

Price Outlook:

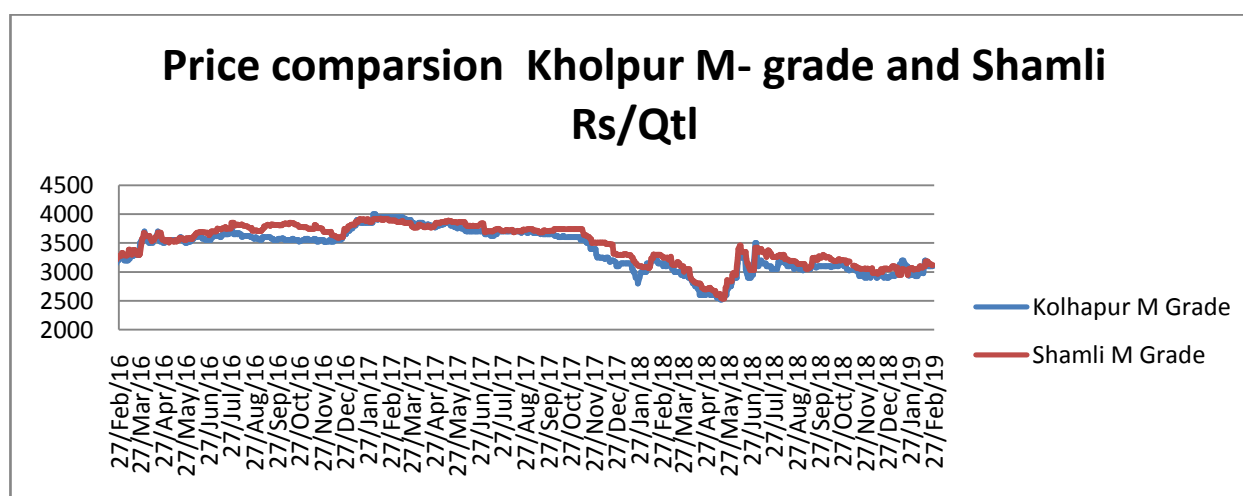
Indian Sugar markets were slightly firm during last month. We expect sugar prices may trade lower as good physical supplies from mills are continuing in the physical market. Prices will be supportive in coming months due to the expectation of weak cane crush this season in the key producing states of UP, Maharashtra and Karnataka.

Price Projection for the Next Month:

As per the Agriwatch estimate, spot sugar prices (M grade) in benchmark Kolhapur market are likely to range between Rs 3100–Rs 3300 per quintal for next Month.

Domestic Sugar Market Summary:

Notably, the average price for sugar 'M' grade in key Kolhapur market settled at Rs 3052 per quintal Jan month up by INR15 from the previous month; while spot sugar prices for the same grade in Shamli district is 3107 per quintal at the end of last month, up by 67 INR against previous months's average price.



Bullish and Bearish factors for Domestic sugar:

| Factors | Impact |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 2018-19 SS Production is estimated to be lower considering the adverse impact of weather and rainfall in the three largest sugarcane producing States. | Bullish |
| After announcement of the export incentives for sugar millers in the country & Announcement for creation of 3 mn tonnes of buffer stock | Bullish |
| Higher cane acreage for 2018-19 | Bearish |
| Tightening of restriction on monthly sales | Bullish |

Domestic Market Highlights

Recent Updates:

The sugar market witnessed slightly firm movement during the month. On the back of announcement of Rs 200 hike in ex mill price from Rs2,900 to Rs 3,100 per quintal. In Maharashtra, Mill trades are taking place at ₹3100 whereas, In Uttar Pradesh, Ex-mill trades are taking place from ₹3100 to ₹3140. In resell, M/30 sugar is trading at ₹3090 to ₹3140.

