

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Friday.

In The News: Cotton Corporation of India (CCI) offered 26700 bales of cotton for sale through e-auction today. Major varieties offered were Bunny Brahma (BB), H-4 and Shankar-6 (S-6).

Cotton production in India could fall by 4.28 percent in the next season to 6.48 million tons compared to 6.77 million tons in the current season, said International Cotton Advisory Committee (ICAC).

Despite the lower output, cotton export from India is expected to rise in 2015-16. According to ICAC, cotton exports from India in 2015-16 would be around 1.41 million tons around 30.56% higher when compared to the export of current season which would be around 1.08 million tons. The causes of this significant change in Indian cotton exports are basically the fall in cotton production in China and the world, higher import demand from China and lower world ending stocks.

India Rating and Research (Ind-Ra) has downwardly revised the cotton outlook for MY 2015-16. According to Ind-Ra domestic prices in 2015-16 would remain under pressure following the fall in domestic yarn production, unlikely recovery in cotton export and falling of domestic prices below the minimum support prices (MSP). Ind-Ra added that revised cotton reserve policy of China will increase the cotton sales from the country stocks and hence import in China will fall to half in 2015-16. Cotton price (benchmark Shankar-6) will trade between Rs 40-45 per kg and lint will be in the range of Rs 85-100 per kg in the next season. Also, the stock to use ratio would be 12 percent in MY 2015-16 compared to 12.2 percent in the 2014-15.

India exported 1.89 lakh bales of cotton last week (06-22 Feb 2015), which was 1.29 lakh previous week (09-15 Feb 2015), according to the data compiled by IBIS. Imports on the other hand stood 0.21 lakh bales last week, which was same i.e. 0.21 lakh bales previous to last week.

Cotton Corporation of India (CCI) procured 20.5 tons of cotton at the regulated market at Elambalur on Monday. Around 71 farmers brought their produce to sell it through maiden auction held by CCI in the area. According to the collector total cotton auctioned for Rs 8.01 lakh and the payment would be made within eight days and next auction in the area would be held on 3 March this year.

Cotton Corporation of India (CCI) is likely to procure another 5 lakh bales of cotton after crossing the procurement target of 75 lakh bales in the season 2014-15. Although CCI would buy more cotton, the sale operation of the same is not going too well. CCI has sold around 1.35 lakh bales of cotton since the beginning of the operation that is January 27.

Department of Agriculture & Cooperation (DAC) has raised the cotton production estimates for the season 2014-15 in its second advance estimates. DAC projected cotton production in the country to stand around 351.52 lakh bales which was earlier earlier estimated 346.2 lakh bales in the first advance estimates against the target of 350 lakh bales. According to DAC cotton production during the last season i.e. 2013-14 was around 365.90 lakh bales.

International Fundamentals:

World cotton production is expected to be around 24.41 million tons in 2015-16 around 7.4 percent lower when compared to the production of current season which is likely to stand around 26.36 million tons, said International Cotton Advisory Committee (ICAC).

Following the lower production and higher consumption, ending stocks of cotton on the global front is likely to decline for the first time in the last five year. According to ICAC, Ending stocks is expected to fall to 21.39 million tons in 2015-16, around 1.16% lower when compared to the expected inventory of 21.64 million tons by the end of current season.

Besides the huge stockpile of cotton, what making cotton price to fall worldwide is the high internal price of fiber in China, which is forcing mills in the country to opt polyester instead of cotton, which is further creating the demand gap for the cotton in China and worldwide and hence leading to price crash, said the economist of National Cotton Council (NCC).

Outlook

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

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|--------|------|------|-------|-------|--------|--------|------|--------|
| Apr-15 | -3.5 | 757 | 759 | 754.5 | 756 | 2359 | -4356 | 9887 | -301 |
| | | | | | | | | | |
| Spread | Apr-15 | | | | | | | | |
| Spot | 55 | | | | -- | | -- | | |

