OPTIONS ON GUAR GUM FUTURES

NCDEX
Pragati ka Solid Exchange

About Guar Gum

Guar Gum is a processed product derived from Guar seed which is a legume crop. Guar Gum is a natural high molecular weight polysaccharide composed of galactose and mannose units combined through glycosidic linkages. The crop is generally sown after the monsoon rainfall in the second half of July to early August and is harvested in late October to early November.

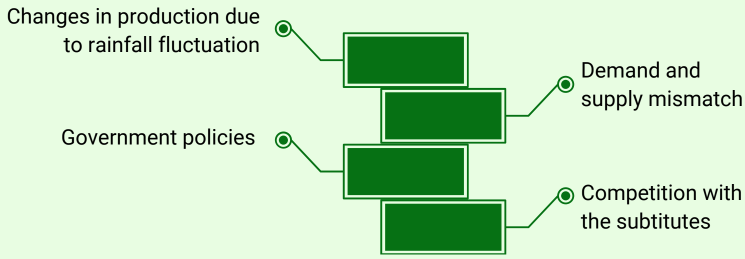
Fundamentals

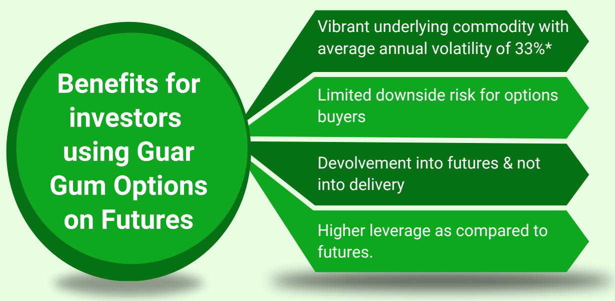
- India is the largest producer of Guar Gum in the world, which accounts for 80-85% (600000 lakh tons of guar annually i.e. the maximum level of production in the world) of the world production followed by Pakistan.
- 72 percent of guar produce comes from Rajasthan followed by Gujarat, Haryana, Punjab, Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Andhra Pradesh.
- India is the major exporter of Guar Gum to the world. The country has exported 417,674.38 MT of Guar Gum to the world for the worth of Rs. 4,489.40 Crores during the year 2023-24.
- United States alone constitute to around 40 thousand tons of guar and its derivatives demand.
- 25000 tons of the total production in the country constitutes to the domestic market.

Opportunities in Guar Gum Market for the investors

- Rising demand for food-grade Guar Gum from the food processing industry
- Increasingly usage of Guar Gum as a disintegrant and binder in tablet formulations
- Growing demand for processed food
- Increasing adoption of Guar Gum in hydraulic fracturing
- The excellent thickening and gelling properties of Guar Gum are encouraging its usage in textile printing, sizing, and finishing

Guar Gums Market Influencing Factors





*October 2021 till September 2024

CONTRACT SPECIFICATIONS

PARAMETER	SPECIFICATIONS
Name Of the Commodity	GUARGUM5 The underlying commodity specifications on devolvement into Futures will be the same as that mentioned in the contract specifications of underlying Futures.
Symbol	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><UNDERLYINGEXPIRY-MMMYY> Example: GUARGUM526JUL17CE3200FAUG17
Unit of trading	5 MT
Delivery Unit	5 MT
Maximum Order Size	250 MT
Options Type	European
Premium Quotation/base value	Rs. Per Quintal
Tick Size	Rs.0.50 per Quintal
Strike Interval	200
Number of Strikes	10-1-10
Expiry Date	Last Friday of the month preceding the expiration month of the underlying futures contract. If the last Friday is a holiday, then the preceding working day will be the expiry day for options.
Position Limits	Position limits for 'option on futures' shall be clubbed with position limits of 'options in goods' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying. Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts. Guar Gum Refined Splits: 49,600 MT and 4,960 MT for member and client respectively
Initial Margin	NCCL shall adopt appropriate initial margin model and parameters that are riskbased and generate margin requirements sufficient to cover potential future exposure to participants/clients. The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least four days. For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified. NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity. Appropriate Short Option Minimum Margin (SOMM) shall be fixed.

CONTRACT SPECIFICATIONS

PARAMETER	SPECIFICATIONS
Other Margins	**Extreme loss margin:** NCCL shall levy appropriate Extreme loss margin as applicable. **Calendar spread charge:** The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged. **Mark to Market:** NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions. **Pre expiry margin:** Pre expiry margin will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable. **Margining at client level:** NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity **Other margins:** Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.
Mechanism of Exercise	a. All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction has been given by long position holders of such contracts for not doing so. b. All Out of the money (OTM) option contracts shall expire worthless. c. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner. In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless.
Final Settlement Method	On exercise, Option position shall devolve into underlying Futures position as follows: ▪ long call position shall devolve into long position in the underlying Futures contract ▪ long put position shall devolve into short position in the underlying Futures contract ▪ short call position shall devolve into short position in the underlying Futures contract ▪ short put position shall devolve into long position in the underlying Futures contract All such devolved futures positions shall be opened at the strike price of the exercised options.

For any query, Kindly connect with us at askus@ncdex.com 18002662339