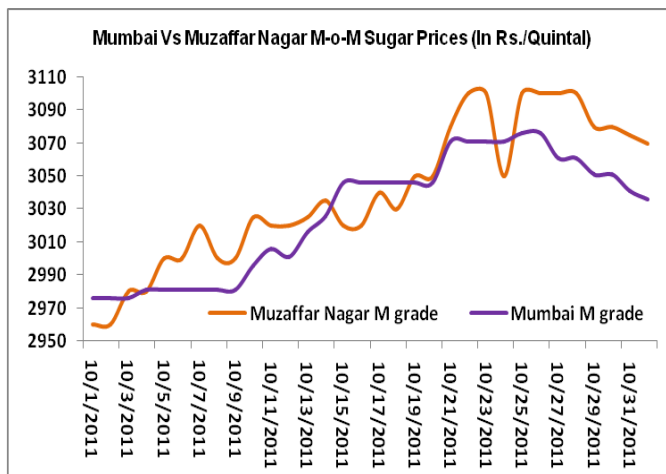


Domestic Market Recap:

Sugar prices have surged in various physical sugar markets during the month ended Oct 2011. Demand during various festive occasions like Diwali weighs on to the sugar prices.

Also, crushing delayed by UP and Maharashtra mills make a concern of lesser arrivals of sugar in the month of October as well as November month. Meanwhile, government is likely to take decision on sugar exports after 2nd week of November after reviewing the pace of crushing of cane.

Sugar prices are likely to move up in the coming month considering sugar exports allowance next month by government and delayed cane crushing which will support the sugar prices.



News Highlights:

- UP government is likely to give 17% hike over last year SAP of sugarcane to the farmers for 2011-12 taking into account CACP suggestion of 17% hike over FRP this year. It is noticeable that farmers have got Rs 205/Qtl under SAP. Suggested hike over previous year SAP would take the SAP figures to Rs. 240-245/Quintal for 2011-12.
- Sugar cane crushing in Maharashtra has been reportedly delayed by a week after mills and farmers failed to agree on cane prices. Delay in crushing might impact on sugar production in the state for 2011-12. It is noticeable that Maharashtra is likely to produce 9.3 million tonnes of sugar for 2011-12 which is marginally up from 9.05 million tonnes produced last year.
- Farmers have sowed 5.09 lac hectares of sugarcane crop in their fields till 14th October 2011 which is 3.04% higher compared to 2010, according to data published by Agriculture Ministry.
- India's sugar stocks stood at 88.3 lac tonnes at 1st Sept 2011 which is higher compared to 64 lac tonnes of sugar stocks in 1st Sept 2010, according to news sources.
- Mills of UP and Maharashtra will delay their cane crushing operations for crushing year 2011-12. No consensus over cane remuneration issue between millers and farmers and recent rainfall in Maharashtra region urges the millers to delay cane crushing which ultimately put impact on sugar output for 2011-12.
- Sugar mills in UP have started purchasing cane from farmers and will start their crushing operations in the coming days. However, UP gov. is yet to announce SAP of sugarcane for 2011-12. Mills are paying Rs 240/quintal as cane remuneration to the farmers.
- Industry association ISMA is demanding immediate 2 million tonnes sugar exports under OGL from government as mills are in a difficult situation as far as liquidity is concerned.

Exports Scenario

Domestic sugar prices are looking competitive compared to major sugar exporters like Brazil and Thailand. Meanwhile, Higher Thai premium (~\$70) over LIFFE kept the Thai sugar out of the market. Meanwhile, the Indian government is likely to take a decision on sugar exports in the first week of November. It is expected that government may allow 2-2.5 million tonnes sugar exports under OGL in tranches for 2011-12. All 2010-11 sugar exports deals have been completed.

| 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) | 588.83 | 592.89 | 643.65 |
| | Brazil | Thailand | |
| FOB (USD/MT) | 702.10 | 772.10 | |

Domestic Sugar Balance Sheet:

We kept the domestic sugar balance sheet unchanged. Government is likely to allow 3 million tonnes of sugar exports under OGL which is in tandem of 2010-11 sugar exports quota released by government. Sugar prices have increased during Sept to Oct period as expected owing to tight stock position for 2010-11.

