



Veg. Oil Monthly Research Report

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Outlook and Review:

Domestic Front

Edible oil basket featured weak tone during the month under review. Soy oil, rapeseed oil, sunflower oil, groundnut oil and coconut oil ended in red during the month while palm oil witnessed gains on m-o-m basis.

Palm oil (Kandla) was the best performer among the edible oil complex tracking good demand in the cash market. However, rapeseed oil was the worst performer ending in red owing to weak demand and seasonal slowdown of prices.

We expect soy oil to trade weak on weak fundamentals while palm oil to trade with a sideways to firm tone due to strong fundamentals, higher demand. However, supplies from US and better crop condition of soybean in South America, weak crude oil prices and strong dollar may be bearish for prices.

Recommendation:

Market participants are advised to go long in RSO above 600 for a target of 625 and 630 with a stop loss at 595 on closing basis and Market participants are advised to go long in CPO in above 455 for a target of 475 and 480 with a stop loss at 435 on closing basis.

Market Participants can buy refined soy oil in the cash markets at 590-600 for the target of 630-640 levels (Indore including taxes), if needed. Market Participants can buy CPO Kandla 5% in the cash markets at 450-460 for the target of 480-490 levels, if needed.

International Veg. Oil Market Summary

CBOT soy oil (March) is expected to stay in the range of 30 cents/lb to 33 cents/lb. CPO at BMD (January) is likely to stay in the range of 2400-2800 ringgits per ton. Focus during the coming days will be on the Ringgit, EPA biodiesel regulations, Indian Rupee, US dollar, Chinese demand, crude oil price movement, palm oil demand prospects & ending stocks, EL Nino in Southeast Asia, US soybean crush, impact of Argentina soybean complex reforms and soybean crop situation of soybean in South America.

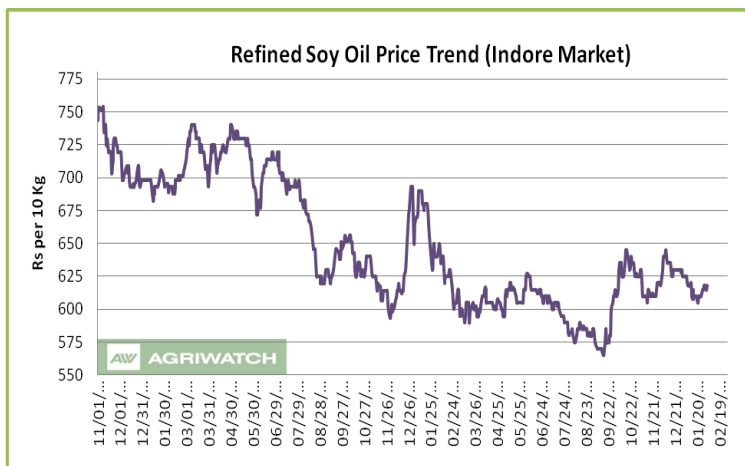
Malaysia's January palm oil exports fell by 9.7 percent to 1,149,255 tons from 1,272,150 tons December 2015. Top buyers were India at 219,540 tons (293,700 tons), European Union at 216,388 tons (297,015 tons), China at 124,107 tons (92,055 tons), United States at 65,537 tons (108,342 tons) and Pakistan at 42,800 tons (39,500 tons). Values in brackets are figures of December 2015: (SGS)

On the international front, Argentina soybean complex reforms by new government, US soybean crush, favorable soybean crop condition in South America, weak crude oil prices, and strong dollar is bearish for the soy complex in the coming days.

El-Nino, weak Ringgit, lower palm oil stocks in Malaysia, supportive biodiesel policies in Indonesia and favorable tax policies by South East Asian countries may support the CPO prices in the near term. However, low Indian and Chinese demand, weak crude oil prices and fresh supplies of soybean from U.S. is bearish for palm oil prices in medium term.

