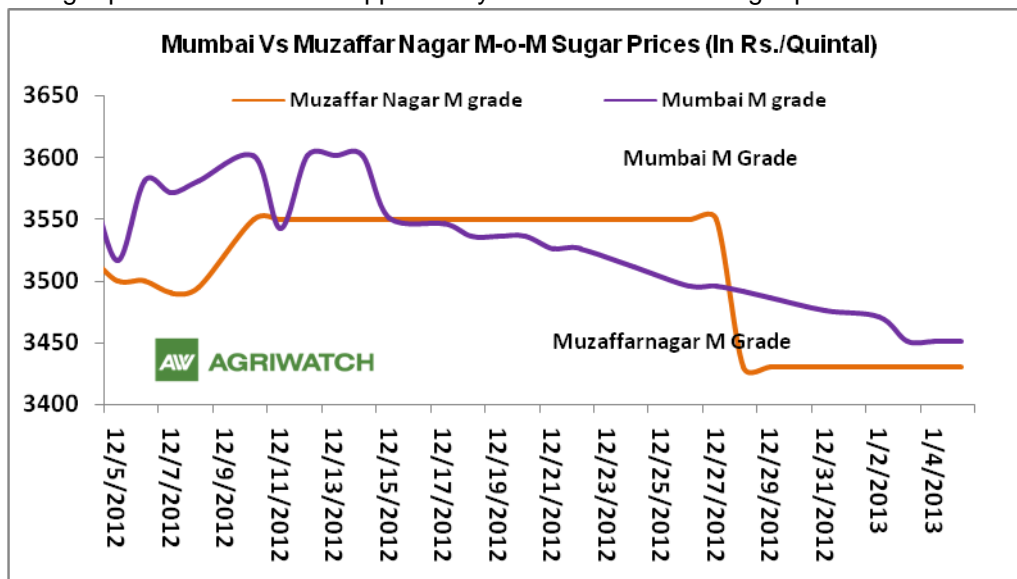


Sugar Price Trend and Outlook:

Sugar prices falling like anything during the month ended December 2012. Dull demand and weak international prices sentiments weighed on to the sugar prices in domestic arena. In addition to it, increasing import from overseas led the sugar prices decline.

Recently, government intention not to increase sugar import duty on both raw and white sugar also broke the market sentiments.

Meanwhile, increasing raw sugar imports by India in this season weakens the prospects of further increase in sugar prices in near term supported by weak international sugar prices.



Domestic Sugar Price Outlook:

Sugar prices again taking downward direction thanks to declining sugar prices internationally which gives refiners such as Renuka sugars a lot of opportunity to import raw sugar from its own unit based in Brazil at lower quotes. We are expecting further decline in sugar prices domestically until any notification come from government on import policy.

Monthly News Highlights:

- India has produced 7.96 million tons in the first three months of marketing year 2012-13 starting from October. Sugar produced by mills this year upto December is up by 2.5 percent compared to last year.
- Shree Renuka Sugars begged 1.5 million tons capacity per year captive berth at Kandla port to reduce the transportation cost by handling large size Panamax vessels. It is notable that Shree Renuka Sugars has sugar refinery unit near to Kandla port which has the capacity of 3000 tons per day. Company is looking forward to handle 1 million tons raw sugar and around 2.5 lac tons of coal to fuel its facilities. This move helps a lot to SRS to increase its raw sugar import from its Brazil sugar unit. It is notable that around 7-8 lac tons of raw sugar imports already imported from Brazil by SRS as reported.
- Karnataka produced 15.84 lac tons of sugar after crushing 159.75 lac tons cane with an average recovery of 9.91% till 15th December 2012. However, existing production figures are higher

compared to last year same period which stood at 13.39 lac tons with an average recovery of 10.59%.

- Declining sugar prices in International arena gives domestic refineries an opportunity to make profit by importing cheap raw sugar and refined it which become cheaper compared to domestic sugar prices.
- Government has notified sugar export for 2012-13 for the third consecutive year.
- Sugar prices are moving in a range with weak tone in all sugar spot markets. Daily millers are quoting lower prices of sugar for sales as increasing supply of sugar and weak demand.
- Markets are waiting for government stand on sugar import duty (both raw and white sugar) which would decide the direction of sugar prices further.
- Millers in UP are getting good cane recovery from cane as late crushing season get time to cane at grand growth stage.