Sugar mills can sell 24.5 lakh tonne of the sweetener in the open market in the current month. The central government has allocated sugar quota for sale to each of the 524 mills in the country. This increase (in quota for March) is attributable to various factors. There is a pattern of high sales/dispatches around this time of the year. Mills are allowed to sell sugar at a minimum selling price of Rs 31 per kg. The rate was increased recently from Rs 29 per kg to help mills realise maximum revenue and clear cane price arrears of farmers. Recently, mills were also advised to go for advance booking of sugar sales to bulk consumers.

The government has been fixing sugar quota for mills since June 2018 and implementing the Sugar Price (Control) Order 2018 in order to manage surplus production in the country and to stabilise sugar prices with a view to clear cane price arrears of farmers. Sugarcane arrears to farmers have crossed Rs 20,000 crore in the current marketing year 2018-19 (October-September).

The Cabinet Committee on Economic Affairs (CCEA) has approved proposal to provide soft loan of up to Rs 10,540 crore to the sugar industry to help mills clear mounting arrears to cane growers. The CCEA approved the proposal to provide soft loans to the extent of about Rs 7900-10540 crore to the sugar industry. Government will bear the interest subvention cost between 7 -10 percent to the extent of Rs 553 crore to Rs 1054 crore for one year.

Sugar production as on February 15 in the current sugar season has increased nearly 8% to 21.93 million tonne, against 20.35 million tonne in the same period last year. Totally, 494 mills across the country have produced the same. The higher output this year is mainly because Maharashtra and Karnataka mills started their crushing earlier this year. Overall, the country is expected to produce less sugar this season as compared to last season.

In Maharashtra sugar production till February 15, 2019, had gone up sharply to 82.98 lakh tonne as compared with 74.74 lakh tonne produced last year same period. In the current 2018-19 SS, six mills have closed their crushing operations in the state while 187 mills were operating whereas last year, 183 mills were operating on the corresponding date. Due to the early start of mills in Maharashtra, mills therein were expected to close earlier than last year, especially when the output from Maharashtra will be less than last year.

In Uttar Pradesh, 117 sugar mills were in operation and had produced 63.93 lakh tonne, against 64.54 lakh tonne by 119 mills on the corresponding date last year. The recovery of sugar achieved this season is 0.77%

more than what was achieved so far during the last season. However, the yield per hectare is lower than last year because of which the total production in UP will be less than last year.

In Karnataka, production shot up sharply to 38.74 lakh tonne, against 30.73 lakh tonne in the same period last year. Ten mills have closed their operations in the state while 57 mills were in operation as against 52 mills last season. In Tamil Nadu, 33 sugar mills were in operation and had produced 3.50 lakh tonne, against 2.90 lakh tonne by 28 sugar mills in 2017-18 SS on the corresponding date.

According to data compiled by the Cane Commissioner's Office in Lucknow as on February 26, UP mills have bought sugarcane worth Rs 20,475.76 crore during the current 2018-19 crushing season (October-September) at the state government's advised price or SAP of Rs 315 per quintal for **general** and Rs 325 per quintal for **early-maturing** varieties. Sugar production in Uttar Pradesh is likely to touch 12.40 mln tn in 2018-19 (Oct-Sep), a tad higher than 12.05 mln tn likely produced in 2017-18.

Indian sugar trading houses have contracted to export 1,50,000 tonnes of raw sugar to Iran for shipments arriving in March and April at \$305 to \$310 per tonne on a free-on-board basis. Under the sanctions, Iran is blocked from the global financial system, including using US dollars to transact its oil sales. Iran agreed to sell oil to India in exchange for rupees but it can only use those rupees to buy Indian goods, mainly items it cannot produce enough of domestically.

Technical Analysis - Sugar (M grade) Spot Market at Kolhapur market

- Sugar spot prices at benchmark Kolhapur market closed at Rs 3052 quintal this Month.
- Next resistance and support level for the coming month has been seen at Rs 3300 and Rs 3100 per quintal respectively.
- Relative Strengths Indicator is indicating upward movement.