Soy oil: Domestic Market Fundamentals

- Refined soybean oil prices featured downtrend at its benchmark market at Indore during the month in review on weak demand.
- Monthly review & Outlook—Soy oil prices decreased in month of January on weak demand and higher supply on higher imports. Refining margins are negative and soyoil premium over palm oil is very high Rs 173 (Rs 218 last month) per 10 Kg which will adversely affect prices. In USD terms soy oil premium over palm oil is high and is hovering around USD 169 (USD 213 last month) per ton will slow imports. Imports are already very high and the high seas prices of CDSO are in disparity. Low supply of domestic soy oil due to lower crop of soybean on bad monsoon will increase imports. Soy oil demand will fall on mild winter. Prices of soy oil are expected to be weak.
- Soy oil import scenario - According to SEA India imported 490,718 tons of soy oil in December 2015 v/s 97,027 tons in December 2014, up 405 percent y-o-y. Imports during oil year 2015-16 (November –December) were reported at 747,554 tons compared to 218,124 tons during the corresponding period in last oil year, up by 242 percent y-o-y: SEA
- According to Solvent Extractors Association (SEA), India's December 2015 edible oil imports rose by 25.2 percent y-o-y to 14.07 lakh tons from 11.24 lakh tons in December 2014. Edible oil imports for first two months of the oil year 2015-16 rose by 20.54 percent y-o-y to 27.40 lakh tons from 22.73 lakh tons in first two months of oil year 2014-15.
- According to Solvent Extractors Association (SEA), India's stock at ports and in pipelines rose to 2.51 MMT on 1st January, 2016 from 2.43 MMT on 1st December, 2015. Stocks at ports and in pipelines are at record levels. Stocks at all ports is estimated at 1.11 MMT tons (CPO 0.52 MMT, RBD Palmolein 0.20 MMT, Degummed Soybean Oil 0.25 MMT, Crude Sunflower Oil 0.10 MMT and 0.04 of Rapeseed (Canola) Oil) and around 1.40 MMT in pipelines. Stocks at ports and in pipelines are estimated at 47 days of India's edible oil consumption on 1st January, 2016 v/s 44 days requirement on 1st December, 2015. India's monthly requirement is around 1.6 MMT.
- United States Department of Agriculture (USDA) raised India's imports of soy oil in its January estimate by 0.2 MMT to 3.55 MMT from 3.35 MMT in its December estimate. India imported 2.799 MMT of soy oil in 2014/15. Rise in import has been due to lower expected cottonseed oil production. India's consumption in its January estimate has been raised by 0.2 MMT to 4.7 MMT. In 2014/15 India consumed 4.050 MMT of soy oil. Consumption in 2015/16 rose by 16 percent y-o-y.
- Imported crude soybean oil CIF at West coast port is offered at USD 739 (748) per ton for February delivery. March delivery is offered at USD 730 (741) per ton and April delivery is offered at USD 721 (USD 735) per ton as on 30 January, 2016, CIF CDSO December average price was USD 719 (USD 754) per ton. Values in brackets are figure of 30 January, 2016
- On the parity front, margins had improved during the month but we expect margins to stay low in the coming days. Currently refiners get USD -5-10 /-ton (November average) v/s USD -10-15/ton (last month) margin in processing the imported Soybean Oil (Argentina Origin).
- We expect soy oil to trade sideways to firm tone in the coming days.



International Market Fundamentals

- Monthly review & Outlook – Lower soybean crop estimates in Brazil and adverse weather conditions in Argentina soybean producing regions has pushed up prices of soy oil. Slow harvest of soybean in Brazil due to irregular rains in key soybean producing regions is affecting prices. Soybean exports from US have improved

in recent weeks and soybean crush has improved in US in January. NOPA reported higher stocks of soy oil in US which is bearish for soy oil prices. Higher soy oil use in biodiesel for manufacturing of Methyl Ester is bullish for prices. USDA decreased soy oil ending stocks in US on higher use which is bullish for soy oil.

Argentinean president Mauricio Macri's delivered his pre election promise removing ban on imports of soybean from Paraguay, Uruguay and Brazil intended to decrease the idle capacity of soybean processors will increase soy oil supply in already flooded global soy oil markets.

China soybean demand worries are expected to persist on slowdown of Chinese economy.

Weak crude oil prices will be bearish for prices while weak dollar is expected to support prices.