Raw Sugar Import Opportunity:

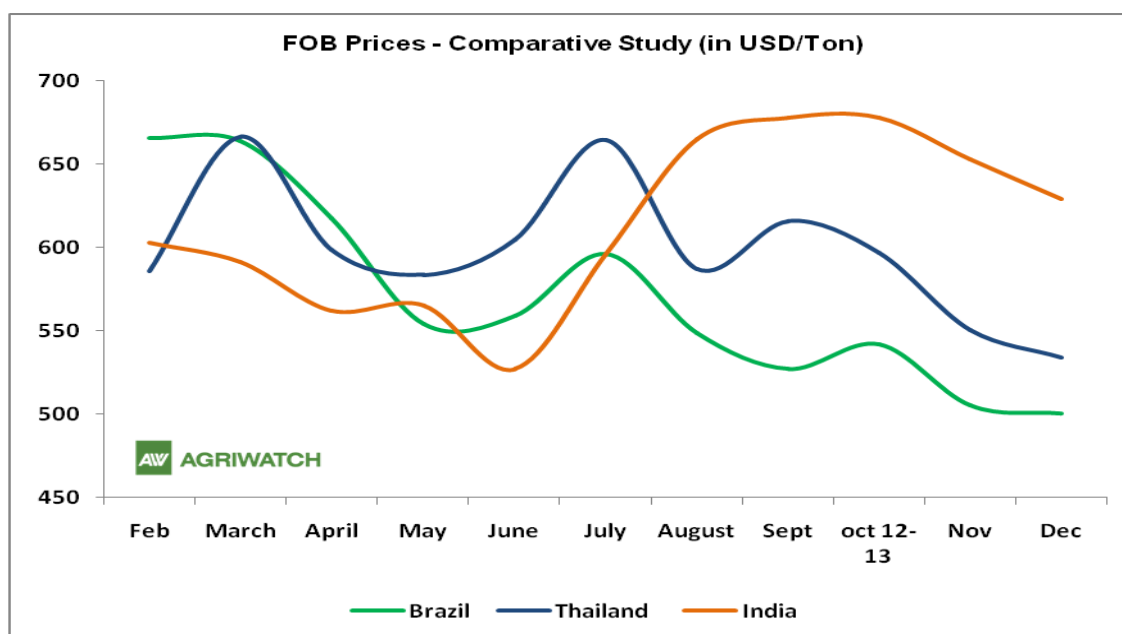
Indian indicative raw sugar CIF prices from Brazil quoted at \$518.75 per ton (including 10% import duty) and Indian domestic refined sugar prices quoted at \$613.75 per ton Kolhapur. It is notable that millers are now find import more profitable.

Comparative raw sugar CIF prices from various sugar sourcing countries to India are mentioned in the table below:

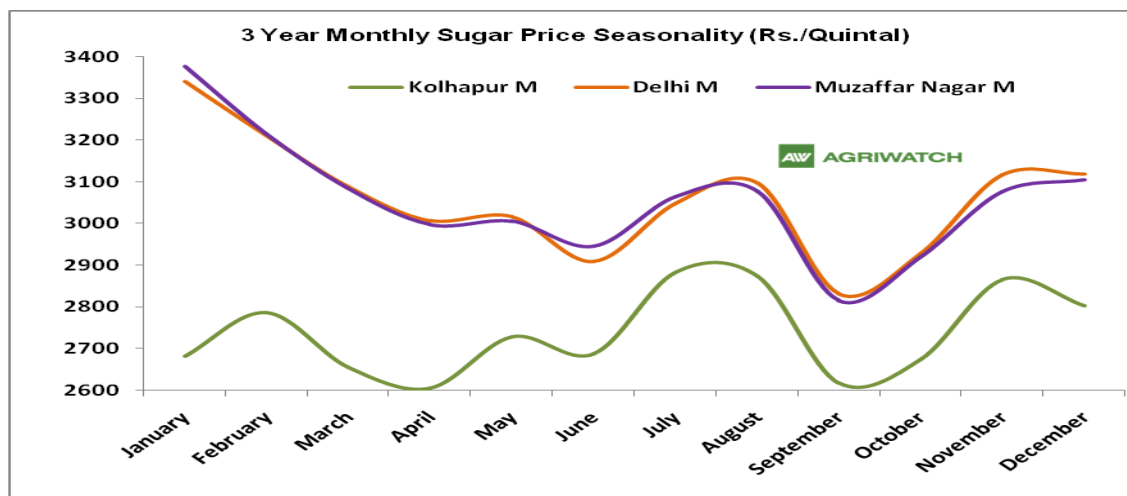
Indicative Import Parity/ Disparity (USD/MT) (\$=Rs.54.99) till 4th January 2013			
	From Brazil	From Thailand	
CIF India (USD/MT)	518.75	532.16	