Total availability of sugar for 2011-12 surges owing to expected increase in sugar production. However, considering overall sugar exports expectations (~3 million tonnes) for 2011-12, the sugar ending stocks will go down by 5.92% Y-o-Y.

Supply and demand component are listed in the table below:

| All Units in Million Tons | 2009-10 | 2010-11 | 2011-12 |
|-----------------------------|---------|---------|---------|
| Opening stocks | 3.73 | 4.68 | 3.38 |
| Production | 18.9 | 24.70 | 26.40 |
| Imports | 4.76 | 0.00 | 0.00 |
| Total Availability | 27.39 | 29.38 | 29.78 |
| Domestic consumption | 22.50 | 23.00 | 23.60 |
| Exports | 0.21 | 3.00 | 3.00 |
| Total Usage | 22.71 | 26.00 | 26.60 |
| Closing stocks | 4.68 | 3.38 | 3.18 |
| Average Monthly consumption | 1.88 | 1.92 | 1.97 |
| Stocks in months to use | 2.50 | 1.76 | 1.62 |
| Stock/Consumption Ratio | 0.21 | 0.15 | 0.13 |

*Export break up – OGL – 1.5 million tons, ALS – 1.5 million tons

Spot Sugar Prices Scenario (Monthly):

| | 30-September-11 | 30-October-11 | change |
|-------------------------|-----------------|---------------|-------------|
| Mumbai M-30 | 3016 | 3041 | +25 |
| Mumbai S-30 | 2821 | 2856 | +35 |
| Muzaffar Nagar M | 3025 | 3075 | +50 |
| Delhi M-30 | 3050 | 3100 | +50 |
| Delhi S-30 | 2920 | 3000 | +80 |
| Nagpur S | 2960 | 3000 | +40 |
| Chennai S | 2780 | 2770 | +10 |
| Kolhapur M-30 | 2750 | 2800 | +50 |
| Kolhapur S-30 | 2700 | 2700 | Unch |

Monthly Spot market Price pattern and Analysis (Muzaffar Nagar – Grade M):

Price Expectation for Muzaffar Nagar market for the coming month.

- Sugar prices in Muzaffar nagar spot markets have increased during the month ended Oct 2011.
- After continuously testing lower Gann Fann line, prices has surge.
- Sugar prices are likely to test 61.8% retracement level which is also act as a strong resistance level, if breached then prices may move upto Rs 3200 level.
- Prices are expected to move in a range between Rs 2950 to Rs 3050; closing above or below these levels will give a new direction to the prices.

Monthly Spot market Price pattern and Analysis (Kolhapur – Grade M):

Price Expectation for Kolhapur market for the coming month.

- Kolhapur sugar prices are moving in a range as chart depicts.
- Prices are moving between Rs 2680 to Rs 2750.
- Breach of 50% retracement level upwards will take the prices to Rs. 2800 and then 2900.
- Market participants should buy sugar from present level.

Gur Scenario

Gur prices have declined in Muzaffar nagar spot market during month ending 31th October 2011. Increasing fresh arrivals of gur in the market kept the gur prices under pressure. Everyday 8000-10000 bags of gur arrive in the market. However, demand of gur remains moderate during the week.

Meanwhile, Mills have started their crushing operations in UP and paying Rs 240/quintal as a cane remuneration to the farmers. In the meantime, Kolhus are paying Rs 180-190/quintal to the farmers as cane remuneration. Keeping a eye on to the higher cane prices by millers, farmers might ask for a hike from gur producers. Higher cane prices will definitely increase the cost of gur production as well as prices in the market.

Market sources believe that prices are likely to move up in the coming week owing to expected increase in demand from Gujarat and Rajasthan market in the winter season. Buying at lower prices is likely to be witnessed in the coming month. We expect gur prices will increase in the coming week due to higher gur demand from various consumption centers.

