

# MARGINAL TRADING

The lockdown has caused a steep dip in daily turnover at exchanges. An era of consolidation is likely, especially among the smaller and fledgling bourses

## Exchange Notes

Sebi monitors 9 equity and commodity exchanges

Exchanges with permanent recognition

**NSE and BSE** – large equity and currency exchanges

**MCX and NCDEX** – established commodity futures exchanges

**Calcutta Stock Exchange** – no trading activity but members get free access to NSE and BSE platforms

**Indian Commodity Exchange** – trades in futures of 4 commodities: rubber, steel, diamond and paddy



Exchanges that don't have permanent recognition yet

**Metropolitan Stock Exchange** – Trading in: Mainly currency  
Recognition valid up to Sept 15, 2020

**India International Exchange** – Trading in: Equity  
Recognition valid up to Dec 28, 2020

**NSE IFSC** – Trading in: Equity  
Recognition valid up to May 28, 2020

The Central Electricity Authority monitors 2 power exchanges

**IEX & PXIL** together trade around 4.5% of power sold in India

**IEX** is the clear leader in the market as it corners 99% of the trade

**A** :: Suman Layak  
s the lockdown in response to the Covid-19 pandemic kicked in, chief information officer of Indian Commodity Exchange (ICEX) Sushil Limbulkar started living in his workplace. Luckily, ICEX is housed in the Reliable Tech Park commercial complex in Navi Mumbai's Airoli that also has a hotel within the building. Limbulkar had to only move up six floors from his office to reach his temporary residence.

But the hotel does not serve food. So the CIO and his team of 15 who stay in the hotel have got a caterer to deliver meals to the office. Lunch and dinners are lonely affairs as the staff take turns to eat one by one. Despite these challenges, the team has been able to keep the exchange running. However, the daily turnover of the bourse that employees 100 people has plummeted from ₹200 crore in the pre-Covid era to ₹75 crore now.

The ICEX is no match for larger commodity exchanges such as the MCX (daily turnover of ₹39,000 crore) that specialises in metal derivatives or even the NCDEX (daily turnover of ₹1,600 crore) that rules the agri-futures market. But the exchange started by the Reliance (Anil Ambani) Group has carved out a niche for itself by specialising in products not usually traded anywhere else – future contracts of commodities such as rubber, diamond, steel and basmati paddy.

The lockdown, however, has hit all commodity exchanges hard. The average daily turnover of the MCX has fallen to ₹10,749 crore (March 30-April 13) and that of the NCDEX has declined to ₹703 crore (April 1-April 29).

The silver lining for the ICEX has been that despite the lockdown, an investor is on the horizon. The Indian Energy Exchange (IEX), the power bourse that sees almost 4.5% of the nation's electricity trading, is keen to pick up a stake in the ICEX.

A *Business Standard* report early last week said talks were on between the two for a 15% ownership, though regulatory hurdles could slow the process.

The Securities and Exchange Board of India (Sebi) regulates the ICEX, whereas the Central Electricity Authority regulates the IEX – formerly promoted by entrepreneur Jignesh Shah and now a listed and widely held company – is regulated by the Central Electricity Authority (CEA).

Such deals, consolidation and shake-outs may become more common in the country's exchange space as the lockdown becomes a test of sorts for the smaller and

The CEOs of younger exchanges, however, see a bright future ahead.

The MD of Mumbai-based Metropolitan Stock Exchange (MSE), Latika Kundu, says bourses in India can offer a lot more through new products. And that is what Kundu wants to do at the MSE, which was started by Shah as the MCX-SX but got mired in a controversy and saw a change in management. At one point, it used to rival the NSE on the daily turnover of traded currencies. The platform even wanted to become a full-fledged equity exchange but is now doing meagre volumes in currencies. Kundu, who took over barely a month ago, has the mandate to turn it around. This January, the MSE got the licence to start interest rate futures.

The IEX, too, has plans to launch a lot of new products. MD of the platform Rajiv Srivastava says while today a buyer can purchase power for use after a two-hour lag, he has drawn up plans to reduce this to one hour from June 1. Also on the anvil are 15-minute slots and cross-border trade of power with Nepal, Bangladesh and Myanmar.

ICEX MD Sanjit Prasad says the development of new products and related research was disrupted due to the pandemic. But, he adds, the platform did well to ensure delivery of steel and rubber after the April 5 contracts for these commodities expired, even during the lockdown.

The IEX saw trades of around 128 million units of electricity per day at an average of ₹2.46 per unit in March. But the volume has dropped by around 10% in April. Its rival, the NSE-promoted PXIL, has a miniscule share, possibly less than 1% of the electricity traded. Srivastava says more exchanges are better.

There is more proof that new products from exchanges can attract more money. While the smaller regulated exchanges have seen their turnovers drop, crypto-currency exchanges, which offer investment opportunities in a largely unregulated space, have done well in India in the lockdown period. The Supreme Court had in March lifted a ban on them. CoinDCX, one of the exchanges operating in India allowing trade between different crypto-currencies, says it got 30,000 new sign-ups on March and a larger number in April. In the last week of March, CoinDCX also raised \$3 million with Bain Capital as one of the investors. ■

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“Even during the lockdown, we spoke to authorities and ensured deliveries happened whenever necessary”

Sanjit Prasad, MD & CEO, ICEX



“There is lot of space in India for new exchange players to enter the market with different products”

Latika Kundu, MD, Metropolitan Stock Exchange

fledgling bourses.

India today has nine exchanges that deal in equity and equity futures, debt, currency and commodity futures. These are regulated by the Sebi. There are two power bourses that are regulated by the CEA. Plus there are other commodity-specific spot exchanges, which are currently closed due to the lockdown.

The presence of multiple exchanges has not really helped create competition.

Parag Jain, a veteran of Sebi and the MCX, says even the larger bourses – MCX and NCDEX – do not compete with each other. “In India, traders do not easily move from platform to platform. It is difficult to move liquidity from one bourse to another,” he says.

While the IEX and the ICEX are younger companies trying to make a market for themselves, the 112-year-old Calcutta Stock Exchange (CSE) is living on its past glory. The only regional stock exchange that is still alive has more than 2,000-odd companies listed on it. But the exchange, which used to boast of a daily turnover of ₹1,500 crore at the turn of the millennium, sees no trade today. Its members have a free pass to trade on the BSE and the NSE, where they log around ₹200 crore worth of turnover per day.

Chairman of CSE Bhaskar Banerjee says around 15 employees come in to work despite the lockdown to keep the surveillance department working and to keep sending out bills for listing fees. The CSE employs 70 people.