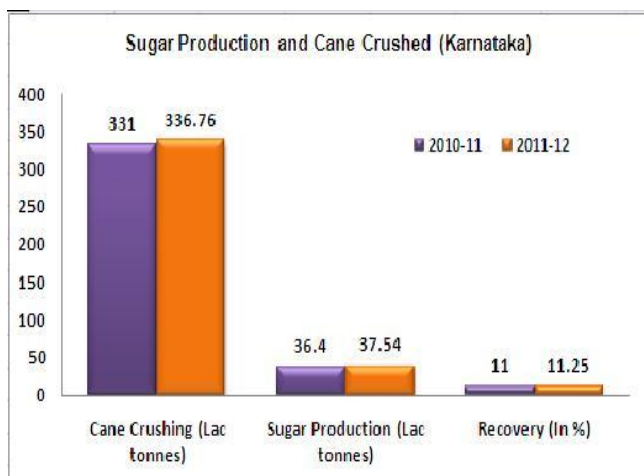
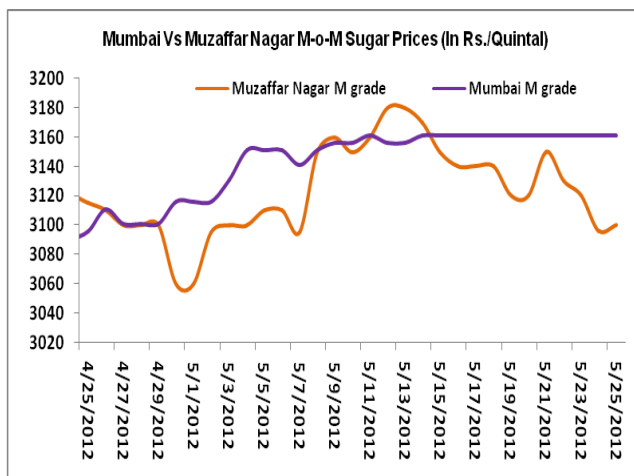


Executive Summary:

Sugar prices declined during the week ended 28th May 2012. Sugar demand remained sluggish in various sugar spot markets due to supply pressure from millers, as millers have to complete its obligation to sell sugar according to the allocated quarterly non-levy sugar quota by government.

Lack of sugar buying from bulk buyers and weak international sugar sentiments and global economic worries pressurize the sugar prices also put weight on sugar prices. However, Good sugar demand witnessed in Chennai during the week. Tamil Nadu sugar mills have less sugar stocks at present and traders are not expecting further decline in sugar prices from prevailing quotes.



Meanwhile, Karnataka millers crushed 336.76 lac tons of cane and produced 37.54 lac tons of sugar with an average recovery of 11.25% in 2011-12 season. It is notable that current season sugar production in Karnataka is 3% higher compared to last year at the end of the crushing season.

Domestic Outlook:

Sugar prices are moving downwards at present due to subdued demand. Also, weak global economic worries weigh on the prices of sugar. We expect prices are likely to move range bound in the coming week.

News Highlights:

- Indian white sugar prices were quoted at \$530 per ton down from \$560 per ton quoted last week. Upcoming Ramadan festive season started from July onwards might help Indian millers to ship excess sugar surplus.
- India sugar exports reached to 13.51 lac tons in the first six months of MY 2011-12 starting from October. Meanwhile, last year India shipped 28.14 lac tons of sugar in 2010-11 season. It is notable that recent removal over quantitative sugar exports restrictions might take the total sugar exports upto 4 million tons in 2011-12 as expected.

- A rake business of sugar has been reported from Karnataka for Delhi delivery at Rs 3060 per quintal.
- Sugarcane farmer's income from cane remuneration rises 40% in 2011-12 season. It is notable that crushing in UP is already over and mills already clear Rs. 14885 crore of cane payments and still around Rs. 3320 crore cane arrears of farmers pending which are likely to clear by mills by July 20th. Source: Business Standard.

Sugar Export Opportunity:

Indian export prices declined this week due to decrease in spot sugar prices and Rupee has hit its all time low. Indian CIF prices to Indonesia ~585-646 are looking competitive compared to Thailand CIF prices especially from Chennai and Kolhapur. However, export parity still does not exist from UP market due to higher transportation and labor charges compared to other domestic sourcing centers.

Meanwhile, the Thai white sugar premium moved up to \$35 from \$40 per ton as Thailand feels competition from Brazil and India. FOB price comparisons are mention in the table below:

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)	554.10	561.32	604.67
CIF up to Indonesia	585.72	602.96	646.44
	Brazil	Thailand	
FOB (USD/MT) (With Premium)	557.70	592.70	
CIF (USD/MT) (With Premium) up to Indonesia	623.37	614.48	

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

Sugarcane Sowing Intention:

Uttar Pradesh

Sowing of sugarcane in UP has started in full swing and planting in UP is good compared to last year due to various factors after getting initial response from mill official:

1. No other crop is remunerative at present compared to Sugarcane in UP at present.
2. Normal Monsoon forecast by IMD also lured farmers to grow cane in their respectively fields.
3. Also, recommendation by CACP to government to increase FRP by 18% increase the sowing intention of sugarcane.