| Gur Spot Monthly Prices (Rs/Qtl) | | | | |
|----------------------------------|---------------------|------------|-----------|--------|
| Markets | Variety | 30-Sept-11 | 31-Oct-11 | Change |
| Muzaffar Nagar | Chaku (Dry variety) | - | 2500 | - |
| | Chaku (Wet variety) | 2500 | 2500 | Unch |
| Bangalore | Achhu | 2700 | 2700 | Unch |
| | Mudde | 2900 | 2900 | Unch |
| Belgaum | Mudde | 2600 | 2700 | +100 |
| Belthangadi | yellow (Average) | 2900 | 3100 | +200 |
| Bijapur | Achhu | 2710 | 2853 | +142 |
| Gulbarga | Other (Average) | 2751 | 2710 | -40 |
| Mahalingapura | Penti (Average) | 2640 | 2710 | +70 |
| Mandya | Achhu (Medium) | 2500 | 2350 | -150 |
| | Kurikatu (Medium) | 2200 | 2150 | -50 |
| | Other (Medium) | 2400 | 2200 | -200 |
| | Yellow (Medium) | 2500 | 2300 | -200 |
| Shimoga | Achhu (Average) | 2800 | 2500 | -300 |

Commodity: Sugar
Contract: November

Exchange: NCDEX
Expiry: November 18th, 2011

SUGAR (November Weekly Continuous Chart)

Technical Commentary:

- Prices are moving range bound during the month.
- Prices have tried to test Rs 2770 level; two consecutive closes above the mentioned level will take the prices up to 2841.
- Meanwhile, RSI is hovering in neutral region.



Strategy: Keeping in view higher sugar quota, market will initially move downwards. However, higher possibilities of sugar exports will rebound the prices upwards. Market participants should buy from lower level.

| Intraday Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|---------------------------------|-------|----------|------|-------|------|------|------|
| Sugar | NCDEX | November | 2680 | 2700 | 2741 | 2841 | 2864 |
| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
| Sugar | NCDEX | November | Buy | >2735 | 2800 | 2832 | 2700 |

Commodity: Gur
Contract: November

Exchange: NCDEX
Expiry: November 18th, 2011

GUR (Monthly Continuous Chart)

Technical Commentary:

- After testing its trend line support level, prices are trying to rebound.
- Prices are trying to test 38.2% retracement level.
- However, price increase has not been supported by volume which indicates that buyers are losing strength.
- Meanwhile, RSI is hovering near to neutral region.



Strategy: Sell from resistance level is advisable.

| Intraday Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|---------------------------------|-------|----------|-------------|------------|--------|------|------|
| Gur | NCDEX | November | 900 | 934 | 980.50 | 1047 | 1088 |
| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
| Gur | NCDEX | November | Sell | <1000-1010 | 955 | 930 | 1030 |

International Scenario

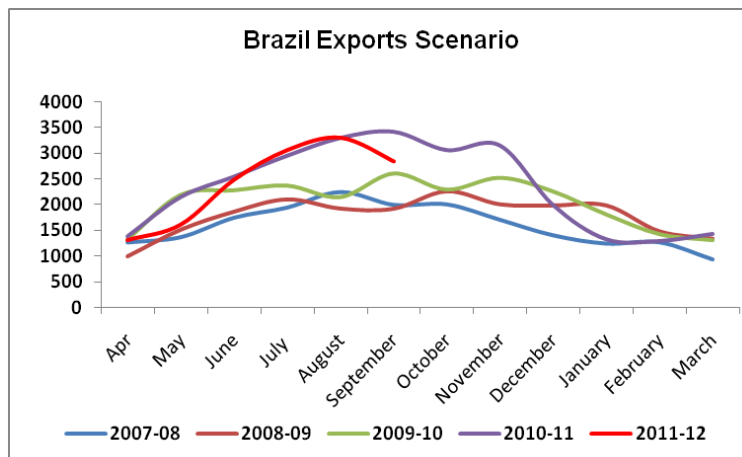
International sugar prices have plunged in ICE and LIFFE exchanges during the month ended 31st October 2011. Minimal cane damage from floods in Thailand, increase sugar production as well as exports prospects by India and lesser demand of sugar from EU pressurize the prices of sugar in the markets. Considering expected sugar exports allowance from India and expected lesser demand, prices will continue its bear run in the coming month.

