

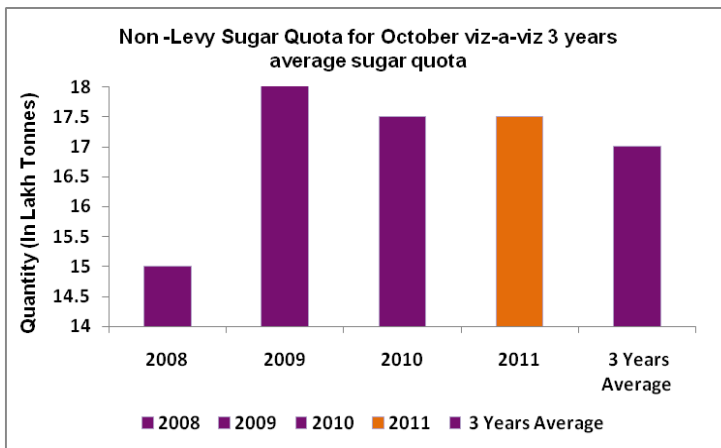
News Highlights:

- Government is likely to remove the stock holding limit restriction over traders after November. Government might take this decision after considering higher sugar production scenario for 2011-12. It is noticeable that EGOM has recently decided to extend stock holding limit up to November 2011 keeping in view higher sugar demand owing to upcoming festive seasons.
- The Government has decided to make available 19.97 lac tonne of sugar (levy sugar –2.47 lakh tonne and non-levy sugar – 17.5 lakh tonne) for the month of October 2011. Government has released 17.5 lac tonne sugar quota for October which is in tandem of last year sugar quota released by government for October month. It is noticeable that government has released higher sugar quota for October keeping in view various upcoming festive seasons like Dussehra and Diwali.
- Industry association ISMA has estimated sugar production for UP and Maharashtra together at 16 million tonnes in 2011-12. Maharashtra alone will produce 9.3 million tonnes sugar in 2011-12 which is higher compared to previous year output i.e 9.07 million tonnes. It is noticeable that Food ministry pegged Maharashtra sugar production at only 8.57 million tonnes for 2011-12. Meanwhile ISMA has also projected sugar production for UP at 6.7 million tonnes higher than 2010-11 final sugar production figure i.e 5.87 million tonnes. ISMA has remained at its previous sugar production estimate of 26 million tonnes for 2011-12.
- Government will review its sugar production estimate for the next marketing year 2011-12 on Monday. In a statement given by Mr Sharad Pawar, there must be some mistake in the calculation of sugar production estimation which should be reviewed again. It is noticeable that government has slightly increase its sugar production estimate for 2011-12 to 24.6 million tonnes compared to 24.3 million tonnes produced in 2010-11. Moreover, good rainfall and higher acreage seems to give some boost to sugar recovery which ultimately increase the sugar production scenario for 2011-12. Industry association ISMA, has also estimated 25.83 million tonnes sugar production for 2011-12 which also give some support to the above statement.
- Sugarcane crushing in India's top sugar producing state of Maharashtra is likely to begin by mid-October and the number of mills involved in crushing operations is expected to increase to 170 from 164 a year ago because of higher cane availability, according to news sources.
- India is likely to produce 26.5 mln tonnes of sugar in 2011/12 (Oct/Sep), helped by higher acreage under cane, according to an official of NFCSF. According to NFCSF, government should allow 4 million tonnes of sugar exports under OGL in 2011-12.

Domestic Market Recap:

Sugar prices have improved in various sugar spot markets during the week ending 28th September 2011. Good festive demand has been reported in markets like Kolhapur, Muzaffar nagar and Kolkata markets. However, steady to negative demand has been witnessed in Chennai and Vijayawada market owing to higher quotes by millers.

Meanwhile, government has released 19.97 lac tonnes sugar quota (levy sugar –2.47 lakh tonne and non-levy sugar – 17.5 lakh tonne) for the month of October 2011. Released quota is higher than previous three years average October sugar quota and also marginally higher than previous month sugar quota. It is noticeable that government has released higher sugar quota for October keeping in view various upcoming festive seasons like Dussehra and Diwali. Expected higher sugar festive demand will offset the impact of higher sugar quota for October as



expected.

