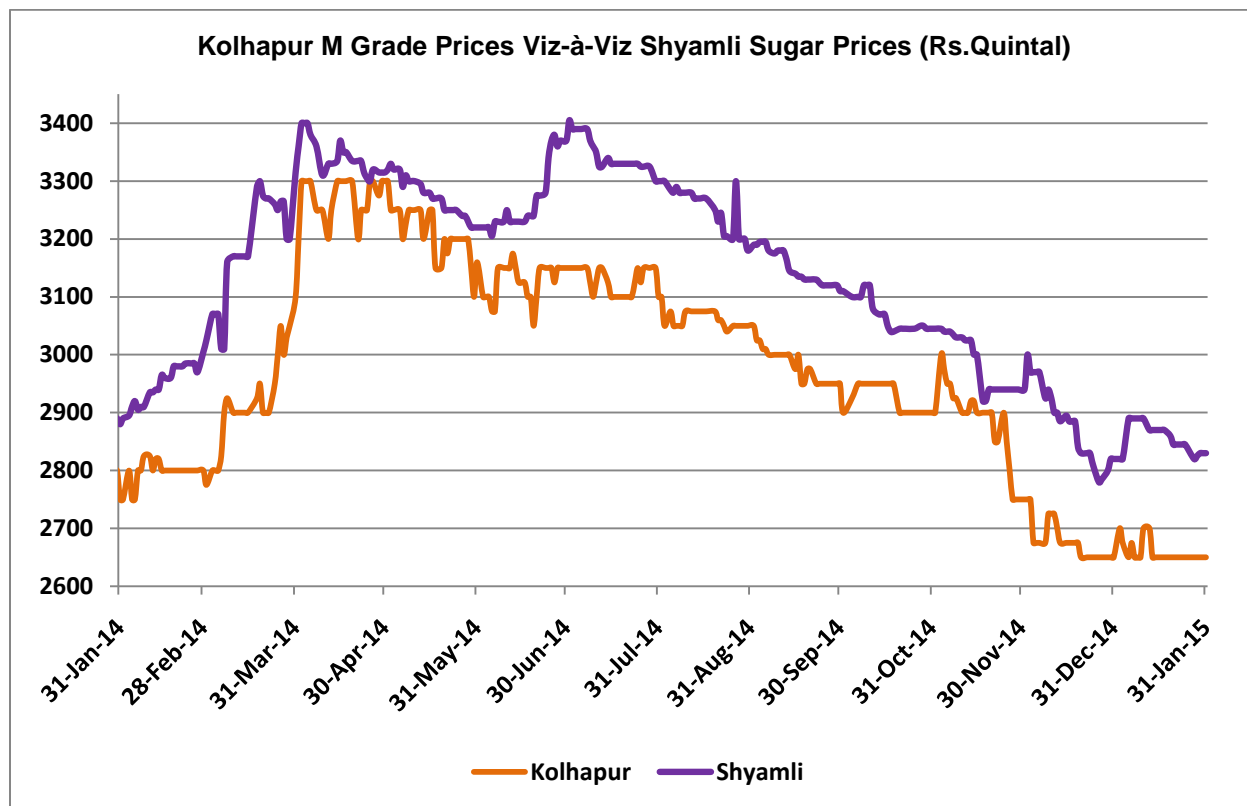


Domestic Market Recap & Price Outlook:

Sugar market remained dormant with prices falling to three year low amid higher supplies from millers in the domestic spot market. In addition, Brazil, the biggest sugar producer in the world had also continued to supply sugar at relatively lower prices which further capped down the potential surge in domestic sugar market.

Notably, the average monthly sugar price in key Kolhapur market settled at Rs 2658/ quintal for the month of January which was last reported at Rs 2682/ quintal in December. Similarly, average sugar prices for M grade in Shyamli declined by 0.95% to settle at Rs 2857 per quintal this month.

However, the market is expected to improve soon as , Brazil is almost done with the sugarcane crushing for the year (2014-15) and had entered into the interharvest period where the mills typically closed down for maintenance due to a lack of mature cane to harvest. In addition, India is also expected to increase its raw sugar export subsidy at a rate of Rs 4000/ tons (which was last granted in Sep, 2014 at Rs 3371/ton) from this month.