As per initial survey done by Agriwatch, sugarcane acreage is going to improve by 4-5% on an average for the next 2012-13 season despite of payment delays by farmers as higher SAP for cane lured them to plant more cane. In UP, farmers normally plant sugarcane late just after harvesting of wheat completed. Farmers normally grows sugarcane with little amount of maize in their respective fields. Major competitive crop of sugarcane in UP is rice.

Maharashtra

However, after getting initial figures of sowing in Maharashtra, sugarcane acreage declined for 2012-13 and diverted towards soyabean as lesser rainfall and irrigation facilities and higher soyabean prices urge farmers to plant soyabean in their respective fields.

Bihar

Plantation of sugarcane crop in Bihar is encouraging and around 20-25% area has increased in Bihar for sugarcane for 2012-13. Main Reasons are attributed to the rising cane acreage due to

1. Balanced rainfall in the growing regions.
2. Attractive realization by farmers after growing sugarcane.
3. Construction of Dam in Samastipur region decrease the fear of flood in the region which encourage the farmers to plant sugarcane.

Meanwhile, as per government sowing figures, Sugarcane has been planted in 48.61 lakh hectare as compared to 47.61 lakh hectare last year till 4th May 2012. It is 1.00 lakh hectare more than last year. Normal area for sugarcane cropping is 47.45 lakh hectare.

Higher area coverage has been reported from Uttar Pradesh (0.90 lakh hectare), Tamil Nadu (0.66 lakh hectare), Karnataka (0.50 lakh hectare), Bihar (0.21 lakh hectare), Madhya Pradesh (0.11 lakh hectare), Uttarakhand (0.06 lakh hectare), Maharashtra (0.04 lakh hectare), Punjab (0.03 lakh hectare) and Andhra Pradesh (0.01 lakh hectare). Source: Pib.

Spot Sugar Prices Scenario (Weekly)

	18-May-12	25-May-12	Change
Delhi M-30	3150	3110	-40
Delhi S-30	3100	3050	-50
Muzaffar Nagar M	3140	3100	-40
Mumbai M-30	3161	3161	Unch
Mumbai S-30	2991	2981	-10
Kolhapur M-30	2975	2925	-50
Kolhapur S-30	2875	2825	-50
Kolkata M Variety	3220	3170	-50
Chennai S	2880	2900	+20
Vijayawada M-30	3320	3320	Unch

Spot Market Technical Analysis (Kolhapur-Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur prices moved in a range during the week ended 28th May 2012.
- Prices hovering between Rs.2900 to 3050, two consecutive closes either side will give the prices a new direction.
- Prices might test support trendline in the coming week.
- Keeping in view prevailing fundamentals, we expect prices will move range bound with some weakness in the coming week. We suggest market participants to buy at Rs 2900 to 2910 level.

pot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

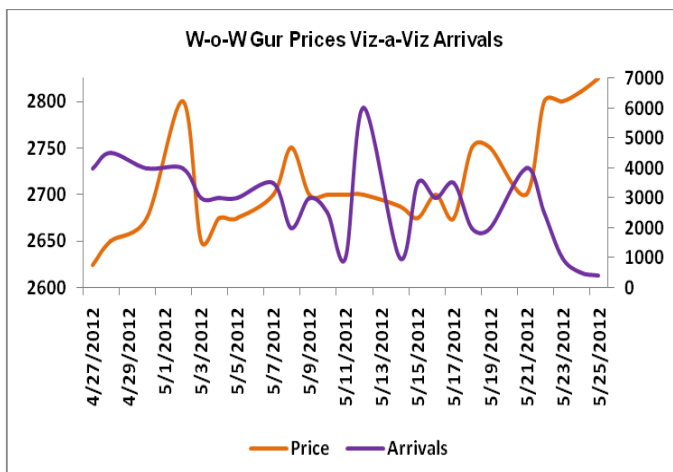
- Sugar prices in Muzaffar nagar market declined after testing 23.6% retracement level.
- Prices are likely to test 38.2% retracement level or 3050 level.
- We suggest market participants to wait for some stabilization in sugar prices. We suggest market participants to buy sugar at 3060 level.

Gur Market Scenario and Outlook

Gur prices surged during the week ended 28th May 2012. Moderate demand of Chaku gur and decreasing arrivals support the prices of gur in Muzaffar nagar market.

Meanwhile, Daily around 1700 bags of Chaku gur is arriving in the market which was 2500 bags last week.

Around 1412000 bags (40 kg each) has been stored in Muzaffar nagar cold storage till 21st May 2012 which are 49000 bags higher compared to last year same period stock position of gur.



