situation prevailing in the market. In this some have fixed deposit or insurance have been included in others.

Now coming to the important point, i.e. to know for what purpose they are investing.



INTERPRETATION:

- We can see that 40% invest mainly for the purpose of the tax saving purpose and these

are mainly invested in the TAX saving plans of the Mutual Funds.

- 20% prefer in invested for the future security and the 10% invest from now for the purpose of the children education.
- Those 40% of the tax planning, also have the plans in an indirect form for the future security, as they think that on the one hand they are saving tax and on the other hand they will earn return in rear future.

6.FINDINGS

- Around 85 commodities are trading in futures in India through 25 exchanges, which an ordinary investor does not know it.
- Very few traders traded in the futures market. This was basically because they were not fully aware of hedging and the benefits that can be accrued from it
- They did not have the confidence in the technology that is adopted in trading, i.e., the traders were not well-versed in accessing the internet. Thus, the traders were good businessmen but not very tech-savvy.
- Awareness among many other investors of mutual funds, equities etc. are very low. Most of them are even did no hear about commodities futures.
- Among High Net worth Individuals (HNIs) only few persons are aware about commodities futures trading and they also know only about Bullion commodities.
- Some of Investors considered gold as ultimate substitute investment since it is

tangible. Since gold is fully independent from the paper financial system.

- Almost all the traders had the issues regarding the delivery system, as there is not enough warehouse of the exchanges situated at nearby distances. Thus adding additional cost of transportation to the traders.

..

7.SUGGESTIONS

- Enhance understanding among Gold merchants who could be play part that is pivotal in Bullion Market(Gold and Silver).
- Bring understanding among farming merchants regarding the respective commodities of theirs.
- Arranging workshops that are complimentary in businesses that are different about mutual fund investments.
- Arranging stalls in places that are Public is a great publicity.
- More advertising have to go to describe the different benefits of commodity futures as well as the different commodities readily available to exchange futures market.
- Focus on industries whose raw material is 1 of those commodities.

8.CONCLUSION:

India is an agrarian state creating a big assortment of plants. Additionally, it appears as among the frontrunners in the generation of wheat, other this kind of crops and spices. For such a nation like ours, commodity futures trading is able to prove to become a great chance to the growers along with other such traders for effective cost find. Product trading may

also be employed as a hedging instrument for reducing danger against upcoming cost fluctuations.

To be able to reach the real goal of commodity trading, there ought to be sufficient consciousness with these farmers, manufacturers, traders, exporters as well as importers. But based on the main investigation, we've realized the understanding level regarding the commodity market is extremely much less and there's a great deal of approach to take to attain the particular beneficiaries of these markets. One may say this because the understanding level of all the certified and educated others is itself great so that it is going to take a great deal of time period to achieve these growers.

The primary reason behind this absence of understanding is because of the nascent markets and also the mechanism of the activities of theirs. Just about all the normally traded commodities are contained through the exchanges; the majority of the marketplace individuals favor ahead contracts with the exchange traded futures contracts. The individuals that prevail on the market have problems about the delivery mechanism as well as the specification requirements of the agreement. Additionally, as merely very few big players are available in the markets, monopoly has been produced by them and therefore effective price find is not able to occur.

BIBLIOGRAPHY

Commodity Exchanges:

- <http://www.mcxindia.com>
- <http://www.ncdex.com/aboutus/index.aspx>
- <http://www.nmce.com>
- www.nymex.com

Commodity Market:

- <http://www.sharekhan.com/Commodity/>

- <http://www.indiaonline.com/commodities/commoditieshp.asp?lmn=3>
- <http://www.geojit.com/index4.asp>
- <http://www.bricssecurities.com/home.asp?option=5>
- <http://www.karvycomtrade.com/>

Research Reports:

- http://www.religarecommodities.com/research_Intro.asp
- http://www.karvycomtrade.com/commodity_derivatives.asp
- <http://www.commodityresearch.in/>

Gold and Silver

- www.goldworld.com/
- www.gold.org
- www.goldprices.com
- www.mcxindia.com
- www.barchart.com
- www.silverseek.com