Price Outlook:

Sugar prices are currently trading low as the country is going through its peak production time but the situation is expected to turn upside soon as the market expects some positive export initiative by government which could prevent further price deterioration in the industry.

Major Happenings in Domestic Sugar Industry:

- ISMA raised its Indian sugar production estimate from 25-25.5 million tons to 26 million tons for this MY 2014-15 (Oct 1- Sep 30). The revision has been primarily made after evaluating a higher sugar production in west Maharashtra and south Karnataka till date.
- CCEA had agreed upon the states' demand for granting flexibility in fixation of sugar retail issue prices (RIP) under PDS. Notably, the RIP of sugar under PDS had been last updated in 2002 at Rs13.50/kg and has been continuing the same so far. However, as per the new decision made by govt., the sugar subsidy rate for state purchase has now been modified to Rs 18.50/kg.
- In a big relief to the millers in state, the Maharashtra govt. had removed a 5% purchase tax on procurement of sugarcane for session 2013-14. The decision had been taken after carefully considering the indebtedness position of the millers in the state.
- CCEA announced a Fair Remunerative Price (FRP) of Rs 230 per quintal for purchase of sugarcane in 2015-16 (which is linked to a basic recovery rate of 9.5per cent) which is subjected to a premium of Rs 2.42 per quintal for every 0.1 per cent increase above the level of 9.5 per cent recovery. For 2014-15 the FRP fixed has been Rs 220/ quintal which was also Rs 10 more than the FRP decided in 2013-14.
- The U.P govt. had announced its new molasses policy, 2014-15(Nov-Oct), wherein the molasses reservation rate to the country-liquor manufacturers had been reduced from 34 per cent to 15 per cent. The policy had been specifically formulated to help the sick driven sugar industry, who was required to reserve a part of their total molasses production for the country-liquor manufacturers at a rate which is much lower than the market specified prices.
- Sugar production in India for 2014-15(Oct - Sep) lies at 103 lakh tons (till 15th Jan, 2015) which was 19.08% higher than the figure achieved during the same period last year. Reportedly, 494 sugar mills had participated in the crushing process this year compared to 486 mills last year.
- Maharashtra churned around 43 lakh tons of sugar this season (up to 15th Jan, 2015) compared to 31 lakh tons of production last year for the same duration. About 173 sugar mills in the states had actively participated in the crushing operation till date compared to 154 mills last year.
- Sugar production in Uttar Pradesh rose by 26.58% from 19.75 lakh tons in 2013-14 (1st Oct- 15th Jan) to 25 lakh tons in 2014-15 (1st Oct- 15th Jan). The number of sugar mills that operated during the period was 118 compared to 119 last year.
- A production surge of 8.11% had been seen in Andhra Pradesh & Telengana which produced 4.00 lakh tons of sugar in 2014-15 (till 15th Jan) compared to 3.70 lakh tons during the same interval last year. On the other hand, Bihar produced around 2.40 lakh tons of sugar till 15th Jan, 2015 which was 50% higher than the production made by it last year.
- An y-o-y comparison for sugar production in Karnataka remained unchanged as the state produced 17 lakh tons of sugar in 2014-15 (up to 15th January, 2015) which is almost same as the production made last year during the same interval.

- Lesser number of mills invoked lower sugar production this year (2014-15) in Tamil Nadu, where only 20 sugar mills participated in the crushing operation leading to a mere production of 1.10 lakh tons ((till 15th January, 2015)) as against 2.80 lakh ton last year ((till 15th January, 2014).

Indian Sugar Production Scenario Up to 15th January, 2015:

States	Sugar Produced (Lakh Tons)		No. Of Sugar Mills Operating	
	2014-15	2013-14	2014-15	2013-14
Maharashtra	43	31	173	154
Uttar Pradesh	25	19.75	118	119
Karnataka	17	17	63	
Tamil Nadu	1.10	2.80	20	36
Bihar	2.40	1.60	11	
Andhra Pradesh + Telengana	4.00	3.70	30	34
All India	103	86.5	494	486

Raw Sugar Import/Export Opportunity:

Indian indicative raw sugar CIF prices from Brazil quoted at \$504.06 per ton (including 25% import duty) and Indian domestic refined sugar FOB prices quoted at \$433.66 per ton Kolhapur based.