- United States Department of Agriculture (USDA) lowered end stocks of US by 0.35 million pounds in its January estimate to 2,110 million pounds. In January estimate, US 2015/16 soy oil production has been raised by 75 million pounds to 21,925 million pounds. Higher production of soy oil has been estimated on higher extraction rate. Imports have been raised by 40 million pounds to 265 million pounds. Biodiesel use has been increased by 100 million pounds at 5,500 million pounds. Food, Feed & other Industrial use has been raised by 50 million pounds to 14,100 million pounds. Soy oil price estimate is unchanged at 28.5 to 31.5 cents per pound.
- FAO Vegetable Price Index increased 2.9 points (2.1 percent) to 141.1 points in December from 138.3 points in November 2015. The rise was due to rise in prices of soy oil which rose to 6-month highs on uncertainty over Brazil's soybean crop and rising global soy oil demand. However, palm oil prices remained stable as concerns of production decline on El Nino in Southeast Asia were balanced by weak global demand. For 2015, FAO Vegetable Oil Index averaged 147 points in 2015, down 19 percent from 2014 which is 9-year low.
- National Oilseed Processors Association (NOPA) in its report showed that US soybean crush fell in December 2015 to 157.711 million bushels from 165.382 million bushels in December 2014, fall of 6.77 percent y-o-y. However, crush was up 1 percent from November at 156.134 million bushels. Crush reported by NOPA was below analyst estimates. Soy oil production in December 2015 rose to 1834.03 million lbs from 1801.65 million lbs in November 2015, up 1.8 percent m-o-m. In December 2015, soy oil production stood at 1849.39 million lbs. Yield in December 2015 was at 11.63 lbs/bushel from 11.54 lbs/bushel in November 2015 and 11.18 lbs/bushel a year ago. Soy oil stocks on December 31, 2015 were at 1.481 billion lbs from 1.477 billion lbs on November 30, 2015. Soy oil stocks were at 1.068 billion lbs on December 31, 2014.
- According to AgRural, Brazil 2015-16 soybean crop is 4 percent harvested as on 30 January 2016. This is in line with 5 year average but below 6 percent harvested in the corresponding period last year. Farmers in Mato Grosso harvested at higher pace due to clear weather but still harvesting was behind 3 percent from corresponding period last year.
- According to China General Administration of Customs, China's imports of edible vegetable oil rose to 770,000 tons in December 2015 v/s 580,000 tons in November 2015, higher by 32.8 percent m-o-m. On year on year basis imports rose by 30.5 percent and higher by 4.1 percent on year to date basis.
- According to U.S. Energy Information Administration (EIA), US biodiesel production fell in November 2015 from October 2015 at 106 million gallons from 107 million gallons in October 2015. Soy oil was the largest feedstock used with 464 million lbs used in November, which is 58 percent of the total production. In October soy oil used for biodiesel production was 408 million lbs.
- USDA' WASDE Oilseeds Highlights - : The 2015/16 U.S. season-average farm price forecast for soybeans is projected at \$8.05 to \$9.55 per bushel, down 10 cents at the midpoint based on prices reported to date. Soybean meal is forecast at \$270 to \$310 per short ton, down 20 dollars on both ends. The soybean oil forecast is unchanged at 28.5 to 31.5 cents per pound.

Price Outlook: We expect Ref. soy oil with VAT to trade in the price band of Rs 580-650 per 10 Kg.

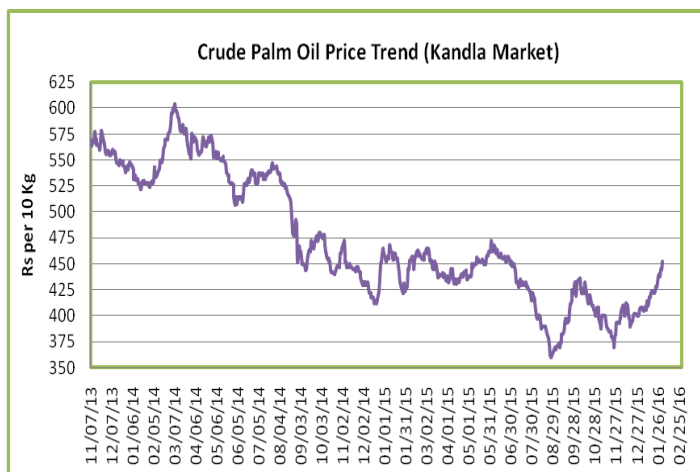
Balance Sheet- Soy Oil, India
Fig. in lakh tons