Non-Levy Sugar Quota Forecast for October					
	2008	2009	2010	2011	3 Yrs. Average
October	15	18.50	17.50	17.50	17.00

Government may likely to remove the sugar holding limit restriction over trader after November. Government might take this decision after considering higher sugar production scenario for 2011-12. Considering higher festive demand of sugar will offset the impact of higher sugar quota. We are expecting sugar prices to remain range bound during the week.

Sugar Export Opportunity:

Domestic sugar prices are not looking competitive compared to major sugar exporters like Thailand and Brazil. Lower Dec contract in LIFFE decrease the FOB prices compared to Indian FOB prices. Meanwhile, Thai white sugar premium remained same to USD 30 per mt owing to marked decline in LIFFE prices. Meanwhile, exports are going on and exporters are trying to fetch export licenses from millers. Government has allocated 389,216 tonnes sugar to the mills for exports till 26th Sept. out of total 500,000 tonnes sugar exports allowed by government under OGL. It is reported that millers are getting premium of Rs.6000-8000 per tonne over domestic prices from export houses (depends on the location of the sugar factory). However, Government has decide to review over the issue of sugar exports in mid of October which ultimately denies any further exports possibilities in the coming week.

Comparative Sugar FOB Prices (USD/MT)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffarnagar M 30
FOB India (USD/MT)	776.44	756.77	779.72
	Brazil	Thailand	
FOB (USD/MT)	643.80	673.80	

Sugar FOB prices at Chennai, Muzaffar nagar and Kolhapur centers are not showing competition over Brazil and Thailand FOB prices. Moreover, government denial of sugar exports till October also weakens the hopes of sugar millers as well as exporters for additional sugar exports in 2010-11. It is noticeable that government has allowed 3 million tonnes sugar exports (1.5 – under ALS and 1.5 – under OGL) in marketing year 2010-11.

Weather Outlook and Sowing Progress:

State wise Rainfall Distribution (In Millimeter)			
	Actual(29.9.2011)	Normal (01.06.2011)	% Change
Eastern UP	821.5	894.7	-8%
Western UP	724.0	767.7	-6%
Central Maharashtra	758.2	723.9	5%
Andhra Pradesh	537.5	574.9	-7%
Northern Karnataka	436.8	499.7	-13%

Southern Karnataka	640.3	653.7	-2%
Gujarat	901.3	897.7	0%
Tamil Nadu	295.3	312.7	-6%
Bihar	1056.7	1023.5	3%
Country as a Whole	899.4	883.0	2%

Source: IMD

According to Indian Meteorological Department, overall actual rainfall in the country is normal till 29th September 2011. Good rainfall was recorded in various cane producing regions like UP, Tamil Nadu, AP and Karnataka. Rainfall has improved in various states compared to the previous week which is likely to give a boost to the cane yield. However, rains in September end might decrease the recovery of sugar from cane due to increase of water which will result in decrease sucrose content in sugarcane.

Sugarcane crop progress during the week ending 23rd Sept 2011 indicates satisfactory progress y-o-y. Higher return from cane crop compared to soybean, pulses and coarse cereals in major producing states resulted in higher acreage for 2011-12. Sugarcane has been planted in 50.79 lac hectares till 23rd Sept which is 3.01% higher compared to previous year same period.

Sugarcane Area Scenario			
	23-Sept-11	23-Sept-10	Change
Uttar Pradesh	21.84	21.25	2.78%
Maharashtra	10.22	9.64	6.02%
Karnataka	4.46	4.30	3.72%
Planted Sugarcane area	50.93	49.44	3.01%

(Source: Pib, Govt. of India and State Agricultural Deptt.)

Yield Scenario (2011-12)

After getting initial response from farmers and millers, we came into conclusion that actual cane is going to increase in UP, Bihar, AP, TN and Haryana owing to well distributive and timely rainfall.