Technical Analysis - Chaku Sukha-gur (fresh) at Spot (Muzaffarnagar) market.
Gur Market Scenario

- Prices of Chaku variety of gur in key Muzaffarnagar market closed at Rs 2559/quintal this month
- Next resistance and support level for the coming month has been seen at Rs 3400 and Rs 2500 per quintal respectively.


Domestic Sugar Market Technical Analysis (Future Market)
Commodity: Sugar
Exchange: NCDEX
Contract: Sugar 1 M Con (Dec)

Strategy: Wait

| Intraday Supports & Resistances | | | S2 | S1 | PCP | R1 | R2 |
|---------------------------------|-------|-----|------|------|------|------|------|
| Sugar | NCDEX | Dec | 2850 | 2900 | 2989 | 3200 | 3250 |

| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
|---------------------|-------|-----|-------------|-------|----|----|----|
| Sugar | NCDEX | Dec | Wait | | | | |

* Do not carry-forward the position next day

Technical Commentary:

- There is no trade volume in near month future contract. Market participants are advised to wait until trade in volume starts.
- In the daily chart the prices has gained but there is no bullish reversal pattern has evolved.
- Seems that the prices are to consolidate in the range with good probability of touching the recent lows again.
- RSI showing some strength with prices remaining below 9 and 18 days EMA.

Sugar Domestic Balance Sheet

| SUGAR BALNCE SHEET 2018-19(LT) | 2016-17 | 2017-18 | 2018-19 | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep |
|------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Carry in stock | 77 | 34.1 | 67.95 | 67.95 | 87.35 | 183.85 | 143.57 |
| Estimated sugar production | 202.85 | 321 | 320 | 98.2 | 160.2 | 44.42 | 17.18 |
| Imports | 4.46 | 2.85 | 0 | 0 | 0 | 0 | 0 |
| Estimated sugar availability (A + B + C) | 284.31 | 357.95 | 387.95 | 166.15 | 247.55 | 228.27 | 160.75 |
| Exports | 4.6 | 30 | 30 | 3 | 10 | 7 | 10 |
| Availability for domestic consumption (D - E) | 279.71 | 327.95 | 357.95 | 163.15 | 237.55 | 221.27 | 150.75 |
| Estimates sugar consumption | 245.61 | 260 | 263 | 75.8 | 53.7 | 77.7 | 55.8 |
| Carry out stock (F - G) | 34.1 | 67.95 | 94.95 | 87.35 | 183.85 | 143.57 | 94.95 |

Source: Agriwatch and ISMA

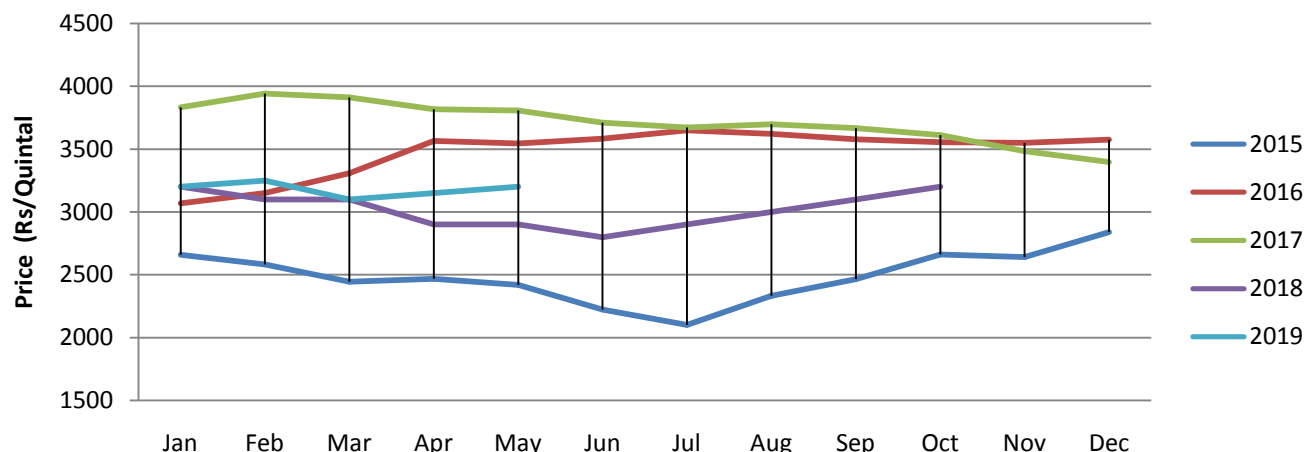
- Note:** Indian sugar marketing year begins from October – September.
- As per the Agriwatch latest estimate, India's sugar production is expected to be 320 LT in 2018/19 then 321 last year. A couple of major cane growing regions of Maharashtra, including Marthawada, had poor rainfall this season. And mild white grub infestation has been reported in States of Karnataka and few parts of Maharashtra. Apart from from that, cane yield and sugar recovery are expected to decline in Uttar Pradesh due to water logging in the fields.
- On the other hand, sugar domestic consumption is expected to rise to 263 lakh tonnes in 2018-19 (01st October, 2018 – 30th September, 2019).
- At the same time, with a higher domestic sugar production and an urge to earn more foreign exchange, the country's exports are expected to rise from 30 LT in 2018-19.