On International front, Brazil sugar FOB prices quoted at \$398.25/ Ton.

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

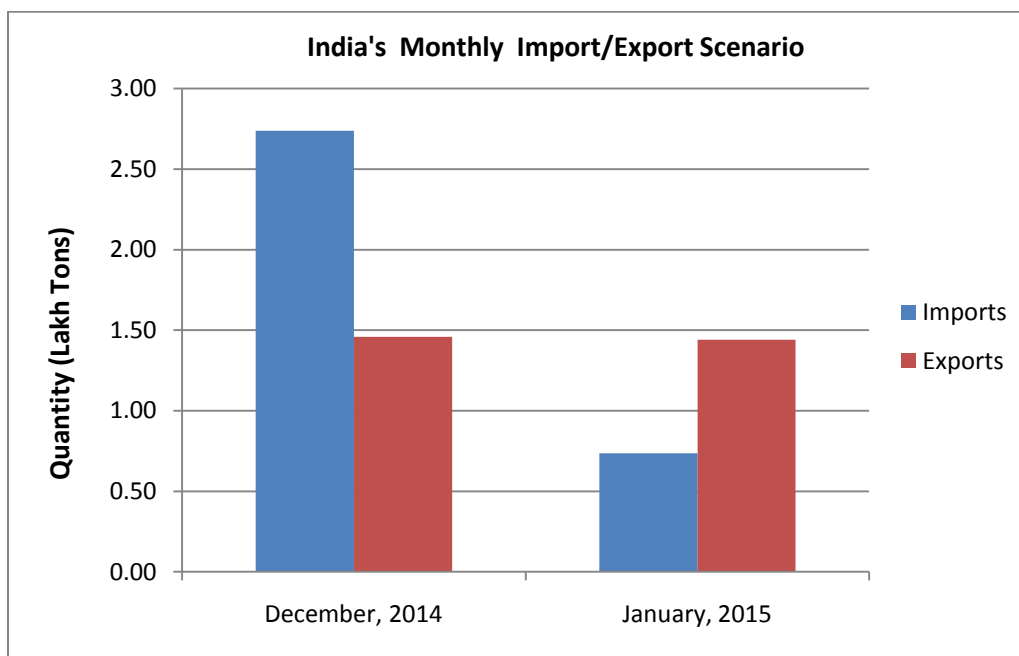
Indicative Sugar FOB Prices (USD/MT) (\$=Rs.62.03) till 02 nd Feb, 2015			
	Brazil	Thailand (100 Icumsa Oct Contract/45 Icumsa Spot)	India (100 Icumsa)
Comparative Sugar FOB Prices	\$398.25	\$466.55/384.60	\$433.66

Sugar Import and Export Scenario:

Indian sugar trade scenario improved in January as the country imported lower sugar (both raw & white) in comparison to the exports made for the month.