Out of total gur stock position, there are around 948,000 of Chaku variety gur stored in Cold storage which are 37000 bags higher compared to previous year same period.

Meanwhile, arrivals of fresh gur is very marginal at present due to shortage of cane and after 7-8 days, gur stored in cold storages will be taken in use. However, gur stored in cold storage cant be carried out in the summer season due to its perishable nature in hotter state.

We expect gur prices to trade range bound with firm tone in the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	18-May-12	25-May-12	Change
Muzaffar Nagar	Chaku – New	2750	2850	+100
	Khurpa	2675	2675	Unch
	Laddoo	2840	2850	+10
Bangalore	Achhu	2800	2800	Unch
	Mudde	3000	3000	Unch
Belgaum	Mudde	2600	2600	Unch
Belthangadi	yellow (Average)	3150	3150	Unch
Bijapur	Achhu	2550	2650	+100
Gulbarga	Other (Average)	2300	2355	+55
Mahalingapura	Penti (Average)	2690	2740	+50
Mandya	Achhu (Medium)	2600	2350	-250
	Kurikatu (Medium)	2300	2250	-50
	Other (Medium)	2400	2300	-100
	Yellow (Medium)	2400	2400	Unch
Shimoga	Achhu (Average)	2500	2700	+200

Commodity: Sugar
Contract: June

Exchange: NCDEX
Expiry: June 20, 2012

SUGAR (June Weekly Chart)



Technical Commentary:

- Prices are moving sideways as chart depicts.
- Sugar prices are hovering in trading range between Rs 2760 to Rs 2940 levels.
- RSI is hovering near to oversold region.

Strategy: Sell towards support level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	June	2700	2760	2938	2940	2995
Weekly Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	June	Sell	Between 2830-2840	2800	2785	2850

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

Technical Commentary:

- Gur prices are moving in a downward channel as the chart depicts.
- Prices are hovering in a trading range of Rs. 1132 to 1189, breach of this range at downward side would take the prices to Rs 1100.
- RSI is moving down to neutral

Strategy: Sell from entry level.

Weekly Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	July	1100	1132	1133	1189	1224
Weekly Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	July	Buy	Above 1133	1143	1147	1128

International Scenario

International sugar prices declined during the week ended 28th May 2012. Global economic worries and increasing Brazilian sugar supply weigh on the sugar prices in ICE as well as in LIFFE. However, one might consider slow pace of cane crushing and increasing Chinese sugar demand which can offset the bearish impact on sugar prices. We expect prices to move range bound in the coming week.

International Market News Highlights:

- Brazil Center South region produced 1.57 million tons of sugar by mid-May, which is 34 percent down compared to last year same period sugar produced. Decline in production is mainly attributed by recent rains in the region which slowed down the harvesting of cane.
- Delayed cane harvesting in Brazil proves unfavorable for Exporters as Brazil is losing the sugar export opportunity to China as Thailand is increasing its sugar exports shipments to China. It is notable that Thailand have ample sugar surplus to export as Thai mills produced 10.2 million tons of sugar this year. Thailand is forecast to export around 6 lac tons of raw sugar to China in the first half of the year, according to Thai Sugar Trading Corp.
- China imports around 310000 tons of sugar, raw value, in April 2012 up 97% from 157508 tons in the same period last year. Recent export figures take the total sugar imports to 2.07 million tons in the first seven months.
- Iran government re-issued a tender to buy 25000 tons of sugar from Brazil, Thailand UAE and Europe on 20th May 2012. Last day for the bidding is May 28th.

International Sugar Prices (Weekly)				
	Contract Month	17-May-12	24-May-12	Change
ICE Sugar #11 (US Cent/lb)	May'12	20.86	19.58	-1.3
	Jul'12	21.18	20.03	-1.2
	Oct'12	22.03	20.94	-1.1
LIFFE Sugar (US \$/MT)	Aug'12	577.5	556.5	-21
	Oct'12	559.2	538.6	-21
	Dec'12	567.1	545.2	-22

LIFFE Future Market Sugar Scenario (Continuous Chart):

Technical Commentary:

- Prices are continuously trying to test its strong support level i.e. \$552, breach of mentioned level will drag the prices down to \$470.
- Prices hovering in a range between \$555 to 640, breach of mentioned levels either side will give the prices a new direction.
- Decrease in prices along with OI suggests that market is strengthening at support levels.
- Prices have recently tested its support level and are likely to rebound from support level as expected.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Aug'12	556.5	575

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

Technical Commentary:

- ICE raw sugar futures are moving downwards as the chart depicts
- Prices are hovering at its strong support level, if breach then prices might go down to 17 cents per bushel which is the next objective.
- ICE raw sugar future prices are likely to trade between 20.07 to 24.83 cents/bushels in the coming week.
- Decrease in prices has not supported by volume.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	July'12	20.03	21

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