Domestic Sugar (M- grade) Price Projection for next 3 months

| Pariculars | Month | (Rs/Qtl) |
|-----------------------|-------|-----------|
| Current Average Price | Aug | 3120 |
| Projected Price | Sep | 2900-3200 |
| | Oct | 2900-3300 |
| | Nov | 2900-3300 |
| | Dec | 2900-3200 |

| | | |
|--|-----|-----------|
| | Jan | 2900-3250 |
| | Feb | 2900-3000 |
| | Mar | 3100-3200 |
| | Apr | 3100-3250 |
| | May | 3100-3300 |

Kolhapur Sugar(M) Monthly Price trend&Forecast



International Sugar Market Summary:

ICE May Contract raw sugar on Feb 28 closed up at \$12.78 (cent/lb) as compared to \$12.81 of previous month and LIFFE Sugar On Feb 28 closed down by \$348MT as compared to \$352.00 MT of previous month. Strength in crude oil prices Tuesday sparked short-covering in sugar futures since stronger crude oil prices benefit ethanol prices and may prompt Brazil's sugar mills to divert more cane crushing toward ethanol production rather than sugar production, thus curbing sugar supplies.

Bullish and Bearish factors for International sugar:

| Factors | Impact |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Brazil 2018/19 ethanol production estimate to a record 32.2 bln liters (+18.6% y/y), citing the action by Brazil's sugar millers to divert less cane juice to produce sugar. | Bullish |
| ISO's forecast that global 2018/19 sugar production will rise +0.6% y/y to a record 185.2 MMT and that there will be a 2018/19 sugar surplus of 2.2 MMT (vs 2017/18's 7.3 MMT),. | Bearish |
| Concern about smaller global production after Unica forecasted that Brazil's Center South 2018/19 sugar production will fall -28% y/y to 26 MMT | Bullish |
| USDA's FAS forecast for 2018/19 sugar production in India, the world's second-largest sugar producer, to climb +5.2% y/y to a record 35.87 MMT, | Bearish |
| The recent plunge in crude oil prices to a 17-month low, which is negative for ethanol prices and may prompt Brazil's sugar mills to divert less cane to making ethanol, | Bearish |

International Market Highlights:

The market is flat. London White Sugar is trading at \$341.80 whereas US Sugar is trading at \$12.73. The FOB indication for raw sugar was at \$303-\$305 and Indian White Sugar at \$315-\$318. The demand of Raw Sugar range was ₹19300-19400/mt and White Sugar ₹19600-₹19800/MT on Ex.factory basis.

Currency & Commodity: The rupee was trading against the US dollar at 70.47 meanwhile USD traded with BRL at 3.775, Crude Futures traded at ₹3990, WTI \$56.49.

