

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly weak tone on Tuesday. Arrival stood lower today at 74,000 bales compared to 77,000 bales on Monday.

In The News: Export of cotton yarn from India is expected to be around 1,350 million kg. in 2013-14, according to Cotton Textile Export Promotion Council (Texprocil). On the announcement of Chinese cotton policy, domestic mills shown their concerns over the export of the cotton yarn as China is the major importer of the cotton yarn, But due to its quality and price competitiveness, Indian cotton yarn in China is getting attention of the buyers and hence likely to have good export prospects.

India is expected to become largest producer of cotton by 2022, says "The Agricultural Outlook, 2013-2022". As per this recently release report, production of cotton in China is likely to decline by 17% whereas India will increase its production by 25%. The report mentioned above is collaborative effort of Organization of Economic Co-operation and Development (OECD) and Food and Agriculture Organization (FAO) of United Nations (UN).

According to the third advance estimate released by Ministry of Agriculture, cotton output would be around 36.50 million bales (of 170 kg each) in the current season compared to 34.22 million bales previous season.

Export of cotton yarn from India is expected to be around 1,350 million kg valued USD 4.70 billion, for the financial year 2014. During the Initial 10 months alone i.e. April to January, India has exported around 1,082 million kg of cotton yarn valued USD 3.75 billion.

According to latest release by Cotton Association of India (CAI), cotton production in India stood 383.50 lakh bales (of 170 kg each) during current season ending September 2014. Production of cotton in Gujarat has been estimated around 120 lakh bales which was 83.25 lakh bales previous season. In Maharashtra, cotton production is estimated 77.25 lakh bales in 2013-14 which was 72.50 lakh bales in 2012-13. Arrivals till 30 April, 2014 stood 341.75 lakh bales.

International Fundamentals:

Sowing of cotton in Uzbekistan has been completed, despite the late start due to favorable weather conditions. Germination has been reported in many areas, whereas few areas require replanting.

Production of cotton in China is likely to be around 6.44 million tons, 23000 tons higher, which was projected earlier, as reported by Beijing Cotton Outlook (BCO) in its latest release. China cotton ending stock in 2014-15 is expected to be around 13.42 million tons compared to 13.13 million tons estimated earlier.

Progress of cotton sowing in Pakistan has noticed good pace amid favorable weather conditions. Sowing has been completed in lower Sindh. In central region of Punjab, sowing has been started whereas it has been delayed by 2-3 in most of the other region.

Outlook

We expect domestic prices to remain steady to weak in near term.

NCDEX Kapas Futures*: (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|------|--------|
| Apr-15 | 1.5 | 901 | 912 | 900 | 906 | 1846 | 386 | 3231 | 250 |

| | | | |
|--------|--------|----|----|
| Spread | Apr-15 | | |
| Spot | 169 | -- | -- |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5:30 pm on 27 May, 2014

MCX Kapas Futures*: (Prices in Rs/20kg)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|------|-----|-------|--------|--------|----|--------|
| Apr-15 | 0 | 932 | 932 | 932 | 932 | 4 | 4 | 16 | -2 |

| | | | |
|--------|--------|----|----|
| Spread | Apr-15 | | |
| Spot | 143 | -- | -- |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5:30 pm on 27 May, 2014

MCX Cotton Futures*: (Prices in Rs/170 kgs)

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|------|-------|-------|-------|-------|--------|--------|------|--------|
| May-14 | -110 | 19170 | 19250 | 19050 | 19060 | 1099 | -290 | 1253 | -641 |
| Jun-14 | -90 | 19450 | 19590 | 19380 | 19390 | 2279 | -140 | 6148 | 500 |
| Jul-14 | -70 | 19660 | 19780 | 19600 | 19620 | 452 | -170 | 1837 | 36 |

| | | | | |
|--------|--------|--------|--------|--------|
| Spread | May-14 | Jun-14 | Jul-14 | Aug-14 |
| Spot | -- | | | |
| May-14 | | -330 | | |
| Jun-14 | | | -230 | |
| Jul-14 | | | | -- |

(NB: Spread was done by taking avg. spot prices at Rajkot – B.T. Cotton market. Basis = Spot- Near Month Future)

