

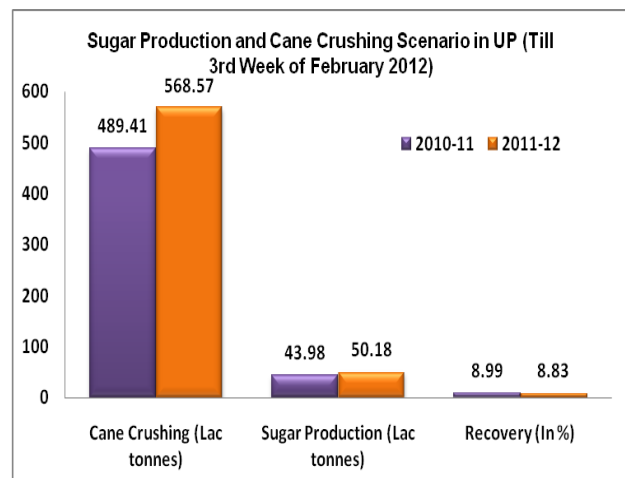
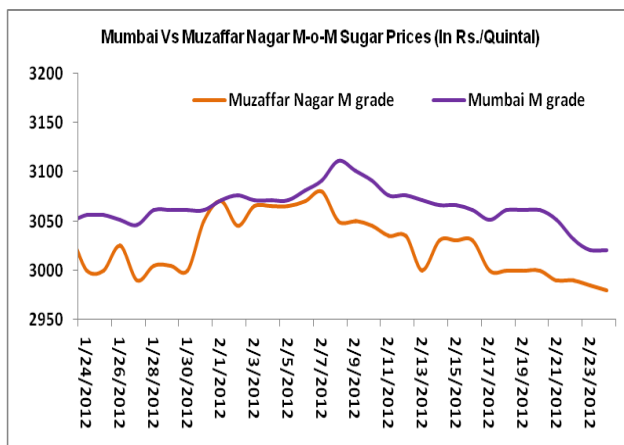
### News Highlights:

- Recent ISO estimates of higher global sugar surplus might curb sugar export prospects from India. It is noticeable that government has recently allow 1 million tons sugar export under OGL which takes the overall sugar export figure to 2 million tons in MY 2011-12. However, Indian sugar exporters are getting tough competition from Thai and Brazil. Decreasing Thai white sugar premium and rupee appreciation increase the cost.
- Government notifies 10 lac tons additional sugar export quota under OGL and allocate sugar export quota to the mills located in different states on its official website.
- Rabobank sees 25.3 million tons of Indian sugar production for 2011-12 which is higher than government estimate i.e. 24.5 but lower than ISMA figures which stood at 26 million tons.
- Government will allow more sugar exports under OGL if sugar production reach government estimates.
- Expert panel set up by Prime minister of India is expected to submit its report on decontrolling sugar industry with in 6 months, according to K.V Thomas.

### Domestic Market Recap:

Sugar prices are continuously moving downwards owing to ample supply of sugar in the open market released by mills.

Meanwhile, government issues order for 1 million ton additional sugar export under OGL on 23<sup>rd</sup> Feb 2012. Mills that are exporting sugar from their own production have to apply for export licenses within 30 day after the notification. However, mills that are sourcing sugar from other factories, in order to minimize transportation cost, should submit their applications within 45 days from the date of notification.



UP mills have crushed 568.57-lac tonnes sugarcane and produced 50.18-lac tonnes sugar with an average recovery of 8.83% till 24<sup>th</sup> Feb 2012. Recent sugar production data for this year is 14% higher compared to 2010-11 sugar produced by sugar mills in the same period. Recovery has also improved compared to past month owing to the increasing fresh plant cane arrivals with better recovery though still marginally lower than last year.