The situation prevailing in the sugar industry across the world seems not to be satisfactory. Not only India but other major sugar-producing countries are also suffering from financial distress. Mexico is one of them. According to El Universal news website, in Mexico, the blockade of sugar warehouses by sugarcane growers has not only affected the local distribution and exports of the sweetener but also made the sugar prices jump 23 per cent high. According to data from the National System of Information and Market Integration (SNIIM), the bag of 50 kilograms of sugar in many supply centers in Mexico has been increased from MXN589 (US\$30.39) to MXN720 (US\$37.15) in the recent week.

Indonesia plays a vital role in the international sugar market. The ups and down in Indonesia sugar industry affects the global market upto some extent. Recently, according to Katadata.co.id, Indonesia had become the largest sugar importer in the world. Based on the data, Indonesia ranked first as the world's largest sugar importer for the period of 2017-2018, with an import volume of 4.45 million tonnes, reported Katadata.co.id. Earlier, media reported that Indonesia is interested in buying sugar from India but wants latter to cut import duty on refined palm oil and the sweetener substantially to 45 per cent and 5 per cent, respectively.

Brazil exported 1.214 million tonnes of sugar, raw value, in February, up from 1.103 mln in January but down from 1.467 mln in the same month last year, Trade Ministry data showed. **Unica's report Feb 12 that Brazil's 2018/19 Center-South sugar production during Oct-Jan was down -26.4% at 26.36 MMT,** with 35.4% of cane used for sugar (down from 46.9% last year), and 64.56% of cane used for ethanol production (up from 53.1% last year).

Global sugar production in 2018/19 may fall by nearly 15.0 million tonnes to 186.2 mln from last season's record 201.2 mln tonnes, which has in turn helped firm prices.

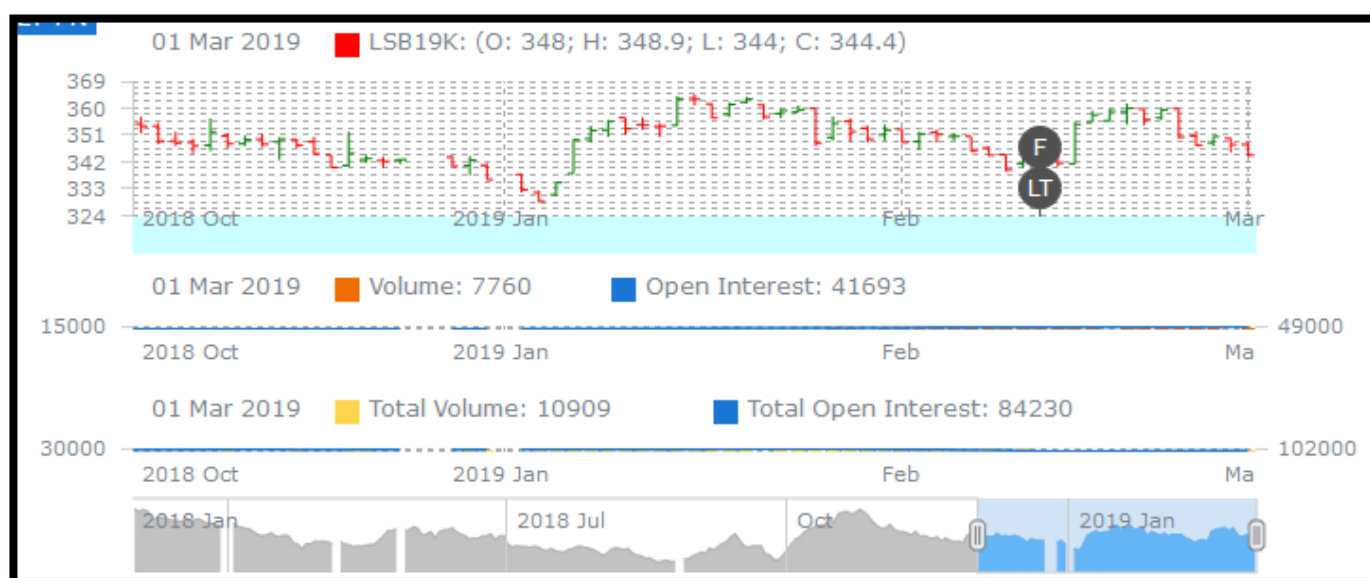
The Thai sugar cane crush continues at full speed with daily crushing volumes of up to 1.25 mln tonnes in the second half of February, industry data showed.