*Updated at 5:30 pm on 27 May, 2014

DOMESTIC PRICES AND ARRIVALS

Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|-----------|-------------|
| | | 27-May-14 | 26-May-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 4900 | 5000 | -100 |
| Khandwa | Mech-1 | NA | NR | - |
| Khargaon | Mech-1 | NA | NR | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | 5175 | 5250 | -75 |
| Rajkot | B.T. Cotton | 5375 | 5375 | Unch |
| Patan | B.T. Cotton | 5710 | NR | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Muktsar | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NR | NR | - |
| Fatehabad | B.T. Cotton | 5700 | 5725 | -25 |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Ahmedabad | Shankar-6 | 5050 | 5100 | -50 |
| Gondal | Shankar-6 | NR | 5055 | - |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | NA | 5399 | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 5220 | 5050 | 170 |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4725 | 4730 | -5 |
| Muktsar | J-34 | 4725 | 4770 | -45 |
| Fazilika | J-34 | 4725 | 4760 | -35 |
| Bhatinda | J-34 | 4740 | 4765 | -25 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4670 | 4690 | -20 |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | 4650 | 4710 | - |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|-----------|--------|
| | | 27-May-14 | 26-May-14 | |
| Amravati | Mech-1 | 30000 | 32000 | -2000 |
| Khandwa | Mech-1 | NA | NR | - |
| Khargaon | Mech-1 | NA | NR | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 20000 | 25000 | -5000 |
| Rajkot | B.T. Cotton | 4200 | 4300 | -100 |
| Patan | B.T. Cotton | 2190 | NR | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | NA | NA | - |
| Adampur | B.T. Cotton | NR | NR | - |
| Fatehabad | B.T. Cotton | NA | NA | - |
| Dabwali | B.T. Cotton | NA | NA | - |
| Jind | B.T. Cotton | NA | NA | - |
| Uchana (Jind) | B.T. Cotton | NA | NA | - |
| Rawatsar (Hanumangarh) | B.T. Cotton | NA | NA | - |
| Hubli | B.T. Cotton | NA | NA | - |
| | | | | |
| Ahmedabad | Shankar-6 | 47600 | 45900 | 1700 |
| Gondal | Shankar-6 | NA | 1314 | - |
| | | | | |
| Bijapur | Bunny | NA | 1027 | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 785 | 752 | 33 |
| | | | | |
| Abohar | J-34 | NA | NA | - |
| Muktsar | J-34 | NA | NA | - |
| Bhatinda | J-34 | NA | NA | - |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 170 | 170 | Unch |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 26-May-14 | 24-May-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 39700 | 39900 | -200 |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 40100 | 40400 | -300 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 43600 | 43900 | -300 |

| | | | | | | |
|---------------------|------|-----------|----|-------|-------|-------------|
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 39700 | 40000 | -300 |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 41500 | 42000 | -500 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 43100 | 43300 | -200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 44600 | 44600 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 58500 | 58500 | Unch |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 27/5/2014

| Index | RMB/Ton | Change |
|--------------|---------|-------------|
| CCIndex(328) | 17397 | Unch |
| CCIndex(527) | 16295 | -2 |
| CCIndex(229) | 18228 | -1 |

RMB - Renminbi, 1RMB = 0.16 \$U.S.

Cotlook Index: As on 23/5/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|-------------|
| A-Index | 90.85 | -1.5 |

USDA Cotton Spot Rates: As on 23/5/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|------------|
| | cents/lb. | | bales |
| Southeast | 82.81 | 85.86 | NIL |
| North Delta | 81.81 | 84.31 | 528 |
| South Delta | 81.81 | 84.31 | NIL |
| East TX-OK | 77.75 | 80.00 | NIL |
| West Texas | 77.75 | 79.75 | 259 |
| Desert SW | 78.06 | 84.81 | NIL |
| SJ Valley | 78.81 | 89.46 | NIL |

Spot quotations are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck, which includes compression and any brokerage charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per Tex and uniformity 80.5 to 81.4

ICE Cotton Futures (Prices in cents/lb.): As on 23/5/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|--------------|
| Jul-14 | 87.90 | 88.17 | 85.26 | 86.31 | -1.47 |
| Oct-14 | 80.00 | 80.00 | 78.25 | 79.37 | -1.55 |
| Dec-14 | 80.79 | 81.00 | 78.41 | 79.47 | -1.26 |
| Mar-15 | 80.48 | 80.54 | 78.10 | 79.19 | -1.07 |
| May-15 | 80.69 | 80.75 | 79.05 | 80.25 | -0.74 |

Pakistan Cotton Spot rates: As on 26/5/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 6950 | 155 | 7105 |
| Equivalent | 40 Kgs | 7448 | 155 | 7603 |

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp> © 2014 Indian Agribusiness Systems Pvt. Ltd.