Thai sugar premium stood at 75 points over New York's ICE sugar futures but likely to slip in the coming week owing to improved supply and tough competition from Brazil.

As far as India's sugar imports are concerned, we are expecting around 1.5 to 2 million tons of sugar imports in 2012-13.



Domestic Sugar Price Seasonality:



As can be seen in the chart above, prices expected to fall until June, unless sugar exports pick up". After June, end of cane crushing season and increase in human consumption of sugar due to various festival demand drive the prices upwards..

Domestic Sugar Balance Sheet:

All Units in Million Tons	2009-10	2010-11	2011-12	2012-13E
Opening stocks	3.73	4.68	3.56	2.86
Production	18.9	24.38	26.00	23.5
Imports	4.76	0.00	0.00	1.00
Total Availability	27.39	29.06	29.56	27.36
Domestic consumption	22.50	23.00	23.50	24.01
Exports	0.21	2.50	3.20	0.00
Total Usage	22.71	25.50	26.70	24.01
Closing stocks	4.68	3.56	2.86	3.35
Average Monthly consumption	1.88	1.92	1.96	2.00
Stocks in months to use	2.50	1.86	1.46	1.67
Stock/Consumption Ratio	0.21	0.15	0.12	0.14

Major Global Sugar Producers:

Sugar Production Scenario (In raw value)						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Australia	4.9	4.8	4.7	3.7	3.9	4.3
China	15.9	13.3	11.4	11.2	12.3	14.6
India	28.6	16.0	20.6	26.6	28.8	25.6
Indonesia	2.0	2.1	1.9	1.8	1.8	2.0
Thailand	7.8	7.2	6.9	9.7	10.2	9.9
Mexico	5.9	5.3	5.1	5.5	5.4	6.0
Russia	3.2	3.5	3.4	3.0	5.5	4.9
South Africa	2.4	2.4	2.3	2.0	1.9	2.3
World	163.5	143.9	153.5	161.8	172.1	172.3

(Cost Conversion of raw sugar to white sugar = 1.08)

Spot Sugar Prices Scenario (Monthly):

	31 Dec 2012	30 Nov 2012	change
Mumbai M-30	3476	3631	-155
Mumbai S-30	3316	3472	-156
Muzaffar Nagar M	3430	3540	-110
Delhi M-30	3450	3580	-130
Delhi S-30	3390	3540	-150
Nagpur S	3450	3600	-150
Chennai S	3130	3375	-245
Kolhapur M-30	3260	3450	-190
Kolhapur S-30	3160	3350	-190

Gur Market Scenario and Outlook

Gur prices got sharp decline during the month ended December 2012 owing to higher gur arrivals and weak offtake in key gur markets.