There were only four sugar mills and eight plants that process corn in operation in Brazil's Centre/South in the first half of February, sugarcane industry association Unica said.

International Sugar Futures Price Projection
LIFFE (White Sugar Exchange) Future Market Sugar Scenario (May 19 Contract)
Technical Commentary

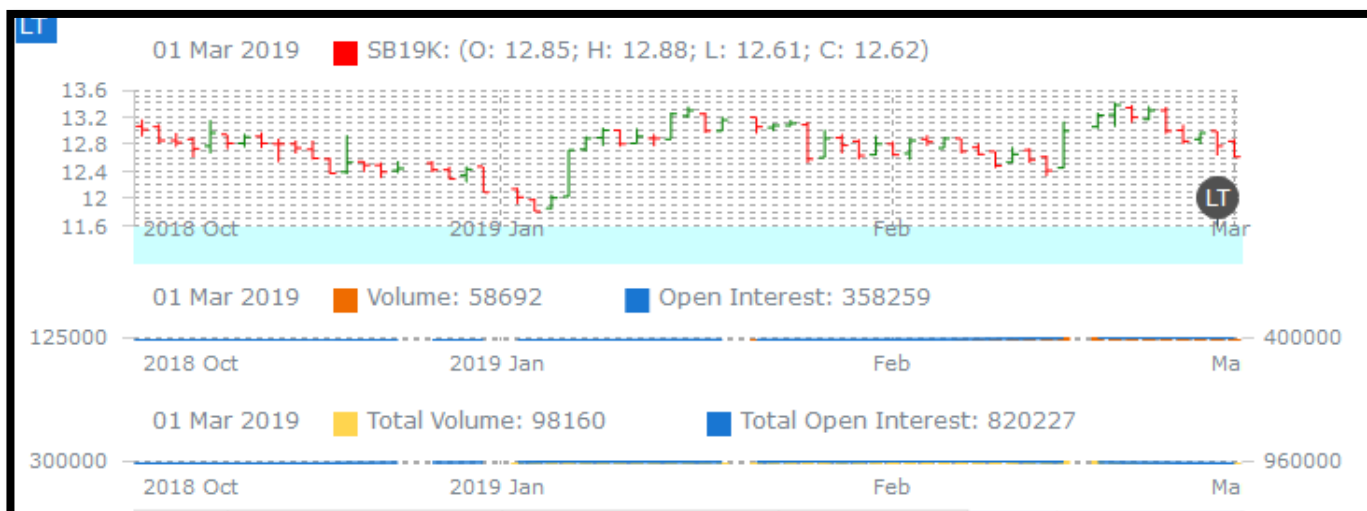
- LIFFE future market trends weak for the month.
- Last candlestick of the WEEK depicts bullishness in the market.
- Strategy: sell below 350,T1 360

| International Sugar Futures Price Projection | | | |
|----------------------------------------------|----------------|---------------|-------------------------------------|
| | Contract Month | Present Quote | Expected Price level for next Month |
| LIFFE Sugar (US \$/MT) | May'19 | 344.4 | 350-360 |

