

Domestic Fundamentals:

Market Outlook: Cotton market noticed mostly firm on Monday.

In The News: For the country as a whole, cumulative rainfall during this year's monsoon has so far upto September 7, 2014 has been 11% below the Long Period Average (LPA). The actual rainfall recorded at 675.3 mm against the 761.7 mm of normal rainfall-IMD.

According to Ministry of Agriculture, around 123.71 lakh hectare of area has been sown under pulses (Kharif) this year as on September 05, around 9.2% lower than the previous year, when it was 113.21 lakh hectares during the same period.

Cotton imports in India will be 12-year high this season as international prices are ruling lower compared to the domestic prices. Prices on ICE US falling below 90 cents per pound since May, which is making domestic prices in India less competitive. Millers signed to buy cotton from overseas and most of the inbound shipments are reported after May. In domestic market Shankar-6 is ruling at around Rs.39,000-40,000 per candy (of 356 each) whereas the same for December delivery is available at 65.75 cents a pound, which is approximately Rs.31,500 per candy. Cotton Import is expected to surpass 17 lakh bales by the end of this season 2013/14. It was season 2002/03 when the country witnessed 17.67 lakh bales of cotton import.

Ministry of Textile is willing to allow FDI in single brand and multi brand retail through automatic route but restricting the scope to Indian apparel brands only.

The Government of Telangana has proposed to develop an industrial corridor along NH-44 between Hyderabad and Nagpur in Maharashtra. This proposal is likely to bring prosperity in cotton industry in Adilabad. Around 134 cotton ginning, pressing and cottonseed oil mills are located in Adilabad district, which are likely to be benefited by developing this corridor.

Indian cotton mills are likely to get affected badly on China's decision to raise spending on farm subsidies by 10 per cent. Following this decision, yarn production in China will enhance as it will provide cheaper cotton to the spinning mills in the country. It should be noted that China is the largest importer of cotton yarn and export destination for around 50% of overall export of cotton from India.

In Gujarat, around 2,972,800 hectare of area has been sown for cotton this year as on August 25, nearly 11% higher when compared to 2,678,500 hectares of area sown during the corresponding period last year and approximately 9.4% higher when compared to normal area (average of last three years) of 2,717,100 hectares, reported State Agriculture Department.

National Commodities and Derivatives Exchange (NCDEX) announced the launch of long staple (29 mm) cotton bales contract, which would be available for trading from September 01, 2014. The delivery centers are located in Kadi, Yavatmal, Aurangabad and Akola. It should be noted that 29 mm cotton futures contract will be available for trading with modified contract specification and the delivery would be settled through COMTRACK.

According to the market participants cotton output in north India, would be around 55 lakh bales in the upcoming season Oct'14-Sep'15, said market participants. Yield could get enhanced if region receives the rainfall in the coming days and production could reach to 60 lakh bales. Cotton growing states in north India are Punjab, Haryana and Rajasthan which have sown 15.05 lakh hectare of area for cotton.

International Fundamentals:

According to the latest report released by USDA, as on August 31, 2014, 50% of cotton crop in USA is in excellent to good condition compared to 51% a week ago and 45% a year ago. 96% setting bolls has reported in cotton which was 90% last week and 94% a year ago. 31% of bolls opening reported which was 19% a week and 15% a year ago.

World inventories are likely to surge to 22.25 million tonnes by the end of season 2014/15, estimated International Cotton Advisory Committee (ICAC). Global production is expected to be around 26.05 million tonnes this year slightly lower than production in 2013/14 which stood around 25.53 26.09 million tonnes.

China's cotton acreage is expected to fall by 9.4% to 4.23 million hectares this year, as reflected in the latest survey by China Cotton Association (CCA). The CCA raised its projection for cotton acreage, which was earlier expected to fall by 12.6%, as cotton area surged higher in Xinjiang Uygur Autonomous Region following the Government's direct subsidy policy.

Sri Lanka has recorded growth of 25% in its income from the textile export in June 2014, revealed by Central Bank of Sri Lanka (CBSL).

Outlook

We expect domestic prices to remain range bound in near term.

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|------|-------|-----|-------|--------|--------|------|--------|
| Apr-15 | 2.5 | 802 | 804.5 | 794 | 802.5 | 2423 | -971 | 8509 | -52 |

| Spread | Apr-15 | | |
|--------|--------|----|----|
| Spot | 247.5 | -- | -- |

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

*Updated at 5:00 pm on 08 Sep 2014

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Oct-14 | -40 | 17720 | 17750 | 17650 | 17680 | 279 | -111 | 1797 | 54 |
| Nov-14 | -10 | 16940 | 16970 | 16880 | 16930 | 167 | -116 | 2306 | 55 |
| Dec-14 | -10 | 16720 | 16730 | 16640 | 16700 | 162 | -162 | 2912 | 51 |

| Spread | Oct-14 | Nov-14 | Dec-14 | |
|--------|--------|--------|--------|----|
| Spot | -- | | | |
| Oct-14 | | 750 | | |
| Nov-14 | | | 240 | |
| Dec-14 | | | | -- |