Statewise Yield Scenario (2011-12)			
	2010-11	2011-12	% Change
Bihar	308	330	7.10%
Punjab	512	487.5	-4.80%
Haryana	444	458	3.20%
Uttarakhand	590	587	0.50%
UP	462	480	3.90%
Tamil Nadu	785	855	8.92%
Andhra Pradesh	659	702	6.50%

(Source: Agriwatch)

Bihar has witnessed increase in cane yield in 2011-12 compared to previous year. Balanced and timely rainfall and regular supply of fertilizers and seeds by government to farmers helps in improvement in cane yield. Also, distributed rainfall, cane development activities and mills supply seeds and fertilizers to farmers are the main reasons for increase in cane yield in TN and AP for 2011-12. Meanwhile, UP has also witnessed 3.9% increase in yield compared to 2010-11 cane yield. Timely sowing of sugarcane crop

and improved climatic conditions prior to previous year give the boost to the cane yield. However, cane yield has been affected in Uttarakhand and Punjab states owing to flood and water logging conditions. Overall improved cane yield figures came for cane yield for different states, except Punjab, during first round of survey by Agriwatch.

Spot Sugar Prices Scenario (Weekly)

	23-Sept-11	29-Sept-11	change
Mumbai M-30	2966	2981	15
Mumbai S-30	2791	2791	Unch
Kolhapur M-30	2700	2720	20
Kolhapur S-30	2650	2670	20
Muzaffar Nagar M	2925	2955	30
Delhi M-30	2975	2970	-5
Delhi S-30	2875	2880	5
Chennai S	2825	2800	-25
Vijayawada M-30	3210	3210	Unch
Kolkata M Variety	2930	3000	70

Spot Market Technical Analysis (Kolhapur–Grade M)

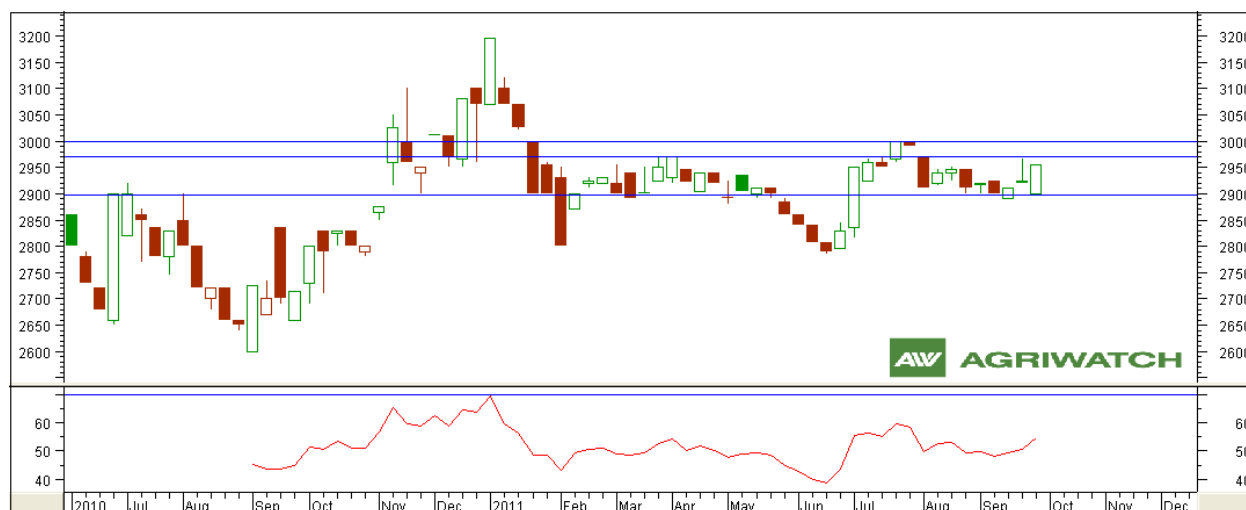


Price Expectation for Kolhapur market for the coming week.

- Sugar prices have rebound in Kolhapur spot market during the week ending 28th September 2011.
- Prices could not sustain below 38.2% retracement level as chart depicts.

- Kolhapur spot prices are hovering in a range between Rs 2700 to Rs. 2750, if breach the level either side will decide the movement of the prices further.
- We expect that the prices might test its 50% retracement level which also acts as a strong resistance level; however profit booking might occur from higher level owing to weak mixed fundamentals.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar spot prices has increased in Muzaffar nagar mandi during the week ending 28th September 2011.
- Prices are moving in a range between Rs. 2900 to Rs. 2970, two consecutive closes below or above the mentioned level will give prices a new direction.
- Prices are trying to test Rs 2970 level which is also act as a resistance level, if breach then prices will move up to Rs 3000 level.
- RSI is moving up near to overbought region from neutral region.
- It is expected that the profit might occur from resistance level and prices are likely to trade range bound during the upcoming week.