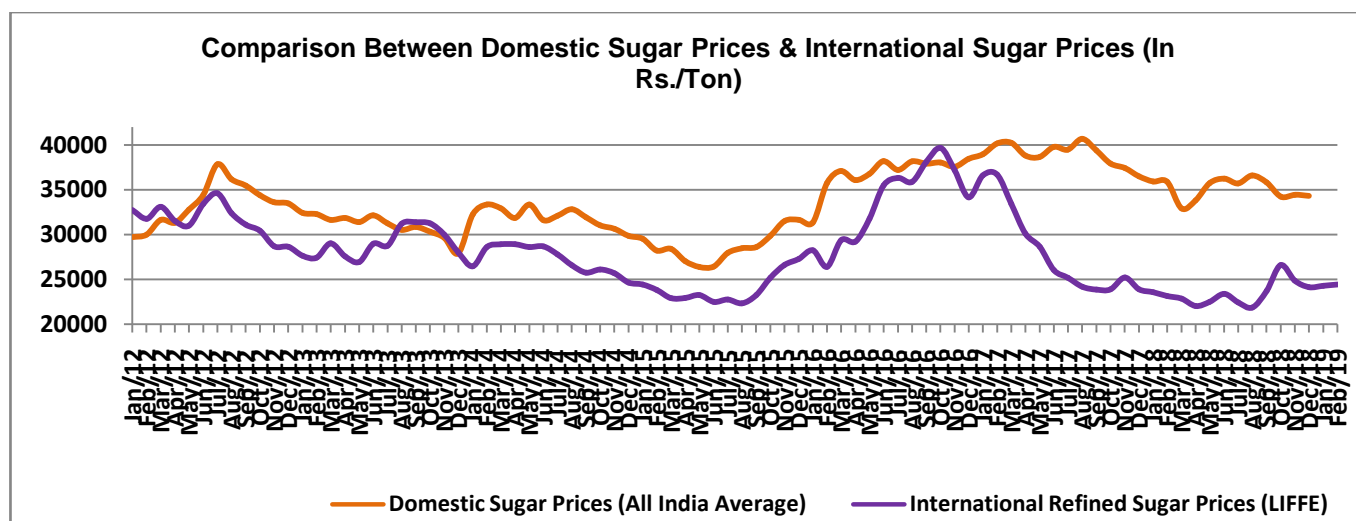

ICE (Raw Sugar Exchange) Future Market Scenario (Mar'19 Contract)
Technical Commentary:

- ICE raw sugar futures trend s slightly upward for the week.
- Last candlestick of the week depicts bearishness in the market. Strategy: sell at 13.20 Targeting 14.

| International Sugar Futures Price Projection | | | |
|----------------------------------------------|----------------|---------------|-------------------------------------|
| | Contract Month | Present Quote | Expected Price level for next month |
| ICE Sugar #11 (US Cent/lb) | Mar'19 | 12.62 | 11-14 |



Comparison of Indian Sugar Prices (All India Average) and International Refined Sugar Prices (LIFFE)



Source: USDA and Agmark.net

| Spot Sugar Prices Scenario (Monthly-Average) | | | | | |
|----------------------------------------------|----------|-----------------|-------------------------|--------|--------|
| Commodity | Centre | Variety | Average Prices (Rs/Qtl) | | Change |
| Sugar | | | Feb,19 | Jan,19 | |
| Delhi | Delhi | M-Grade | 3122 | 3064 | 58 |
| | Delhi | S-Grade | 3102 | 3044 | 58 |
| Uttar Pradesh | Khatauli | M-Grade | 3246 | 3300 | -54 |
| | Ramala | M-Grade | 0 | 0 | Unch |
| | Dhampur | M-Grade Ex-Mill | 3125 | 3075 | 50 |
| | Dhampur | S-Grade Ex-Mill | 3105 | 3055 | 50 |