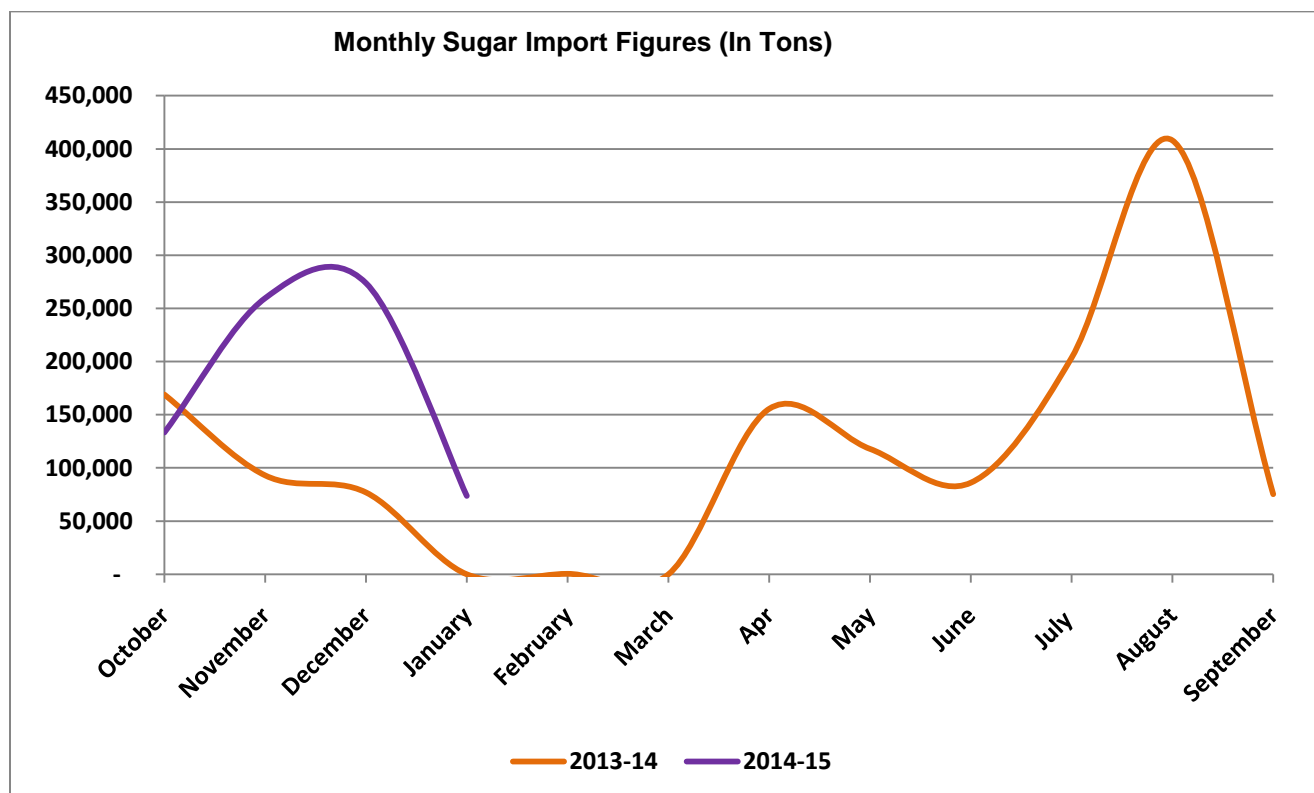
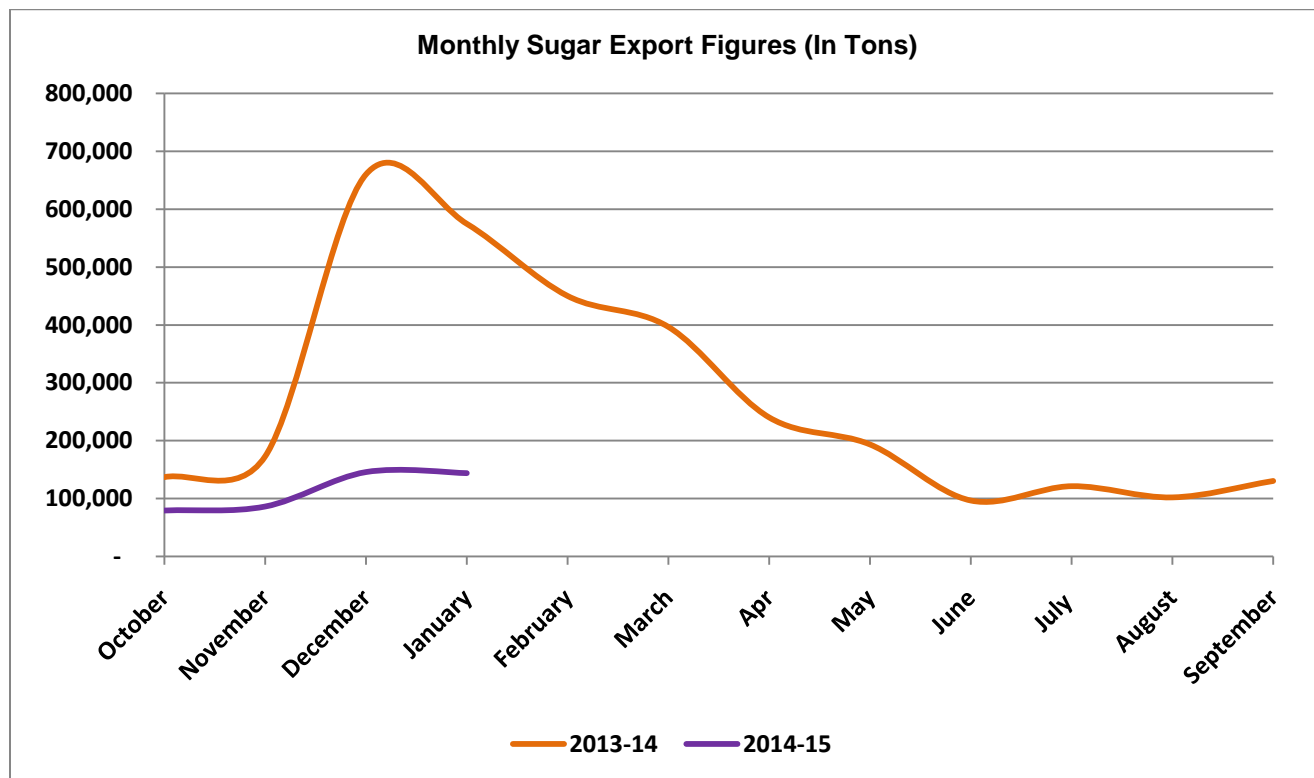
Abundant supply, piling demand and accumulated domestic stock forced India to import only 0.74 lakh tons of sugar this month which was 73.1% lower than the sugar imported last month in December. Even a fall out in global crude oil prices also did not helped much as the country lost parity in importing the commodity from abroad. However, the picture was much buoyant last year when the country imported only 62 thousand tons of sugar in January, 2014.