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-2016-F |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Opening Stock | 2.26 | 2.18 | 1.68 | 2.16 | 3.74 |
| Production | 21.55 | 22.64 | 18.00 | 17.28 | 16.20 |
| Imports | 10.79 | 10.91 | 18.90 | 28.50 | 36.00 |
| Total Supply | 34.60 | 35.72 | 38.58 | 47.94 | 55.94 |
| Consumption | 32.42 | 34.04 | 36.42 | 44.20 | 51.27 |
| Exports | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ending Stock | 2.18 | 1.68 | 2.16 | 3.74 | 4.67 |

- Prices of soy oil in 2015-16 are expected to be lower on higher carryout in oil year 2014-15 on higher imports.
- Soy oil production is expected to be lower in oil year 2015-16 on lower soybean crush due to lower soybean crop in 2014-15.
- Carryout stocks of oil year 2014-15 is 3.74 lakh tons on higher soybean oil imports.
- Carryout of 2015-16 is higher than 2014-15 due to higher imports.

Palm oil: Domestic Market Fundamentals

- CPO prices witnessed firm tone in the month of January at its benchmark market at Kandla on strong demand.
- Monthly review & Outlook – Palm prices rose in January on higher demand due to mild winter. High seas crude palm oil disparity is very high due to oversupply in domestic market. Condition of oversupply is high with high stock at ports and in pipelines. However, despite fall in imports of crude palm oil, RBD palmolein imports rose significantly due to higher margins in imported RBD palmolein than domestic refined oil. This is due to lower import duty differential between crude edible oil and refined edible oil. Currently duty differential between crude and refined edible oil is 7.5 percent but Industry is asking for 15 percent duty differential. Prices of palm oil will rise on high soy oil premium over palm oil which is hovering at Rs 173 (Rs 218 last month) per 10 Kg and refining margins are positive. Prices will find support in high demand in February. However, international fundamentals of palm oil will positively affect domestic prices.
- Palm oil import scenario –India imported palm oil amounting to 788,078 tons in December 2015 v/s 838,537 tons in December 2014 lower by 6.4 percent on y-o-y basis. Imports during oil year 2015-16 (November – December) were reported at 1,661,670 tons compared to 1,635,324 tons during the corresponding period in last oil year, down by 1.6 percent y-o-y: SEA
- On the trade front, CNF CPO (Indonesian origin) at Indian port is quoted at USD 570 (USD 535) per ton for February delivery. Moreover, RBD palmolein (Malaysian origin) CNF at Indian port is offered at USD 595 (USD 565) per ton for February delivery. CPO duty paid prices ready lift quoted at Rs 445 (Rs 407) per 10 Kg and March delivery is offered at Rs 448 (Rs 410) per 10 Kg on 30 January, 2016. Values in bracket depict last month quotes.
- United States Department of Agriculture (USDA) lowered India's 2015/16 palm oil imports to 9.525 MMT in its January estimate from 9.725 MMT in December estimate. India imported 9.129 MMT of palm oil in 2014/15, according to USDA. Lower imports of palm oil are due to higher imports of soy oil and rapeseed oil. Consumption of palm oil in 2015/16 has been lowered to 9.925 MMT in January estimate from 10.125 MMT in December estimate. In 2014/15 India consumed 9.009 MMT of palm oil. Consumption of palm oil in 2015/16 will rise by 10.2 percent y-o-y.
- Palm oil imports will slow in near term owing to decreasing CIF soybean oil premium versus crude palm oil, which is hovering at USD 169 per ton (USD 213 per ton last month).
- On the parity front, margins had weakened during the month of January on higher price of palm oil products in domestic market and we expect margins to weak in the coming days. Currently refiners get USD 20-25/ton v/s USD 35-40/ton (last month) margin in processing the imported CPO but on the imports of ready to use palmolein gets USD 15-20/ton (USD 5-10 last month) parity.
- We expect palm oil to trade sideways to firm tone in the days ahead.