| | | | | | |
|-----------------------------------------------------|------------|------------------------|------|------|-----|
| | Dhampur | L-Grade Ex-Mill | 3175 | 3125 | 50 |
| Maharashtra | Mumbai | M-Grade | 3399 | 3200 | 199 |
| | Mumbai | S-Grade | 3145 | 3092 | 53 |
| | Nagpur | M-Grade | 3177 | 3150 | 27 |
| | Nagpur | S-Grade | 3136 | 3050 | 86 |
| | Kolhapur | M-Grade | 3052 | 3025 | 27 |
| | Kolhapur | S-Grade | 3011 | 2925 | 86 |
| Assam | Guhawati | S-Grade | 3320 | 3233 | 87 |
| Meghalaya | Shillong | S-Grade | 3331 | 3245 | 86 |
| Andhra Pradesh | Vijayawada | M-Grade | 3491 | 3440 | 51 |
| | Vijayawada | S-Grade | 3451 | 3400 | 51 |
| West Bengal | Kolkata | M-Grade | 3495 | 3530 | -35 |
| Tamil Nadu | Chennai | S-Grade | 3152 | 3150 | 2 |
| | Dindigul | M-Grade | 3476 | 0 | NA |
| | Coimbatore | M-Grade | 3450 | 0 | NA |
| Chattisgarh | Ambikapur | M-Grade (Without Duty) | 3513 | 0 | NA |
| Sugar Prices are in INR/Quintal. (1 Quintal=100 kg) | | | | | |

| Spot Jaggery(Gur) Prices Scenario (Monthly-Average) | | | | | |
|-----------------------------------------------------|---------------|--------------------------|-----------------|--------|--------|
| Commodity | Centre | Variety | Prices (Rs/Qtl) | | Change |
| Jaggery(Gur) | | | Feb,19 | Jan,19 | |
| Uttar Pradesh | Muzaffarnagar | Chaku Sukha(Cold) | 2559 | 2475 | 84 |
| | Muzaffarnagar | Chaku(Arrival)(40kg Bag) | 85200 | 6000 | 79200 |
| | Muzaffarnagar | Khurpa (Fresh) | 2343 | 2263 | 80 |
| | Muzaffarnagar | Laddoo (Fresh) | 2547 | 2528 | 19 |
| | Muzaffarnagar | Rascut (Fresh) | 1988 | 2075 | -87 |
| | Hapur | Chaurasa | 2276 | 2175 | 101 |
| | Hapur | Balti | 2223 | 2163 | 60 |
| Andhra Pradesh | Chittur | Gold | 3621 | Closed | - |
| | | White | 3183 | Closed | - |
| | | Black | 2829 | Closed | - |
| Maharashtra | Latur | Lal Variety | 0 | 0 | Unch |
| Karnataka | Bangalore | Mudde (Average) | 4563 | 4150 | 413 |
| | Belgaum | Mudde (Average) | 2919 | 3200 | -281 |
| | Belthangadi | Yellow (Average) | 0 | 0 | Unch |
| | Bijapur | Achhu | 1737 | 2350 | -613 |
| | Gulbarga | Other (Average) | 2995 | 3050 | -55 |
| | Mahalingapura | Penti (Average) | 3066 | 3024 | 42 |
| | Mandya | Achhu (Medium) | 2675 | 2700 | -25 |
| | Mandya | Kurikatu (Medium) | 2533 | 2600 | -67 |

| | | | | | |
|--|---------|-----------------|------|------|-----|
| | Mandya | Other (Medium) | 2569 | 2600 | -31 |
| | Mandya | Yellow (Medium) | 2700 | 2750 | -50 |
| | Shimoga | Achhu (Average) | 3153 | 3200 | -47 |

Spot Sugar Prices Scenario (Monthly):

| International Sugar Prices (Monthly) | | | | |
|--------------------------------------|----------------|-----------|------------|--------|
| | Contract Month | 28-Feb-19 | 31-02-2019 | Change |
| ICE Sugar #11 (US Cent/lb) | 18-Mar | 12.73 | 12.73 | Unch |
| | 19-Apr | 12.78 | 12.81 | -0.03 |
| | 19-Jun | 13.03 | 13.01 | 0.02 |
| LIFFE Sugar (US \$/MT) | 18-Mar | 375.70 | 341.3 | 34.40 |
| | 19-May | 348.00 | 352.8 | -4.80 |
| | 19-Aug | 354.70 | 358.8 | -4.10 |

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