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.
- Canaplan has increased its 2011-12 sugar production estimate for Brazil's center south region to 28.3 to 29.3 million tonnes from 28.0-28.5 million tonnes. Meanwhile, Brazil's center south region has crushed 36.89 million tonnes of sugarcane in the first half of September which is 1.6% down compared to sugarcane crushed in 2010 same period.
- Cane crop has been damaged in Thailand owing to flood which affects around 64000 hectares cane crop. According to Thailand Sugarcane Planters Federation President, flooding is considered minimal in terms of its impact on overall sugar production. Recent flood situation will not affect much to the country's sugar production as affected cane crop region is only 4-5% of the total cane crop region, according to Thailand Sugarcane Planters Federation President.
- USDA is expected to fall Brazil's sugar exports by 2 million tonnes to 23.8 million tonnes in 2011-12 compared to 2010-11. Fall in Brazil's sugar exports are owing to poor weather and aging cane which bound the country to cut its sugar production which clearly put impact on Brazil's sugar exports. USDA

also pegged Brazil's sugarcane production at 558 million tonnes which is 62 million tonnes down from 2010-11.

- Brazil has exported 2.841 million tonnes, raw value; of sugar in September 2011 which is 17% less compared to previous year same period. It is noticeable that Brazil has exported 3.424 million tonnes sugar, raw value, in 2010-11. September sugar exports by Brazil takes the total sugar exports figures to 14.624 million tonnes from April to September period in 2011-12 which is also 7% less compared to 2010-11 total sugar exports during the same period. Less sugar production outlook in Brazil for 2011-12 urges biggest sugar producing nation to cut its sugar exports this year. Meanwhile, major importers of white sugar from Brazil are UAE and Saudi Arabia in September which consumes 418,900 tonnes and 206,200 tonnes respectively.
- Datagro cut its sugar production estimate for Brazil's Center south region to 30.1 million tonnes in 2011-12. Datagro has estimate 30.6 million tonnes of sugar output in its previous forecast.
- South African sugar 2011-12 sugar output is estimated at 1.909 million tonnes which is equal to the previous year sugar production. It is noticeable that South African sugar association (SASA) has downgraded the sugar production estimate for 2011-12 from 1.932 million tonnes to 1.909 million tonnes.
- China has imported 473,883 tonnes of sugar in September 2011 which is higher compared to 427,724 tonnes sugar imported in August.



World Sugar Balance Sheet:

| World Sugar (1000 Tonnes) | Years | |
|-----------------------------|---------|---------|
| | 2009-10 | 2010-11 |
| Opening stocks | 27946 | 26146 |
| Production | 153637 | 165605 |
| Imports | 51409 | 49159 |
| Domestic consumption | 154096 | 158202 |
| Exports | 51807 | 51824 |
| losing stocks | 26146 | 26457 |
| Average Monthly consumption | 12841.3 | 13183.5 |
| Stocks in months to use | 2.04 | 2.01 |
| Stock to use ratio | 16.97% | 16.72% |

*Sugar Balance Sheet based on Global sugar production figures by F O Litch

| International Sugar Prices (Monthly) | | | | |
|--------------------------------------|----------------|-----------|------------|--------|
| | Contract Month | 29/9/2011 | 31/10/2011 | Change |
| ICE Sugar #11 (US Cent/lb) | Mar'12 | 26.85 | 25.77 | -1.08 |
| | May'12 | 25.87 | 25.16 | -0.71 |
| | July'12 | 25.22 | 24.52 | -0.7 |
| LIFFE Sugar (US \$/MT) | Dec'11 | 674.70 | 689.60 | 14.9 |
| | Mar'12 | 658.70 | 657.10 | -1.6 |
| | May'12 | 653.30 | 647.50 | -5.8 |

ICE Raw Sugar Future Market Monthly Scenario (Mar'12 Contract):



Technical Commentary:

- Prices are trying to move up as chart depicts
- Prices are trying to test 61.8% retracement level, if breach then prices may go upto 100% retracement level.
- Market participants are advised to sell from support level.

| International Sugar Futures Price Projection (Monthly) | | | |
|--|----------------|---------------|-------------------------------------|
| | Contract Month | Present Quote | Expected Price level for next month |
| ICE Sugar #11 (US Cent/lb) | Mar'12 | 25.77 | 24.00 |

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



Technical Commentary:

- Prices are trying to rebound as chart depicts.
- Prices are trying to test 61.8% retracement level if breach then price may move up further to \$775 which also lying on 100% retracement level.
- Market participants would be advisable to sell from resistance level.

| | Contract Month | Present Quote | Expected Price level for Coming Month |
|------------------------|----------------|---------------|---------------------------------------|
| LIFFE Sugar (US \$/MT) | Dec'11 | 689.60 | 620-640 |

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