

Golden Opportunity for Silver buyers in Gujarat and Rajasthan

Hindustan Zinc limited (HZL), the largest producer of silver in India, today sells major part of their silver production through National Spot Exchange (NSEL). This provides a unique opportunity for the users of silver such as utensil makers, silver jewellery manufacturers and other users of silver to buy it directly in smaller lots from the producer directly, which was hitherto not possible.

The unique features of the silver auction conducted on National Spot Exchange platform is that the actual users are able to buy even a single bar of 30 Kg silver directly from the producer. Till now, it was not possible for the actual users to buy in the lot of 30 Kg from the banks or Government agencies and therefore, they were dependent upon the bullion dealers and stockiest for procurement of silver bar. Banks and Government agencies usually sell in tones and therefore, they do not entertain small buyers willing to buy 1-2 bars. As a result, silver was reaching the end users after crossing at least 2-3 hands. Due to profit margin and handling costs involved at each layer of intermediation, the actual users had to pay higher price for silver.

Now, it is possible for the small buyers to register with National Spot Exchange and to buy silver directly at a lower price.

More importantly, National Spot Exchange is an electronic trading platform and therefore, there is complete price transparency. Hindustan Zinc sells its silver on NSEL platform through auction model. Buyers are able to see the total quantity to be auctioned in a day. They can also see the price and quantity quoted by other buyers. Based on this information, they can decide at what price they should buy. If they want to bid higher price, they can do so. During the auction session, they can revise their price any number of times without any extra cost. Finally, the sale is confirmed to the highest bidders.

Since the launch of the contracts Hindustan Zinc has sold a total of 36.33 MT (36330 kg) of Silver at both delivery locations of Jaipur and Ahmadabad. Average daily sale of 500 kg to 1 MT is purchased mainly by the end users and traders from Gujarat and Rajasthan. The daily sales figures along with price is available on NSEL website (www.nationalspotexchange.com)

Since Hindustan Zinc is the direct producer of silver and silver is a by-product out of its Zinc mines, this silver is available at a lower price compared to imported silver. Therefore, the end users and silver jewellery makers get benefits from all sides, if they buy silver through National Spot Exchange:

- (i) Hindustan Zinc Silver is cheaper compared to imported silver bar, as it is mined and refined in India, hence no import duty is payable thereon.
- (ii) End users are able to buy it directly from the producer instead of buying through middlemen, hence reduction in cost of intermediation leads to lower price.

- (iii) Prices are transparent on electronic auction platform, as they can see the price quoted by other buyers and then decide their own buying price.

Further, the cost of transaction in respect of buying through National Spot Exchange is only Rs. 25 per Kg, which is equivalent to 0.1 % only. The buyers can get a trading terminal from National Spot Exchange and quote their own buying price directly through their computer, instead of depending upon the selling price quoted by some bullion dealer. Hence, National Spot Exchange has really created a revolution by developing a direct linkage between the end users and producer of silver.

Registration of Silver buyers with National Spot Exchange for buying Hindustan Zinc Silver Bar is going on.

For free registration, please contact Ashok Kawalsot at : 9725050460

Different market segments of silver industry such as jewellery, silver fabrications, brazing alloys, silver ware etc. can derive huge benefits by using NSEL platform for their metal to metal inventory management.