

Domestic Fundamentals:

Market Outlook: Cotton market noticed mixed tone on Wednesday.

In The News: Cotton production in India could fall by 4.28 percent in the next season i.e. 2015-16 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 16.82% higher when compared to the export of current season which would be around 1.207 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 in 2015-16.

Government of Madhya Pradesh has decided to lower the mandi tax levied on cotton grown in the state to 1% which was 2% earlier. It should be noted that state generate the revenue of Rs 50 crore approximately by levying the 2% mandi tax on cotton but to safeguard the interest of farmers, state has decided to cut the same to half to 1%.

India exported 2.34 lakh bales of cotton last week (23 Feb-01 Mar 2015), which was 1.89 lakh previous week (06-22 Feb 2015), according to the data compiled by IBIS. Imports on the other hand stood 0.09 lakh bales last week, which was same i.e. 0.21 lakh bales previous to last week.

Union Budget has upset the textile industry by announcing the allocation of Rs 1,520 crore as Technology Upgradation Fund Scheme (TUFS) for year 2015-16, which was Rs 1,864 crore in 2014-15. Also budget has not considered any of demand proposed by the textile industry which includes the reduction in excise duty, removal of anti dumping duty, interest rate cap at 7% for exporter etc.

No relief has been announced in the Union Budget for the three million distressed dry land farmers of Vidarbha who all are growing cash crop including cotton and soybean, said Vidarbha Jan Andolan Smiti (VJAS).

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.

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.

International Fundamentals:

According to International cotton advisory committee (ICAC) cotton production would be around 24.56 million tons in 2015-16, whereas consumption would stand around 24.69 million tons, surpassing the production. The same situation would not lead to supply deficit as the total supply i.e. production and opening stocks would be around 46.07 million tons in 2015-16 which is likely to be around 45.79 million tons in the current season.

Cotton export during season 2015-16 would be around 7.84 million tones approximately 4.21% higher when compared to 7.523 million tons in current season.

World cotton production is expected to be around 24.56 million tons in 2015-16 around 6.5 percent lower when compared to the production of current season which is likely to stand around 26.28 million tons, said International Cotton Advisory Committee (ICAC).

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 | -0.5 | 746 | 748 | 742.5 | 746.5 | 2318 | 925 | 10470 | 138 |
| | | | | | | | | | |
| Spread | Apr-15 | | | | | | | | |
| Spot | 50.5 | | | | -- | | -- | | |

(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 04 March 2015

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

| Contract | +/- | Open | High | Low | Close | Volume | Change | OI | Change |
|----------|-----|-------|-------|-------|-------|--------|--------|------|--------|
| Mar-15 | -80 | 14970 | 15100 | 14970 | 15030 | 1155 | 780 | 5674 | 4914 |
| Apr-15 | -60 | 15240 | 15330 | 15220 | 15270 | 555 | 21 | 3860 | -2213 |
| May-15 | -50 | 15480 | 15540 | 15460 | 15500 | 51 | -122 | 694 | -3078 |
| Jun-15 | -- | -- | -- | -- | -- | -- | -33 | 122 | -563 |

| | | | | | | |
|--------|--------|--------|--------|--------|----|----|
| Spread | Mar-15 | Apr-15 | May-15 | Jun-15 | -- | -- |
| Spot | -- | | | | | |
| Mar-15 | | -240 | | | | |
| Apr-15 | | | -230 | | | |
| May-15 | | | | -- | | |
| Jun-15 | | | | | | |
| -- | | | | | | |

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

* Updated at 5:00 pm on 04 March 2015

DOMESTIC PRICES AND ARRIVALS
Cotton Prices at Key Spot Market:

| Centre | Variety | Prices | | Change |
|------------------------|-----------------|--------------------------------------|----------|--------|
| | | 4-Mar-15 | 3-Mar-15 | |
| | Kapas | (Rs./Qtl) | | |
| Amravati | Mech-1 | 4050 | 4050 | Unch |
| Khandwa | Mech-1 | 4000 | 4050 | -50 |
| Khargaon | Mech-1 | 4050 | 4050 | Unch |
| | Kapas | | | |
| Mahesana(Kadi) | B.T. Cotton | 4250 | 4200 | 50 |
| Rajkot | B.T. Cotton | 3985 | 4040 | -55 |
| Patan | B.T. Cotton | 4075 | 4060 | 15 |
| Deesa | B.T. Cotton | NA | 4045 | - |
| Dhrol | B.T. Cotton | NA | 4015 | - |
| Muktsar | B.T. Cotton | 4200 | 4225 | -25 |
| Fazilika | B.T. Cotton | 4270 | 4250 | 20 |
| Bhiwani | B.T. Cotton | 4150 | 4150 | Unch |
| Adampur | B.T. Cotton | 4095 | 4100 | -5 |
| Fatehabad | B.T. Cotton | 4100 | 4110 | -10 |
| Dabwali | B.T. Cotton | 4025 | 4020 | 5 |
| Jind | B.T. Cotton | 4050 | 4200 | -150 |
| Uchana (Jind) | B.T. Cotton | 4099 | 4081 | 18 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 4070 | 4070 | Unch |
| Hubli | B.T. Cotton | NA | NA | - |
| Hathras | B.T. Cotton(US) | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | 4175 | - |
| | Kapas | | | |
| Ahmedabad | Shankar-6 | 4050 | 4075 | -25 |
| Gondal | Shankar-6 | 3950 | 4480 | -530 |
| | Kapas | | | |
| Jamner (Jalgaon) | Medium Staple | 3850 | 3950 | -100 |
| Hathras | Desi | NA | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 4050 | 4100 | -50 |
| Guntur | Un-Ginned | NA | 4025 | - |
| Kurnool | Un-Ginned | 4200 | 4250 | -50 |
| Krishna | Un-Ginned | 4050 | 4050 | Unch |
| East Godavari | Un-Ginned | NA | 4050 | - |
| | Lint | Rs./Maunder (of 37.32kg each) | | |
| Abohar | J-34 | 3410 | 3420 | -10 |
| Muktsar | J-34 | 3415 | 3415 | Unch |

| | | | | |
|----------------|------|------|------|-----|
| Fazilika | J-34 | 4270 | 4250 | 20 |
| Bhatinda | J-34 | 3415 | 3420 | -5 |
| Mansa | J-34 | 3395 | 3410 | -15 |
| Sirsa | J-34 | 3320 | 3325 | -5 |
| Sri-Ganganagar | J-34 | 3055 | 3083 | -28 |

Cotton Arrivals in Key Centers:

| Centre | Variety | Arrivals (Qtl) | | Change |
|------------------------|-----------------|----------------|----------|--------|
| | | 4-Mar-15 | 3-Mar-15 | |
| Amravati | Mech-1 | 3100 | 3800 | -700 |
| Khandwa | Mech-1 | 800 | 1200 | -400 |
| Khargaone | Mech-1 | 5000 | 6000 | -1000 |
| | | | | |
| Mahesana(Kadi) | B.T. Cotton | 15000 | 20000 | -5000 |
| Rajkot | B.T. Cotton | 2300 | 2200 | 100 |
| Patan | B.T. Cotton | 5475 | 5466 | 9 |
| Deesa | B.T. Cotton | NA | 1300 | - |
| Dhrol | B.T. Cotton | NA | 273 | - |
| Fazilika | B.T. Cotton | 200 | 200 | Unch |
| Muktsar | B.T. Cotton | 85 | 170 | -85 |
| Bhiwani | B.T. Cotton | 2000 | 1500 | 500 |
| Adampur | B.T. Cotton | 340 | 255 | 85 |
| Fatehabad | B.T. Cotton | 650 | 200 | 450 |
| Dabwali | B.T. Cotton | 350 | 150 | 200 |
| Jind | B.T. Cotton | 119 | 170 | -51 |
| Uchana (Jind) | B.T. Cotton | 500 | 200 | 300 |
| Rawatsar (Hanumangarh) | B.T. Cotton | 50 | 70 | -20 |
| Hubli | B.T. Cotton | NA | NA | - |
| Hathras | B.T. Cotton(US) | NA | NA | - |
| Hanumangarh | B.T. Cotton | NA | 350 | - |
| | | | | |
| Ahmedabad | Shankar-6 | 51000 | 51000 | Unch |
| Gondal | Shankar-6 | 1042 | 986 | 56 |
| | | | | |
| Jamner (Jalgaon) | Medium Staple | 1198 | 1243 | -45 |
| Hathras | Desi | NA | NA | - |
| Bijapur | Bunny | NA | NA | - |
| Hubli | D.C.H. | NA | NA | - |
| Raichur | H-44 Cotton | 1305 | 1297 | 8 |
| Guntur | Un-Ginned | NA | NA | - |
| Kurnool | Un-Ginned | 7.2 | 7.2 | Unch |
| Krishna | Un-Ginned | NA | NA | - |

| East Godavari | Un-Ginned | NA | NA | - |
|----------------|-----------|-------|------|------|
| Abohar | J-34 | 680 | 340 | 340 |
| Bhatinda | J-34 | 13600 | 8500 | 5100 |
| Mansa | J-34 | 255 | 255 | Unch |
| Sirsa | J-34 | 850 | 340 | 510 |
| Sri-Ganganagar | J-34 | 850 | 1530 | -680 |