It should be notable, that the country mostly imported raw sugar during the month from its major counterpart Brazil.



Following a currency appreciation this month, India's sugar export declined 1.3% from 1.46 lakh tons in December, 2014 to 1.44 lakh tons in the month of January, 2015.

Reportedly, the majority of exports made by India had been to the mid- east countries with Sudan topping the list with a total import of 53.12 thousand tons followed by Sri Lanka and Somalia who imported 24.66 and 10.18 thousand tons of Indian sugar respectively. Also, the composition of Indian sugar import mainly comprises of white refined sugar.



Sugar Domestic Balance Sheet:

	Estimated Balance sheet	
Qty in lakh Ton	2013-14	2014-15
Opening Sugar stock	58.89	39.94
Estimated sugar production	245	249
Imports (IBIS)	13.86	7.40
Estimated sugar availability	317.75	296.35
Total Export (IBIS)	32.81	4.56
Total Available for domestic consumption (D-E)	284.94	291.78
Estimates sugar consumption	245	250.39
Ending Stock	39.94	41.39

Spot Sugar Prices Scenario (Monthly):

Spot Sugar Prices Scenario Monthly				
Commodity	Centre	Prices (Rs/Qtl)		Change
		31-Jan	31-Dec	
Sugar	Delhi - Grade M	2900	2908	-8
	Delhi - Grade S	2859	2881	-22
	Delhi - Grade L	NA	NA	-
	UP- Khatauli Grade M	2937	2963	-26
	UP- Ramala Grade M	2867	2836	31
	UP- Dhampur Grade M Ex-Mill	2839	2872	-33
	UP- Dhampur Grade S Ex-Mill	2819	2852	-33
	UP- Dhampur Grade L Ex-Mill	2889	2922	-33
	Mumbai –Grade M	2946	2981	-35
	Mumbai –Grade S	2762	2788	-26
	Kolhapur – Grade M	2659	2683	-24
	Kolhapur – Grade S	2557	2566	-9
	Guhawati – Grade S	2859	2868	-9
	Shillong – Grade S	2877	2886	-9
	Vijayawada – Grade M	3177	3245	-68
	Vijayawada- Grade S	3038	3050	-12
	Nagpur – Grade M	2956	3016	-60
	Nagpur – Grade S	2813	2834	-21
	Kolkata – Grade M	2961	3014	-53
	Chennai - Grade S	2706	2803	-97
	Ambikapur (Chattisgarh)- Grade M (Without Duty)	3035	3035	Unch
	Ambikapur (Chattisgarh)- Grade S (Without Duty)	3035	3035	Unch

Gur Market Scenario and Outlook

Gur spot market remained buoyant with price rising in major centers such as Muzaffar Nagar, Hapur, Mandya, Mahalingpura, etc. driven by winter seasonal demand for the product.