*Updated at 5:00pm on 08 Sep 2014

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|--------------|------------------------------------|----------|--------|
| | | 8-Sep-14 | 6-Sep-14 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 5350 | 5350 | Unch |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | Kapas | (Rs./Qtl.) | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 5250 | 5160 | 90 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Muktsar | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | 4800 | 4700 | 100 |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 4550 | 4500 | 50 |
| 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 | NA | NA | - |
| Gondal | Shankar-6 | 5105 | 5105 | Unch |
| | Kapas | (Rs/Qtl) | | |
| Bijapur | Bunny | 5179 | 5273 | -94 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4900 | 4711 | 189 |
| | Lint | (Rs./Maund of 37.32kg each) | | |
| Abohar | J-34 | 4290 | 4290 | Unch |
| Muktsar | J-34 | 4310 | 4300 | 10 |
| Fazilika | J-34 | NA | NA | - |
| Bhatinda | J-34 | 4345 | 4350 | -5 |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 4250 | 4240 | 10 |
| Sirsa | J-34 | 4030* | - | - |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

*New crop

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-------------|----------------|----------|--------|
| | | 8-Sep-14 | 6-Sep-14 | |
| Amravati | Mech-1 | NA | 75 | - |
| Khandwa | Mech-1 | NA | NA | - |
| Khargaon | Mech-1 | NA | NA | - |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | NA | NA | - |
| Rajkot | B.T. Cotton | 2400 | 2300 | 100 |
| Patan | B.T. Cotton | NA | NA | - |
| Deesa | B.T. Cotton | NA | NA | - |
| Fazilika | B.T. Cotton | NA | NA | - |
| Bhiwani | B.T. Cotton | 2000 | 1500 | 500 |
| Adampur | B.T. Cotton | NA | NA | - |
| Fatehabad | B.T. Cotton | 50 | 25 | 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 | - |
| | | | | |
| Ahmedabad | Shankar-6 | NA | NA | - |
| Gondal | Shankar-6 | 571 | 861 | -290 |
| | | | | |
| Bijapur | Bunny | 272 | 112 | 160 |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 237 | 125 | 112 |
| | | | | |
| Abohar | J-34 | NA | NA | - |
| Muktsar | J-34 | NA | NA | - |
| Bhatinda | J-34 | NA | NA | - |
| Mansa | J-34 | NA | NA | - |
| Sirsa | J-34 | 68* | NA | - |
| Sri-Ganganagar | J-34 | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | NA | - |

*New crop

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 6-Sep-14 | 5-Sep-14 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 38300 | 38300 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 38800 | 38800 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 39400 | 39300 | 100 |
| H-4/ MECH-1(105) | 28mm | 3.5 – 4.9 | 27 | 38900 | 38900 | Unch |
| Shankar-6(105) | 29mm | 3.5 – 4.9 | 28 | 39900 | 39900 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 42500 | 42500 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 43500 | 43500 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 56000 | 56000 | Unch |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 05/9/2014

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 16936 | 11 |
| CCIndex(527) | 15841 | -18 |
| CCIndex(229) | 17570 | -13 |

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

Cotlook Index: As on 5/9/2014

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 75.45 | -0.50 |

USDA Cotton Spot Rates: As on 5/9/2014

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 66.58 | 70.33 | NIL |
| North Delta | 65.58 | 68.08 | NIL |
| South Delta | 65.58 | 68.08 | NIL |
| East TX-OK | 64.75 | 65.75 | 527 |
| West Texas | 64.00 | 64.50 | NIL |
| Desert SW | 65.08 | 71.83 | NIL |
| SJ Valley | 65.33 | 75.98 | 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 5/9/2014

| Contract | Open | High | Low | Close | Change |
|---------------|-------|-------|-------|-------|--------------|
| Oct-14 | 66.82 | 66.82 | 65.55 | 66.08 | -0.69 |
| Dec-14 | 65.40 | 65.58 | 63.93 | 64.31 | -1.14 |
| Mar-15 | 65.13 | 65.20 | 64.01 | 64.14 | -0.96 |
| May-15 | 66.21 | 66.21 | 65.17 | 65.28 | -0.90 |
| Jul-15 | 66.85 | 66.87 | 66.00 | 66.14 | -0.83 |
| Oct-15 | 66.78 | 66.78 | 66.78 | 66.78 | -0.75 |

Pakistan Cotton Spot rates: As on 6/9/2014 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|-------------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5600 | 150 | 5750 |
| Equivalent | 40 Kgs | 6002 | 160 | 6162 |

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