International Market Fundamentals

- Monthly review & Outlook – Palm oil prices will find support on decrease of production of Malaysia in February. Dry conditions due to El Nino will slow down production. Drought conditions in Indonesia and Malaysia reduce yields resulting in lower production of palm oil. Exports will improve in February from Malaysia especially from India on festive season demand.

China demand concerns will persist in February on slowdown of Chinese economy. Depreciation of Chinese Yuan has increased import prices of palm oil affecting imports. Palm oil price is still competitive versus soy oil, canola oil and sunflower oil. RBD palmolein discount with crude degummed soy oil (CDSO) is expected to narrow in coming days on El Nino. Appreciation of Ringgit is the only factor adversely affecting palm oil. However, expectation of rise of crude oil will positively affect prices. Stocks of palm oil are expected to decrease in coming months on lower production and higher exports supporting prices.

Prices of palm oil will stay firm on the above fundamentals.

- Malaysia's December palm oil ending stocks fell more than consensus estimates to 2.63 MMT compared to 2.9 MMT in November 2015, fall of 9.52 percent m-o-m. Production in December fell to 1.4 MMT (1.65 MMT), down 15.39 percent m-o-m. Exports in December fell to 1.48 MMT (1.5 MMT), down 1.09 percent m-o-m. Imports in December fell to 0.08 MMT (0.12 MMT), fall of 47.67 percent m-o-m. Values in brackets are figures of November 2015: Malaysia Palm Oil Board (MPOB)
- According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's January palm oil exports fell by 9.7 percent to 1,149,255 tons from 1,272,150 tons December 2015. Top buyers were India at 219,540 tons (293,700 tons), European Union at 216,388 tons (297,015 tons), China at 124,107 tons (92,055 tons), United States at 65,537 tons (108,342 tons) and Pakistan at 42,800 tons (39,500 tons). Values in brackets are figures of December 2015
- According to Indonesia Palm Oil Association (GAPKI), Indonesia's palm and palm kernel oil exports rose in December 2015 by 5 percent at 2.506 MMT from 2.385 MMT in November 2015. Top buyers were China at 632,350 tons (436,910 tons), India at 450,680 tons (506,390 tons), European Union at 368,720 tons (418,050 tons), Pakistan at 165,270 tons (158,950 tons), Bangladesh at 96,700 tons (165,210 tons) and Middle East at 200,460 tons (165,210 tons). Values in brackets are figures of November 2015.
- Policy development- According to Indonesia trade ministry, Indonesia kept export duty for February unchanged at zero.
Malaysian government keeps crude palm oil (CPO) export duty unchanged at zero for February. Tax is calculated at a reference price of 2,153.74 ringgit (\$489.88) per ton. Prices above 2,250 ringgit per ton will be taxed starting from 4.5 percent to a maximum of 8.5 percent. This is the tenth month since April when export duty on exports of palm oil was kept at zero. Malaysia intends to reduce its swelling stocks of palm oil by reducing the duty to zero.
- According to Indonesian government, Indonesia biodiesel demand in 2016 will rise to 6.94 million kilolitres against a previous estimate of 4 million kilolitres. The government did not give any reason to increase. Indonesia has raised bio content in biodiesel from 15 percent to 20 percent in 2016 to decrease imports of crude oil.
- According to Indonesia government, Indonesia's biodiesel consumption in 2015 will fall by 48.30 percent to 8.25 LT from 16.00 LT in 2014. This fall is due to change in subsidy scheme. Indonesia allocates subsidies to state budget but changed it to independent fund this year and collected from CPO export levy. Indonesia has embarked on ambitious biodiesel mandate to increase biodiesel production by fivefold to reduce its carbon emission to fulfill its international commitments. Indonesia is fifth largest emitter of carbon in the world. Indonesia has increased bio content blending in diesel to 20 percent in 2016 from 15 percent in 2014, which will significantly reduce its carbon emissions.
- According to Malaysian Palm Oil Board (MPOB), Malaysia's palm oil production could rise to 20.1 MMT in 2016 from 19.96 MMT in 2015. Matured area is expected to influence crude oil production. Matured area will increase by 3 percent, especially in Sarawak, according to the board. Malaysia's output of palm oil in 2015 was 19.96 MMT, up 1.5 percent y-o-y.
- According to China General Administration of Customs, China imported 580,000 tons of edible vegetable oil in November 2015 compared to 480,000 tons in October 2015, higher by 20.8 percent. Imports in November 2015 are higher by 45 percent from a year ago when it imported 400,000 tons and higher by 1.3 percent year to date at 6,000,000 tons.
- Weather - According to Japan Weather Bureau, El Nino peaked between November and December 2015. There is strong possibility of weather returning to normal by summer. El Nino conditions is caused due to warming of Pacific sea-surface leading to dry condition in Asia and Africa while causing extreme wet conditions