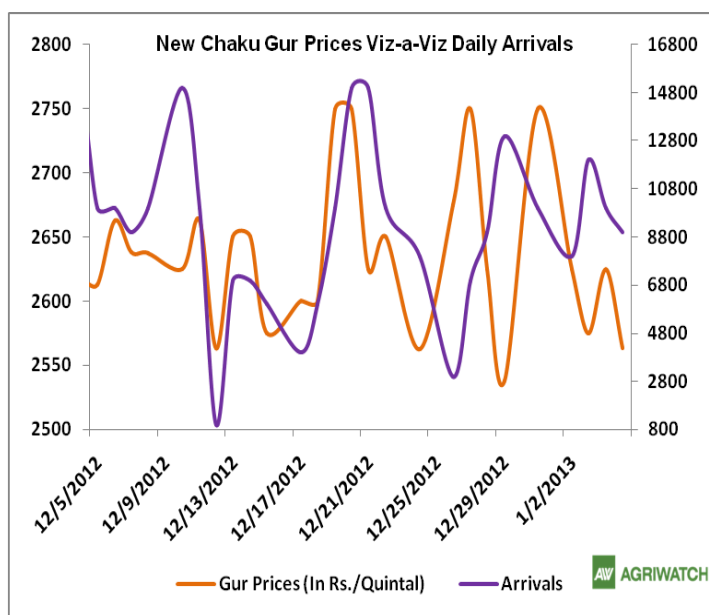
Meanwhile, late start of crushing by UP millers make available lot of cane to Gur manufacturers that indicates overall gur sentiments bearish in the medium term.

Also, farmers have to harvest sugarcane and empty their respective fields for fresh sowing of wheat.

This month around 272000 bags of gur (all varieties) has been arrived in the market as reported.

As far as stock position is concerned, around 241000 bags (40 kg each) of Gur has been stored in Muzaffar nagar cold storage till 24th Dec 2012, which are 34000 bags higher compared to same period in last year, stock position. Out of total gur stock position, there are around 94000 bags of Chaku variety gur stock stored in Cold storages as reported.

Meanwhile, we are expecting a sharp hike in gur prices after Makar Sakranti due to expected demand. Also, lower cane production in Maharashtra kept the gur production at lower side this year.



Gur Spot Monthly Prices (Rs/Qtl)				
Markets	Variety	31 Dec 2012	30 Nov 2012	Change
Muzaffar Nagar	Chaku-Sukha-gur(Cold)	2750	2613	137
	Chaku-(Gila-gur)	2588	2400	188
	Khurpa	2700	2600	100
	Rascut	-	-	-
Bangalore	Achhu	3500	3200	300
	Mudde	3600	3400	200
Belgaum	Mudde	3100	3000	100
Belthangadi	yellow (Average)	3200	3400	-200
Bijapur	Achhu	3050	3200	-150
Gulbarga	Other (Average)	3000	3100	-100
Mahalingapura	Penti (Average)	3010	3050	-40
Mandya	Achhu (Medium)	2750	2900	-150
	Kurikatu (Medium)	2450	2700	-250
	Other (Medium)	2500	2750	-250
	Yellow (Medium)	2700	2850	-150
Shimoga	Achhu (Average)	3125	3425	-300

Commodity: Sugar
Contract: February

Exchange: NCDEX
Expiry: Feb 20th, 2012



Technical Commentary:

- Sugar prices are moving downwards as chart depicts.
- However, RSI has moved towards oversold region
- Also, breach of middle keltner channel gives a bearish hint in the prices.
- Prices are likely to test Rs 3200 level from where market participants should make profit booking.