Gur prices in key Muzaffar Nagar market (for Chaku) settled at Rs 2538 per quintal this month which was Rs 123 more than the price quoted last month for the same variety. Similarly, Khurpa and Laddoo varieties also showed an improving trend with their price settling at Rs 2374 & Rs 2628 per quintal this month. The Chaurasa and Balti variety of gur in Hapur also improved Rs 248 & 153 per quintal respectively to close at Rs 2456 and Rs 2342 per quintal this month.

Spot Jaggery(Gur) Prices Scenario (Monthly):

Gur Spot Prices Scenario (Monthly-Average)				
Markets	Variety	31-Jan	31-Dec	Change
Muzaffar Nagar	Chaku	2538	2415	123
	Chaku (Arrival-Sum)	52000	125100	-73100
	Khurpa	2374	2274	100
	Laddu	2628	2456	172
	Rascut	NA	NA	-
Hapur	Chaurasa	2456	2208	248
	Balti	2342	2189	153
Maharashtra	Latur(Lal Variety)	2468	2450	18
Bangalore	Mudde	4162	4220	-58
Belgaum	Mudde	2713	2737	-24
Belthangadi	Yellow (Average)	3131	3135	-4
Bijapur	Achhu	2586	2541	45
Gulbarga	Other (Average)	2641	2640	1
Mahalingapura	Penti (Average)	2647	2583	64
Mandya	Achhu (Medium)	2524	2508	16
	Kurikatu (Medium)	2286	2240	46
	Other (Medium)	2364	2285	79
	Yellow (Medium)	2531	2506	25
Shimoga	Achhu (Average)	2756	2777	-21

Commodity: Sugar
Contract: Continuous Chart

Exchange: NCDEX

SUGAR Continuous Chart (C1)

Technical Commentary:

- Sugar prices are falling while volume surges up for the month.
- Breach of Rs 2760 level would take the prices up to Rs 2790
- The last candlestick depicts bearishness in the market.



Strategy: We advise market participants to Buy.

Positional Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	C1 Chart	2500	2650	2723	2897	2990
Intraday Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	C1 Chart	Buy	Above 2680	2760	2790	2633