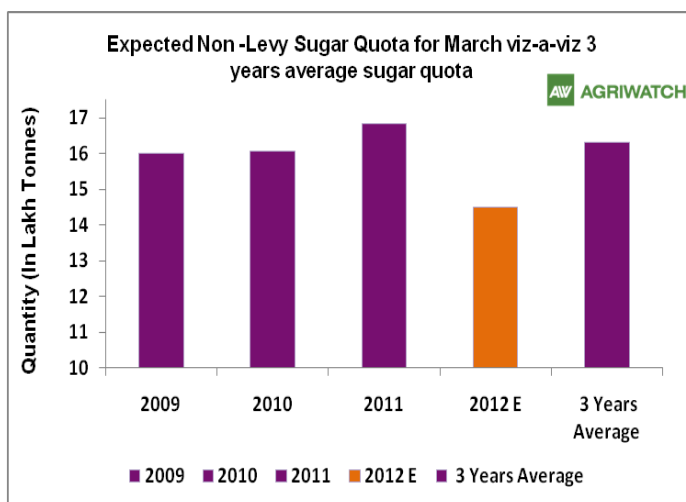
Sugar prices seems to make a bottom on charts and should recover from present level as expected. However, upcoming monthly sugar quota release by government will decide the prices of sugar for short term. We expect sugar prices to move range bound with short-term bullishness in the coming days.

### Monthly Sugar Quota Prediction for March:

Government might release 14.5-15 lac tons sugar quota for March 2012 that is 13% lesser compared to last year but 4% higher compared to previous month.

It is expected that government might allow lesser sugar quota for March keeping in view ample supply of sugar in the market. Government also trying to give some relief to the millers, which are suffering from continuous decline in sugar prices which squeeze the profit margins. Government tried to give some relief to millers by taking some immediate steps like 2 million tons sugar export allowance, increase in levy prices, release of consecutive lower sugar

quotas etc but still industry is suffering. Millers selling its output below cost of production due to tight control of government over sugar, continuous increase in cane prices and higher sugar production in MY 2011-12.



Non-Levy Sugar Quota Forecast for March (Lac ton)				
	2009	2010	2011	2012
March	16	16.08	16.84	14.5-15

### Weekly State Wise Sugar Production Scenario (2011-12) (Lakh Tonnes)

	Karnataka			UP			Tamil Nadu			Maharashtra		
	2010-11	2011-12	Change	2010-11	2011-12	Change	2010-11	2011-12	Change	2010-11	2011-12	Change
Sugar production	21.15	25.54	20.8%	39.58	45.18	14%	3.11	4.49	44.4%	49.6	56.6	14.1%
Cane cru shed	188.74	232.18	23%	441.65	516.1	17%	36.77	50.57	37.5%	-	-	-
Recovery (%)	10.65	11.00	3.3%	8.76	8.75	-0.1%	8.47	8.89	5.0%	10.84	11.2	3.3%
Mills started	57	58	1.8%	125	123	0%	31	39	25.8%	-	-	-

(Source: State Sugar Commissionerates) Uttar Pradesh up to 24<sup>th</sup> Feb 2012. & Maharashtra up to 15<sup>th</sup> Feb. Karnataka – 15<sup>th</sup> Feb & TN – Up to 15<sup>th</sup> January 2012.

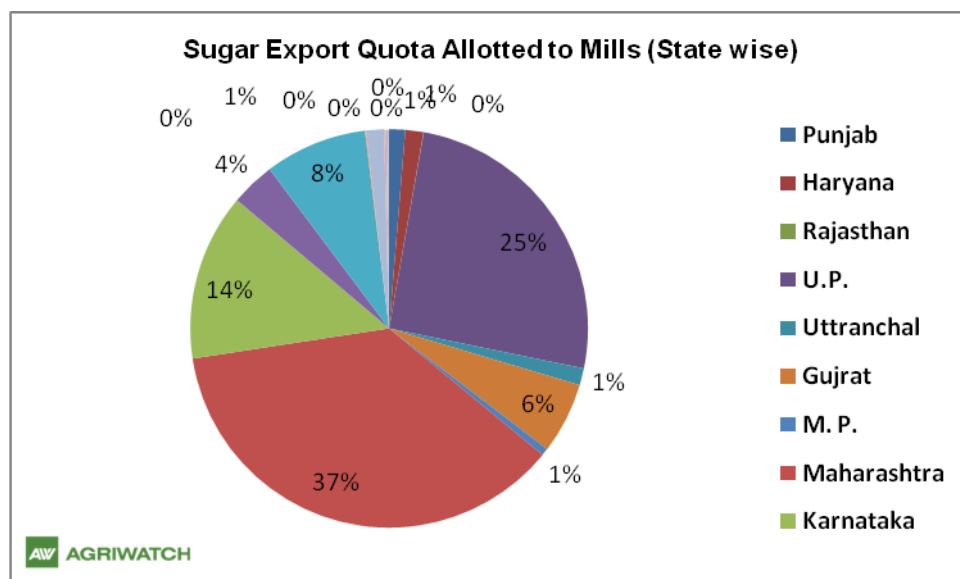
### Sugar Export Opportunity:

Indian CIF prices to Indonesia ~650-738 are not looking competitive compared to Brazil and Thailand CIF prices to Indonesia especially from Maharashtra and UP. However, Export parity can be seen from Chennai market due to lower transportation and labor charges compared to other domestic sourcing centers. In addition to this, rupee appreciation also remained a major influencing factor for disparity. Recent increase in sugar domestic prices and decrease in international prices kept the Indian sugar exporters out of the market. Recent additional sugar export allowance supported the domestic prices. It is noticeable that millers are fetching USD 48 per ton as a premium from exporters in lieu of export licenses.

Comparative Sugar FOB & CIF Prices (USD/MT)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffar nagar M 30
FOB India (USD/MT) (With Premium)	620.80	667.48	696.91

CIF up to Indonesia	652.51	709.34	738.85
	<b>Brazil</b>	<b>Thailand</b>	
FOB (USD/MT) (With Premium)	627.00	652.00	
CIF (USD/MT) (With Premium) up to Indonesia	692.88	673.96	

\* Note: Sugar prices have been taken on the basis of average of high and low.



### Spot Sugar Prices Scenario (Weekly)

	16-Feb-12	23-Feb-12	Change
Delhi M-30	3025	2990	-35
Delhi S-30	2980	2960	-20
Muzaffar Nagar M	3030	2985	-45
Mumbai M-30	3061	3021	-40
Mumbai S-30	2946	2911	-35
Kolhapur M-30	2925	2875	-50
Kolhapur S-30	2775	2775	Unch
Kolkata M Variety	3000	3000	Unch
Chennai S	2750	2800	+50
Vijayawada M-30	3300	3250	-50

### Spot Market Technical Analysis (Kolhapur–Grade M)



### Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur prices are moving downwards during the week ended 24<sup>th</sup> Feb 2012.
- Prices are likely to use the support from lower Gann fan angle and we expect the prices to trade above the mentioned angle in the coming week. However two consecutive close below the mentioned Gann fan line might drag the prices downwards further.

### Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



### Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar prices are moving downwards as chart depicts.
- Prices have use support of 50% retracement level.
- Prices might take an upward correction from Rs 2950-2960 level, which acts as a strong support level.

**Gur Market Scenario and Outlook**

Weak demand and continuous arrivals of gur in the Muzaffar Nagar weigh on the gur prices this week. . Increasing arrivals and increasing gur stock storage in cold storage are becoming the major influencing factors for decline of gur prices.

Gur traders are facing space shortage problem for gur storage which urge them to put gur in cold storage as reported. It is noticeable that their shops are shifted at other place for short term in Muzaffar nagar in tandem of Elections.

Meanwhile, it is reported that gur production recovers on weekly basis as only 70000 bags of chaku variety gur are short compared to last year which was around 150000 bags in previous month.

Around 692000 bags (40 kg each) were stored in Muzaffar nagar cold storage till 24th February 2012 which are 68000 bags lesser compared to last year same period stock position of gur. Out of the total gur, Chaku variety gur are around 428,000, Meanwhile Daily 11000 bags are arriving in Muzaffar nagar market on an average last week.