(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 27 Feb 2015

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|--------|--------|--------|--------|--------|--------|--------|------|--------|
| Feb-15 | -20 | 14980 | 15030 | 14950 | 15000 | 371 | -287 | 760 | -130 |
| Mar-15 | -70 | 15240 | 15270 | 15200 | 15220 | 820 | -602 | 6435 | 91 |
| Apr-15 | -100 | 15510 | 15550 | 15450 | 15450 | 197 | -12 | 3648 | 60 |
| May-15 | -60 | 15770 | 15770 | 15670 | 15710 | 5 | -21 | 644 | 49 |
| Jun-15 | -20 | 15940 | 15950 | 15940 | 15950 | 3 | 2 | 105 | 12 |
| | | | | | | | | | |
| Spread | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | -- | | | |
| Spot | -- | | | | | | | | |
| Feb-15 | | -220 | | | | | | | |
| Mar-15 | | | -230 | | | | | | |
| Apr-15 | | | | -260 | | | | | |
| May-15 | | | | | -240 | | | | |
| Jun-15 | | | | | | | | | |

(NB: Spread Basis = Spot- Near Month Future)

* Updated at 5:00 pm on 27 Feb 2015

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|---------------|------------------------------------|-----------|--------|
| | | 27-Feb-15 | 26-Feb-15 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 4025 | 4020 | 5 |
| Khandwa | Mech-1 | 4050 | 4050 | Unch |
| Khargaon | Mech-1 | 4050 | 4050 | Unch |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4200 | 4250 | -50 |
| Rajkot | B.T. Cotton | 4055 | 4035 | 20 |
| Patan | B.T. Cotton | 4105 | 4110 | -5 |
| Deesa | B.T. Cotton | 3950 | 3950 | Unch |
| Dhrol | B.T. Cotton | 4070 | 4050 | 20 |
| Muktsar | B.T. Cotton | 4200 | 4200 | Unch |
| Fazilika | B.T. Cotton | 4250 | 4270 | -20 |
| Bhiwani | B.T. Cotton | 4180 | 4170 | 10 |
| Adampur | B.T. Cotton | 4125 | 4115 | 10 |
| Fatehabad | B.T. Cotton | 4110 | 4115 | -5 |
| Dabwali | B.T. Cotton | 4050 | 4050 | Unch |
| Jind | B.T. Cotton | 4250 | 4170 | 80 |
| Uchana (Jind) | B.T. Cotton | 4115 | 4145 | -30 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 4100 | 4100 | Unch |
| Hubli | B.T. Cotton | NA | 4020 | - |
| Hathras | B.T. Cotton | 3000 | NA | - |
| Hanumangarh | B.T. Cotton | 4200 | 4150 | 50 |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4100 | 4125 | -25 |
| Gondal | Shankar-6 | 4025 | 4005 | 20 |
| | Kapas | | | |
| Jamner (Jalgaon) | Medium Staple | 3950 | 3950 | Unch |
| Hathras | Desi | 3500 | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | 3409 | - |
| Raichur | H-44 Cotton | 4000 | 4075 | -75 |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | 4250 | 4250 | Unch |
| Krishna | Un-Ginned | 4050 | 4050 | Unch |
| East Godavari | Un-Ginned | 4000 | NA | - |
| | Lint | Rs./Maund (of 37.32kg each) | | |
| Abohar | J-34 | 3405 | 3395 | 10 |
| Muktsar | J-34 | 3405 | 3390 | 15 |

| | | | | |
|----------------|------|------|------|------|
| Fazilika | J-34 | 3415 | 3370 | 45 |
| Bhatinda | J-34 | 3420 | 3400 | 20 |
| Mansa | J-34 | 3400 | 3365 | 35 |
| Sirsa | J-34 | 3325 | 3310 | 15 |
| Sri-Ganganagar | J-34 | 3083 | 3083 | Unch |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|---------------|----------------|-----------|--------|
| | | 27-Feb-15 | 26-Feb-15 | |
| Amravati | Mech-1 | 3600 | 3200 | 400 |
| Khandwa | Mech-1 | 2000 | 2000 | Unch |
| Khargaone | Mech-1 | 6000 | 7000 | -1000 |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 40000 | 35000 | 5000 |
| Rajkot | B.T. Cotton | 2410 | 3000 | -590 |
| Patan | B.T. Cotton | 5405 | 5790 | -385 |
| Deesa | B.T. Cotton | 500 | 250 | 250 |
| Dhrol | B.T. Cotton | 525 | 311 | 214 |
| Fazilika | B.T. Cotton | 300 | 300 | Unch |
| Muktsar | B.T. Cotton | 170 | 170 | Unch |
| Bhiwani | B.T. Cotton | 1500 | 1500 | Unch |
| Adampur | B.T. Cotton | 510 | 425 | 85 |
| Fatehabad | B.T. Cotton | 1000 | 800 | 200 |
| Dabwali | B.T. Cotton | 650 | 450 | 200 |
| Jind | B.T. Cotton | 255 | 85 | 170 |
| Uchana (Jind) | B.T. Cotton | 1500 | 600 | 900 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 20 | 30 | -10 |
| Hubli | B.T. Cotton | NA | 104 | - |
| Hathras | B.T. Cotton | NA | NA | - |
| Hanumangarh | B.T. Cotton | 700 | 700 | Unch |
| | | | | |
| Ahmedabad | Shankar-6 | 59500 | 59500 | Unch |
| Gondal | Shankar-6 | 1566 | 1472 | 94 |
| | | | | |
| Jamner (Jalgaon) | Medium Staple | 1320 | 1350 | -30 |
| Hathras | Desi | NA | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | 10 | - |
| Raichur | H-44 Cotton | 2325 | 2280 | 45 |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | 7.2 | 7 | 0.2 |