Gur Scenario

Gur prices have decreased in Muzaffar nagar spot gur market during the week ending 28th September 2011. Sluggish demand and concerns over upcoming fresh gur arrivals weigh on to the gur prices. It is expected that fresh gur arrival will start within a week. Also lower quotes for fresh gur pressurize ongoing gur prices stored in cold storage. Presently, 500 bags of fresh gur arrived in Shamli which was quoted at 1070-1075 per 40 kg. Buyers of gur are not keen to buy gur stored in cold storage at such a higher rates and are waiting for fresh gur arrivals.

Meanwhile, daily 5000-6000 bags has been lifted on daily basis from cold storage which shows lesser demand than usual. Stock position for Chaku variety gur stored in cold storage are 105,000 bags which is 45,000 bags less than previous year same period. Total 400,000 bags are left in cold storage.

Moreover, favorable weather conditions and dry climate give boost to the recovery from cane for making gur. Market is expecting some demand from Gazak and Revri makers who prefer cold storage gur which might offset left chaku gur stored in cold storage. It is also noticeable that gur left in the cold storage has to be offset before 31st October as cold storage needs to be empty for cleaning purpose which also put pressure over gur traders to sell gur within allocated time.

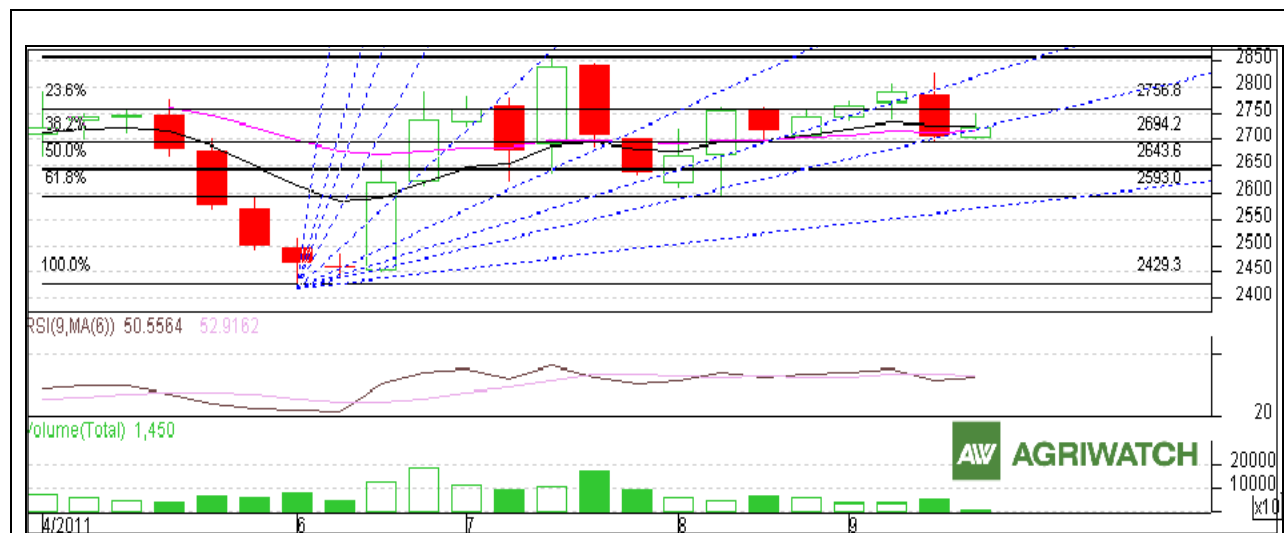
Considering favorable weather conditions and upcoming fresh gur arrivals, we are expecting that gur prices for Chaku gur will come down further in the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	22-Sept-11	29-Sept-11	Change
Muzaffar Nagar	Chaku (Dry)	2650	2600	-50
	Chaku (Wet)	2600	2525	-75
Bangalore	Achhu	2600	2700	100
	Mudde	2800	2900	100
Belgaum	Mudde	2600	2600	Unch
Belthangadi	yellow (Average)	2800	2900	100
Bijapur	Achhu	2980	2750	-230
Gulbarga	Other (Average)	2501	2700	200
Mahalingapura	Penti (Average)	2725	2680	-45
Mandya	Achhu (Medium)	2450	2450	Unch
	Kurikatu (Medium)	2200	2200	Unch
	Other (Medium)	2500	2350	-150
	Yellow (Medium)	2400	2400	Unch
Shimoga	Achhu (Average)	3000	2800	-200