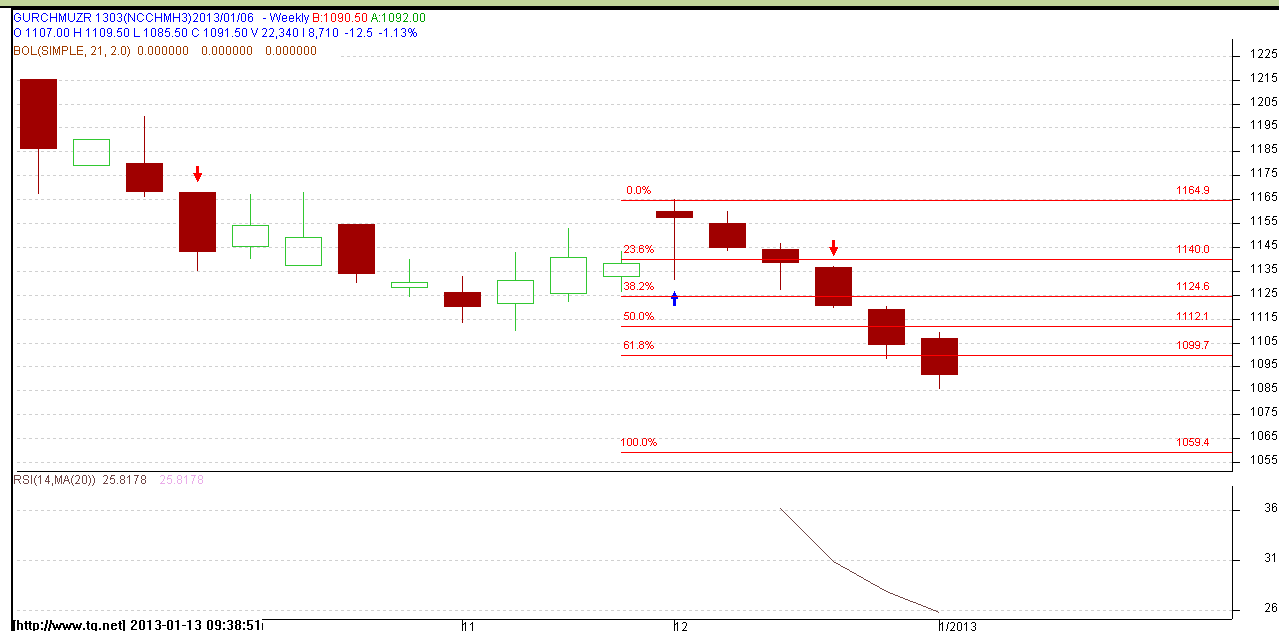
Strategy: Sell

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	February	-	3160	3254	3300	3319
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	February	Sell	Below 3260	3200	3180	3290

Commodity: Gur
Contract: March

Exchange: NCDEX
Expiry: March 20th, 2012

GUR



Technical Commentary:

- Gur prices are moving in a falling channel as chart depicts.
- Decrease in prices along with volume support gives us a hint of short buildup occurs the market.
- Last candlestick depicts bearishness in the market.
- RSI is moving near at oversold region.

Strategy: Sell

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	March	994	1060	1191.5	1112	1125
Intraday Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	March	Sell	Below 1098	1070	1060	1112

International Scenario

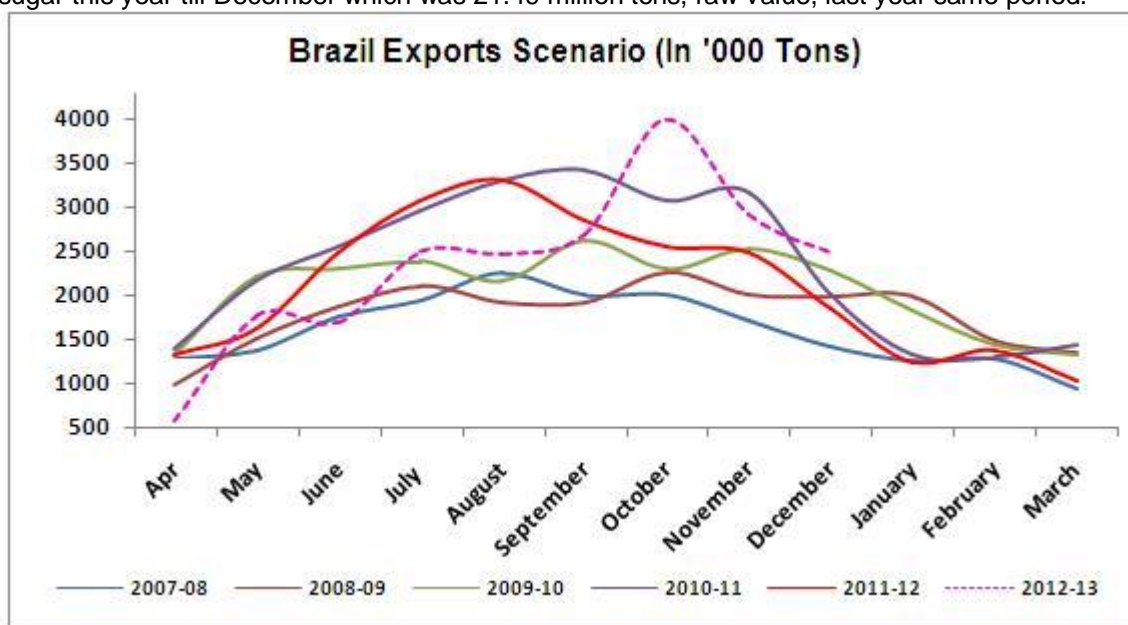
Sugar prices are continuously moving downwards keeping in view global sugar surplus and higher sugar supplies from Brazil. In addition to it, Thai sugar supply also weigh on the prices in International arena.