We expect prices are likely to stay in a range with weak tone.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	16-Feb-12	23-Feb-12	Change
Muzaffar Nagar	Chaku – New	2600	2500	-100
	Khurpa	2375	2375	Unch
	Laddoo	2500	2450	-50
Bangalore	Achhu	2600	2380	-220
	Mudde	2800	2500	-300
Belgaum	Mudde	2500	2500	Unch
Belthangadi	yellow (Average)	2900	3000	+100
Bijapur	Achhu	2300	2330	+30
Gulbarga	Other (Average)	2335	2350	+15
Mahalingapura	Penti (Average)	2410	2440	+30
Mandya	Achhu (Medium)	2300	2300	Unch
	Kurikatu (Medium)	2150	2200	+50
	Other (Medium)	2150	2225	+75
	Yellow (Medium)	2250	2250	Unch
Shimoga	Achhu (Average)	2400	2410	+10

**Commodity: Sugar**  
**Contract: March**
**Exchange: NCDEX**  
**Expiry: March 20, 2012**
**SUGAR (March Weekly Chart)**

**Technical Commentary:**

- Sugar prices are moving range bound and moving in a channel with a weak bias as the chart depicts.
- Prices are moving in a range between Rs 2850 to 2970 and any breach of the mentioned levels on either side will give the prices a new direction.
- RSI is moving in a neutral region.
- Sugar prices are not able to sustain at lower level. Meanwhile we expect prices are likely to move up from support level and prices will hover above the trend line support level in the next trading week.

**Strategy:** Buy from Support level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	March	2760	2800	2855	2915	2970
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	March	Buy	Above 2855-2860	2890	2907	2840

**Commodity: Gur**  
**Contract: July**
**Exchange: NCDEX**  
**Expiry: July 20, 2012**
**GUR (July Weekly Chart)**

**Technical Commentary:**

- Gur prices are moving downwards as chart depicts.
- Prices are hovering in a range between Rs 1085 to 1130, two consecutive closes either side will give prices a new direction.
- In addition, RSI is hovering near to overbought region.
- Prices are likely to trade in the mentioned range with firm tone in the coming week.

**Strategy:** Buy from support level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	March	1155	1200	1220	1230	1314
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	March	<b>Sell</b>	Below 1220	1200	1190	1230

## International Scenario

International sugar prices have moved in a range with firm tone during the week ended 24 February 2012. With the higher demand from China expected at these price levels, we expect prices will move in a range with firm tone in ICE and LIFFE in the coming week.

## International Market News Highlights:

- Sugar production in Thailand has reached to 5.4 million tonnes, raw value, till 9<sup>th</sup> Feb 2012 which is up from 4.4 million tonnes same period last year.
- Thailand white sugar premium stood at \$25 as reported. Recently, China buys around 50000 tonnes Thai sugar which will be shipped in coming week.

International Sugar Prices (Weekly)				
	Contract Month	16-Feb-12	23-Feb-12	Change
ICE Sugar #11 (US Cent/lb)	Mar'12	24.49	25.94	+1.45
	May'12	23.57	24.86	+1.29
	Jul'12	22.97	23.99	+1.02
LIFFE Sugar (US \$/MT)	Mar'12	616.7	652.2	+35.5
	May'12	600.7	628.6	+27.9
	Aug'12	598.8	622.1	+23.3

## LIFFE Future Market Sugar Scenario (May'12 Contract):



## Technical Commentary:

- White sugar prices are moving upwards as the chart depicts.
- Prices are moving in a range between \$585 to \$655, two consecutive closes above or below the mentioned level will give the prices a new direction.
- However, Increase in prices has supported by OI.
- Prices are likely to trade range bound with firm tone in coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	May'12	652.2	685-690

**ICE Raw Sugar Future Market Scenario (May'12 Contract):**

**Technical Commentary:**

- ICE raw sugar futures are moving range bound with weak tone as the chart depicts
- However, volume have not supported recent dip in prices.
- Prices are likely to trade range bound in the coming week.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Mar'12	23.57	24

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