in South America. Australia weather bureau has said that 2015-16 El Nino which is strongest in last 50 years had peaked in recent weeks and is expected to return to normal by Quarter 2, 2016.

Price Outlook: We expect CPO Kandla 5% to trade in the price band of Rs 440-490 per 10 Kg.

Balance Sheet- Palm Oil, India

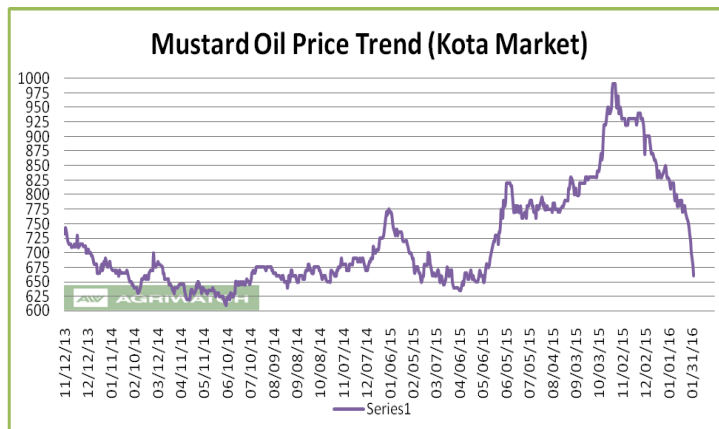
Fig. in million tons

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16-F |
|----------------------|-------------|-------------|-------------|--------------|--------------|
| Opening Stock | 0.48 | 0.93 | 1.12 | 0.60 | 0.98 |
| Production | 0.11 | 0.14 | 0.17 | 0.18 | 0.20 |
| Imports | 7.67 | 8.29 | 7.96 | 9.54 | 10.11 |
| Total Supply | 8.26 | 9.36 | 9.25 | 10.32 | 11.29 |
| Consumption | 7.33 | 8.24 | 8.65 | 9.34 | 10.18 |
| Ending Stocks | 0.93 | 1.12 | 0.60 | 0.98 | 1.10 |

- Prices of palm oil in 2015-16 are expected to be weak on higher carryout in oil year 2014-15.
- Imports are expected to exceed 10 million tons
- Carryout stocks of oil year 2014-15 is 0.98 million tons on higher imports.
- Carryout of 2015-16 is higher than 2014-15 due to higher imports of palm oil.