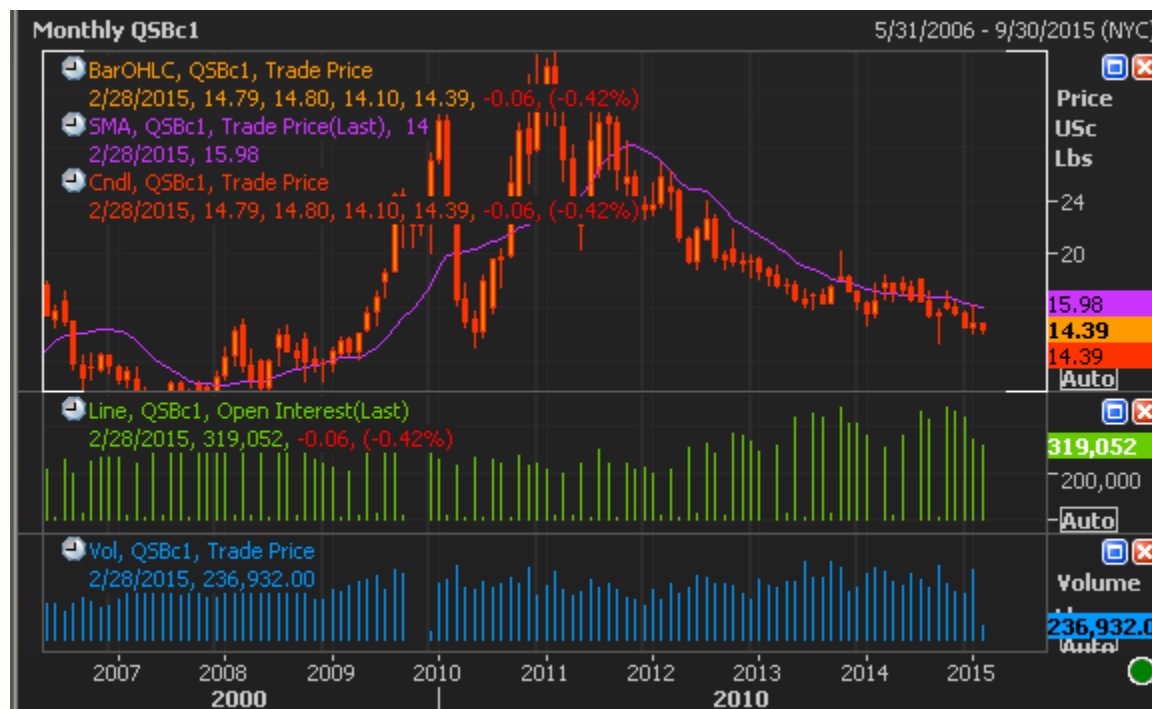
International Scenario

International sugar prices remained subdued amid ample supplies and higher stock availability worldwide. However, medium term prices looks bullish due to overall sugar deficit globally for 2014-15.

International Market News Highlights:

- Brazilian centre south region had churned around 28 thousand tons of sugar in the first two weeks of January (2015) which was 76.2% less than the production made in previous two weeks of December. However, an y-o-y comparison shows that the region had produced mere 8 thousand tons of sugar during the same period last year in 2014.
- The Brazilian govt. announced an increase in ethanol blending with gasoline from 25 per cent at present to 27 per cent. The move is likely to help the devastating sugar industry as more cane could now be diverted towards ethanol production in the country.
- A positive breakthrough is expected in Brazilian ethanol industry where the govt. announced a fuel tax, called Cide on gasoline and diesel that makes the alternative fuel, ethanol more competitive in comparison. Reportedly, the tax is expected to get enforced with effect from Feb 1, 2015 and could raise the price of gasoline and diesel by 0.22 reais and 0.15 reais per liter respectively. Meanwhile, a wider diversification of domestic cane towards ethanol production could also support the cash starved sugar industry to bloom well.
- The Australian govt. predicted the country's total sugar production at 4.6 million tons for this marketing year 2014-15. However, the production is projected to decline next year in 2015-16 amidst rising prospects of El Nino weather event during the period.
- Brazilian agency, CONAB forecasted central south cane production to 582.9 million tons (2014-15) which is 2.8% less than the previous estimate made by it. Notably, the agency attributed the severe draught weather condition in the country for the estimation cut.
- While, cane association UNICA predicted a production of 567 million tons of sugarcane in Brazil's Central South region for 2014-15; which was 4% higher than its previous estimate of 546 million tons. The up gradation has been primarily made due to an increase in area and productivity in the regions (centre- south Brazil) affected least by the drastic draught.
- On the wake of rising refinery demand, the Indonesian govt. had approved an import quota of 0.6 million tons of raw sugar for the first quarter of 2015-16. The move was largely welcomed by the local refiners and food industry in particular who were affected hard by the supply constraint.

ICE Raw Sugar Future Market Scenario (Mar'15 Contract):



Source: Reuters Eikon

As of **05th Feb 2015**, ICE Raw sugar prices settled at 14.79 cents per lbs. On monthly chart, 13.99 cents is the immediate support level, breach of the mentioned level would take the prices down to 12.45 which also lying below its support trend line.

On the upper side, 15.53 and 17.20 cents per lbs are the resistance levels.

LIFFE Future Market Sugar Scenario (Mar'15 Contract):



Source: Reuters Eikon

As of **05th Feb, 2015**, Prices of Refined Sugar London exchange traded at \$383.40 per ton. Here, prices got support at \$370.68 per ton if breach then it could test \$317.83. On the northward direction, \$407.98 & \$435.96 per ton are the next resistance levels.

International Sugar Prices (Monthly)				
	Contract Month	30-Jan-15	30-Dec-14	Change
ICE Sugar #11 (US Cent/lb)	15-Mar	14.79	14.61	0.18
	15-May	15.04	15.01	0.03
	15-Jul	15.33	15.34	-0.01
LIFFE Sugar (US \$/MT)	15-Mar	383.4	387.1	-3.70
	15-May	394.6	396.6	-2.00
	15-Aug	403.7	408.4	-4.70

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