| | | | | |
|----------------|-----------|-------|-------|------|
| Krishna | Un-Ginned | NA | NA | - |
| East Godavari | Un-Ginned | NA | NA | - |
| | | | | |
| Abohar | J-34 | 680 | 680 | Unch |
| Bhatinda | J-34 | 17000 | 17000 | Unch |
| Mansa | J-34 | 680 | 680 | Unch |
| Sirsa | J-34 | 1360 | 1360 | Unch |
| Sri-Ganganagar | J-34 | 1530 | 1360 | 170 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 26-Feb-15 | 25-Feb-15 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 29900 | 29800 | 100 |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 30400 | 30300 | 100 |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 30900 | 30800 | 100 |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 30300 | 30100 | 200 |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 31000 | 30800 | 200 |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 33300 | 33100 | 200 |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34300 | 34100 | 200 |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 40200 | 40200 | Unch |

Cotton Seed Oil Prices
Refined Cotton Seed Oil at Key Centers:

| Centre | Unit | Price | | Change |
|-----------|-------------|-----------|-----------|--------|
| | | 27-Feb-15 | 26-Feb-15 | |
| Rajkot | Rs. /10 Kg. | 557 | 555 | 2 |
| New Delhi | Rs. /10 Kg. | 585 | 585 | Unch |
| Hyderabad | Rs. /10 Kg. | 580 | 570 | 10 |
| Mumbai | Rs. /10 Kg. | 582 | 575 | 7 |

Cotton Oil Seed Cake Prices
Cotton Oil Seed Cake Prices at Key Centers:

| Centre | Unit | Price | | Change |
|-----------------|---------|-----------|-----------|--------|
| | | 27-Feb-15 | 26-Feb-15 | |
| Mahesana (Kadi) | Rs./Qtl | 1511 | 1509 | 2 |
| Akola | Rs./Qtl | 1500 | 1500 | Unch |

INTERNATIONAL PRICES AND INDICES

China Cotton Index: As on 27/2/2015

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 13447 | 2 |
| CCIndex(527) | 12428 | 3 |
| CCIndex(229) | 14176 | 6 |

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

Cotlook Index: As on 26/2/2015

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 71.75 | 0.5 |

USDA Cotton Spot Rates: As on 26/2/2015

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 65.46 | 68.71 | 896 |
| North Delta | 64.46 | 67.21 | NIL |
| South Delta | 64.46 | 67.21 | 1396 |
| East TX-OK | 60.50 | 62.75 | 6130 |
| West Texas | 60.50 | 62.75 | 12668 |
| Desert SW | 63.21 | 69.96 | 500 |
| SJ Valley | 63.96 | 73.86 | 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 26/2/2015

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15 | 65.60 | 66.25 | 65.17 | 65.17 | -0.35 |
| May-15 | 65.47 | 66.24 | 65.07 | 65.21 | -0.34 |
| Jul-15 | 65.86 | 66.54 | 65.50 | 65.64 | -0.26 |
| Oct-15 | 66.84 | 66.84 | 66.03 | 66.12 | -0.33 |
| Dec-15 | 66.04 | 66.55 | 65.66 | 65.80 | -0.50 |
| Mar-16 | 65.84 | 65.89 | 65.28 | 65.45 | -0.48 |

Pakistan Cotton Spot rates: As on 26/2/2015 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 4950 | 150 | 5100 |
| Equivalent | 40 Kgs | 5305 | 160 | 5465 |

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