Rapeseed oil: Domestic Market Fundamentals

- Rapeseed oil featured downtrend during the month of December on lower demand and seasonal trend of lower prices.
- Rapeseed oil prices are in continuous downtrend since November 2015 until stock limit was imposed in Rajasthan on rapeseed oil and rapeseed. Slowdown of demand on milder winter has contributed to fall. Prices fell on seasonal downtrend of prices. Demand from eastern India is weak. Rapeseed crop situation is very good and production will be higher than last year resulting in sharp fall in rapeseed prices. With lower Rapeseed (Canola) oil prices imports are expected to surge in 2015-16 and touch new highs. Prices fell due to higher prices in retail market and price sensitive Indian consumer is not likely to buy at higher prices. Prices of soy oil and palm oil are much lower than rapeseed oil resulting in lower price. Prices are expected to be lower if demand fails to revive.
- Rabi rapeseed sowing is slow this year at 64.51 lakh hectares as on 28 January 2016 compared to 65.17 lakh hectares in the corresponding period last year.
- USDA Rapeseed Oil (Canola oil) update-United States Department of Agriculture (USDA) increased India's 2015/16 rapeseed oil imports to 0.45 MMT in its January estimate from 0.40 MMT in December estimate. In 2014/15 India imported 0.384 MMT. Domestic consumption in 2015/16 has been raised to 2.380 MMT in its January estimate from 2.350 MMT in December estimate. In 2014/15 domestic consumption of rapeseed oil was 2.505 MMT. Domestic consumption of rapeseed oil in 2015/16 will fall by 5.3 percent y-o-y.
- India imported 25,609 tons of rapeseed (canola) oil in December 2015 v/s 36,490 tons in December 2014, lower by 42.48 percent y-o-y. Imports during oil year 2015-16 (November –December) were reported at 50,459 tons compared to 73,905 tons during the corresponding period in last oil year, down by 46.40 percent y-o-y.: SEA
- CIF Canola oil premium over soybean oil is hovering at USD -4.00 (USD 2.00 last month) as on 30 January, 2015. Low premium of canola oil over soybean oil will increase imports of canola oil.
- Currently, RM oil at Jaipur market (expeller) is offered at Rs 751 (846) per 10 Kg and at Kota market is quoted around Rs 670 (800) per 10 kg as on 30 January, 2016. Values in brackets are figures of last month.
- We expect RM seed oil prices to trade sideways to weak tone in the coming days.



Price Outlook: We expect Rapeseed oil (Kota) to trade in the price band of Rs 600-750 per 10 Kg.

Balance Sheet- Rapeseed Oil, India

Fig. in lakh tons

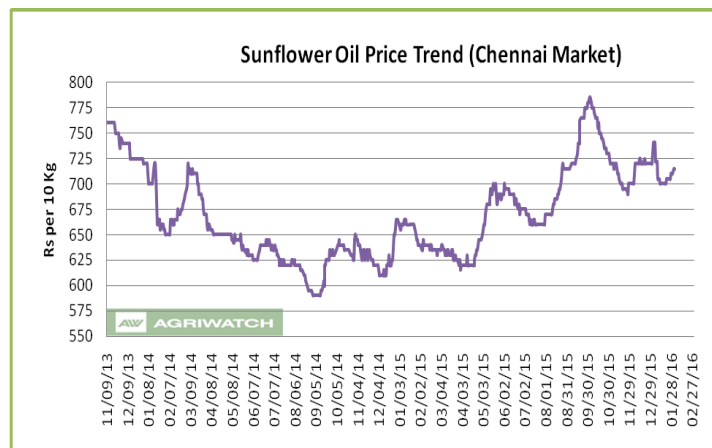
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16-F |
|---------------|---------|---------|---------|---------|---------|-----------|
| Opening Stock | 1.67 | 1.79 | 1.49 | 1.69 | 1.78 | 1.25 |
| Production | 23.80 | 22.05 | 24.33 | 26.04 | 19.60 | 21.70 |
| Imports | 0.11 | 0.91 | 0.13 | 2.00 | 3.70 | 4.50 |
| Total Supply | 25.58 | 24.75 | 25.95 | 29.73 | 25.08 | 27.45 |
| Exports | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Consumption | 23.79 | 23.27 | 24.26 | 27.94 | 23.83 | 25.97 |
| Ending Stocks | 1.79 | 1.49 | 1.69 | 1.78 | 1.25 | 1.48 |



- Prices of rapeseed oil in 2015-16 are expected to be steady on lower carryout in oil year 2014-15.
- Rapeseed oil production is expected to be higher in oil year 2015-16 on higher rapeseed crop.
- Higher oil production in 2015-16 is due to higher marketable surplus of rapeseed resulting in higher crush.
- Carryout stocks of oil year 2014-15 is 1.25 lakh tons on lower rapeseed oil production.
- Carryout of 2015-16 is higher than 2014-15 due to higher production and import of rapeseed oil.