However, lower sugar demand, lower sugar export from Brazil in the month of December and Thai sugar output cut by government might give some boost to the prices but might not be able to reverse the trend in the near future as expected.

Prices are likely to continue its southward movement in the coming month in ICE as well as in LIFFE.

International Market News Highlights:

- **Recent Update:** Thailand likely to miss expected sugar production forecast of 9.4 million tons owing to lower yields from cane. Now, trade houses are estimating 9.0 to 9.2 million tons sugar production estimate for 2012-13.
- Brazil exported 2.491 million tons of sugar, raw value, in December up from 2.917 million tons in November and up from 1.833 million tons sugar exported last year same period. Extended period of crushing thanks to dry weather conditions help millers to produce record sugar production and allow them to ship exported surplus. In addition to it, Brazil has exported only 21.05 million tons of sugar this year till December which was 21.49 million tons, raw value, last year same period.



- Thailand sugar production reached 2 million ton mark till December 2012 which is lower from 2.190 million tons, raw value, produced last year same period.
- Indonesia's biggest sugar consumer is planning to increase raw sugar imports by 8 percent from 2.1 million tons to 2.27 million tons in 2013 to meet the requirement. It is notable that sugar mills has increased its refining capacity in Indonesia keeping in view consistent sugar imports by the country. Thailand and India suppliers are watching Indonesia S&D of sugar very closely as they are the traditional supplier of raw sugar to Indonesia. However, India is not likely to export sugar this year due to lower production and lesser sugar export parity compared to Thailand.
- Russia produced 4.261 million metric tonnes of refined sugar from domestically harvested beet to Dec. 17, compared with 4.333 million tonnes on the same date last year.
- International sugar prices broke key support level over higher sugar and cane production in Brazil.

- Iran has issued a tender to buy minimum 50000 tons of white sugar from all origins. Closing date of the tender is 29th December, according to the Iraqi trade ministry.
- Pakistan has allowed 5 lac tons of sugar export without putting any quantitative restrictions on mills. Exporters need to export sugar within 90 days after registering for exports.
- Indonesia government sees 2013 raw sugar imports stood at 2.6 million tons which was 2.53 million tons last year.

International Sugar Prices (Monthly)				
	Contract Month	28 Dec 2012	30 Nov 2012	Change
ICE Sugar #11 (US Cent/lb)	Oct-12	19.42	19	0.42
	Mar-13	19.53	19.38	0.15
	May-13	19.68	19.41	0.27
LIFFE Sugar (US \$/MT)	Mar-13	522	516.1	5.9
	May-13	526.7	524.1	2.6
	Aug-13	529.6	527.4	2.2

ICE Raw Sugar Future Market Monthly Scenario (Mar'13 Contract):



Technical Commentary:

- ICE raw sugar future prices are moving downwards as the chart depicts.
- However, Decrease in prices has been supported by open interest which indicates prices forms short buildup in the market. Prices are likely to test 18 cents/pound in the coming month.

International Sugar Futures Price Projection (Monthly)			
	Contract Month	Present Quote	Expected Price level for next month
ICE Sugar #11 (US Cent/lb)	Mar'13	19.42	18.40

LIFFE Sugar Future Market Monthly Scenario (Mar'13 Contract):



Technical Commentary:

- LIFFE sugar future prices are moving range bound with weak tone.
- Prices might find a support at \$490 and then \$460.
- We expect prices are likely to come down in the coming month.

We suggest market participants to sell below \$530 and cover their short positions at \$490.

	Contract Month	Present Quote	Expected Price level for Coming Month
LIFFE Sugar (US \$/MT)	Mar'12	522	490

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