Cotton Association of India Spot Rates:

| Trade Name | Staple | Micronaire | Strength/ GPT | Rs. Per Candy | Rs. Per Candy | Change |
|---------------------------------------|------------|------------|------------------|------------------|------------------|--------|
| | | | | 3-Mar-15 | 2-Mar-15 | |
| Bengal Deshi (RG)/Assam Comilla (101) | Below 22mm | 5.0 - 7.0 | 15 | 30100 | 30100 | Unch |
| Bengal Deshi (SG)(201) | Below 22mm | 5.0 - 7.0 | 15 | 30600 | 30600 | Unch |
| J-34(202) | 26mm | 3.5 - 4.9 | 23 | 31200 | 31200 | Unch |
| H-4/ MECH-1(105) | 28mm | 3.5 - 4.9 | 27 | 30200 | 30200 | Unch |
| Shankar-6(105) | 29mm | 3.5 - 4.9 | 28 | 30900 | 30900 | Unch |
| Bunny/ Brahma(105) | 31mm | 3.5 - 4.9 | 30 | 33200 | 33200 | Unch |
| MCU-5/ Surabhi(106) | 32mm | 3.3 - 4.9 | 31 | 34200 | 34200 | Unch |
| DCH-32(107) | 34mm | 3.0 - 3.8 | 33 | 39500 | 39500 | Unch |

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

| Centre | Unit | Price | | Change |
|-----------|-------------|----------|----------|--------|
| | | 4-Mar-15 | 3-Mar-15 | |
| Rajkot | Rs. /10 Kg. | 555 | 552 | 3 |
| New Delhi | Rs. /10 Kg. | 585 | 583 | 2 |
| Hyderabad | Rs. /10 Kg. | 575 | 580 | -5 |
| Mumbai | Rs. /10 Kg. | 590 | 590 | Unch |

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

| Centre | Unit | Price | | Change |
|-----------------|---------|----------|----------|--------|
| | | 4-Mar-15 | 3-Mar-15 | |
| Mahesana (Kadi) | Rs./Qtl | 1524 | 1531 | -7 |
| Akola | Rs./Qtl | 1502 | 1510 | -8 |

INTERNATIONAL PRICES AND INDICES
China Cotton Index: As on 4/3/2015

| Index | RMB/Ton | Change |
|--------------|---------|--------|
| CCIndex(328) | 13467 | 1 |
| CCIndex(527) | 12429 | 2 |
| CCIndex(229) | 14195 | 6 |

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

Cotlook Index: As on 3/3/2015

| Cotlook Indices | Cents/Pound | Change |
|-----------------|-------------|--------|
| A-Index | 71.20 | -0.05 |

USDA Cotton Spot Rates: As on 3/3/2015

| Growth Area | Leaf 4 to Staple 34 | Leaf 3 to Staple 35 | Arrivals |
|-------------|---------------------|---------------------|----------|
| | cents/lb. | | bales |
| Southeast | 63.88 | 67.13 | 401 |
| North Delta | 62.88 | 65.63 | NIL |
| South Delta | 62.88 | 65.63 | NIL |
| East TX-OK | 59.00 | 61.25 | 1235 |
| West Texas | 59.00 | 61.25 | 1195 |
| Desert SW | 61.38 | 67.88 | NIL |
| SJ Valley | 62.38 | 72.28 | 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 3/3/2015

| Contract | Open | High | Low | Close | Change |
|----------|-------|-------|-------|-------|--------|
| Mar-15 | 63.90 | 64.20 | 63.71 | 63.73 | -0.90 |
| May-15 | 64.47 | 64.63 | 63.52 | 63.63 | -1.22 |
| Jul-15 | 64.98 | 65.11 | 64.00 | 64.09 | -1.25 |
| Oct-15 | 64.78 | 64.78 | 64.73 | 64.73 | -1.24 |
| Dec-15 | 65.81 | 65.85 | 64.96 | 65.12 | -0.96 |
| Mar-16 | 65.17 | 65.44 | 64.97 | 65.13 | -0.86 |

Pakistan Cotton Spot rates: As on 3/3/2015 (in Pakistan Rupees)

| Product | Rate for | Ex-Gin Price | Up Country Sales | Spot Rate Karachi |
|------------|-----------|--------------|------------------|-------------------|
| Cotton | 37.32 Kgs | 5000 | 150 | 5150 |
| Equivalent | 40 Kgs | 5358 | 160 | 5518 |

Disclaimer

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