Commodity: Sugar
Contract: October

Exchange: NCDEX
Expiry: October 20th, 2011

SUGAR



Technical Commentary:

- Range bound movement has been witnessed in sugar prices during the week.
- Prices are making a rectangle between Rs 2695 to Rs 2850, if breach the rectangle formation will give the next objective level for Rs 2600 for medium term.
- Prices are trying to test 38.2% retracement level which also lies over Gann Fann line, if breach then prices will go down to 50% retracement level.
- However, RSI is moving in a neutral region.

Strategy: Sell from resistance level would be advisable

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	October	2680	2695	2726	2755	2765
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	October	Sell	2748-2755	2720	2700	2765

Commodity: Gur
Contract: November

Exchange: NCDEX
Expiry: November 20th, 2011

GUR


Technical Commentary:

- Prices are showing some correction after a steep decline in the gur prices.
- Range bound movement has been recorded between Rs 966 to Rs 980, if breach the marked levels either side will decide the movement of the prices further.
- Prices have recently touch its trend line support level and then showed some upward correction from trend line support.
- Currently prices are likely to test 38.2% retracement level, if breach then prices will move further up to Rs 997.
- However, lack of volume does not support the bullishness in the prices. Prices are likely to remain range bound in the coming week.
- Also, RSI is hovering near to neutral region.

Strategy: Sell from resistance level would be advisable.

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	November	960	965	974	979	997
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	November	Sell	975-979	965	960	983

International Scenario

International sugar prices are moving in a range and showed marginal improvement in LIFFE and ICE during the week ending 28th September 2011. After having significant downfall in the sugar prices owing to commodities sell off amid US economy downside risks, sugar prices had pull back during the week

owing to buying opportunities from lower levels. Also, downsize in Brazil's Center south sugar production for 2011/12 by Conab gives some boost to the prices. We expect prices are likely to remain range bound in the coming week.

International Market News Highlights:

- Sugar production from Brazil's Center south region is lagging behind from last year by 8%. However, sugar output has pick up the pace in recent weeks, according to UNICA. It is noticeable that sugar output totaled to 23.1 million tonnes from the beginning of the season from April to September which is 2 million tonnes less than same period in 2010.
- Brazil Center south region will export 21.8 million tonnes of sugar in 2011/12 which is 12% less than a year ago. Sugar shipments from the region will fall from 24.8 million tons in 2010.
- Cane growers might face a seedling shortage which might curb next year's crop yields. There is a huge competition to crush all the cane left in the fields in the crushing season. According to news sources, most cane growers are not saving any cane for seedlings.
- Mexico doesn't plan to increase its sugar-import quota again this year as domestic buyers switch to lower-cost corn syrup. In May, Mexico approved a quota of 150,000 tons to cover a possible sugar shortfall and stabilize prices.

International Sugar Prices (Weekly)				
	Contract Month	22/9/2011	28/9/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	25.67	25.68	0.01
	Mar'12	24.81	24.30	-0.51
	May'12	24.11	23.71	-0.4
LIFFE Sugar (US \$/MT)	Dec'11	640.00	643.80	3.8
	Mar'12	628.40	629.90	1.5
	May'12	624.00	625.50	1.5

LIFFE Future Market Sugar Scenario (Dec'11 Contract):



- Prices are moving in a range between \$614 to \$644, if breach the marked levels will give the prices a new direction.
- Prices are trying to test 50% retracement levels and presently lying on 38.2% level. However, lack of volume support weakens the possibilities of further gains.
- Prices might consolidate in the coming week and will move in a range.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Dec'11	643.80	614-620

ICE Raw Sugar Future Market Scenario (Oct'11 Contract):



Technical Commentary:

- ICE sugar futures have shown some short covering from lower levels during last week.
- Prices have bounce back after testing 38.2% retracement level and might test 50% retracement line as chart depicts.
- However lack of volume with price increase shows weak strength of buyers in the market.
- Also, prices are hovering above Gann Fann line and will move between 38.2% and 50% retracement levels.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	25.68	26.24

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