Sunflower oil: Domestic Market Fundamentals

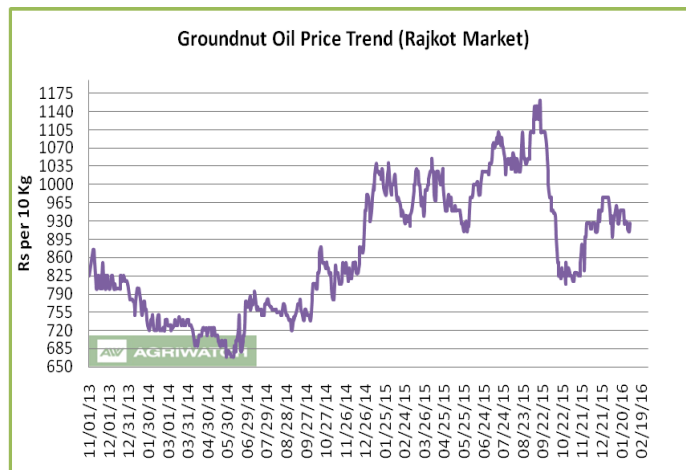
- Sunflower oil featured downtrend at its benchmark market in Chennai during the month of January due to weak demand.
- Sunflower prices shot up sharply in 2016 which led price sensitive consumers to shift to cheaper domestic oils like cottonseed oil and rice bran oil which are trading at much lower prices. Refiners and stockiest will purchase sunflower oil when sunflower premium over soy oil approaches USD 100 (USD 131 at present). Refiners have restocked at lower quotes and they have adequate stocks. Ukraine has larger crop of sunflower this year compared to last year. Ukraine is selling cautiously in international markets, so Indian buyers are not booking cargoes. Therefore, international sunflower prices are expected to be bearish in near term. In domestic market, demand is expected to be weak in near term. However, sunflower oil being the preferred oil in South India, prices fall will be limited.
- Sunflower sowing is complete in 2.95 lakh hectares in Rabi 2015-16 as on 28 January 2016 v/s 2.95 lakh hectares in the corresponding period last year.
- Sunflower oil import scenario – According to SEA, India imported 1.03 lakh tons of crude sunflower oil during December 2015 versus 1.52 lakh tons in December 2014, down by 47.57 percent y-o-y. Imports during oil year 2015-16 (November –December) were reported at 2.80 lakh tons compared to 3.46 lakh tons during the corresponding period in last oil year, down by 23.57 percent y-o-y.
- According to State Statistics Service Ukraine, 353 KMT of sunflower oil was produced in Ukraine in November 2015 v/s 393 KMT in October 2015 and 395 KMT in November 2014. 1042 KMT of sunflower oil is produced in Ukraine, which is lowest since 2012/13.
- Ukraine exported 511.6 KMT of sunflower oil in December. These exports figures were record in history. The numbers include crude and refined sunflower oil. Since the beginning of marketing season (September–December) Ukraine, exported 1458 KMT of sunflower oil. Key importers were in 2015/16 are India (33% of the total exports), EU (25%), and China (15%). Turkey is the fifth largest buyer with 6% and Malaysia at 4%.
- COOIT estimated kharif production of sunflower for MY 2015-16 at 0.8 lakh tons v/s 1.30 lakh tons kharif 2014-15. Kharif sunflower oil availability is reported at 0.28 lakh tons for MY 2015-16 v/s 0.46 lakh tons in kharif 2014-15.
- Sunflower oil global production is seen at 15.134 MMT in 2015/16 compared to 15.063 MMT in 2014/15 - USDA. India imports are projected at 15.50 lakh tons of Sunflower oil in 2015/16 up from 15.31 lakh tons 2014/15. India is the largest importer of sunflower oil in the world: USDA.
- CIF sunflower oil prices (Ukraine origin) at west coast of India quoted around USD 860 (USD 845 last month) per ton for February delivery, March delivery is offered at USD 855 per ton while AMJ delivery is offered at USD 850 per tons as on 30 January, 2016. Last month, CIF sun oil (Ukraine origin) monthly average was around USD 848.91 per ton.
- Prices are likely to stay in the range of USD 800-900 per ton in the near term. CIF Sunflower oil premium against crude soybean oil had strengthened from last month and is hovering at USD 131 per ton versus USD 104 last month.
- We expect sunflower oil prices to trade sideways to firm tone in the coming days.



Price Outlook: We expect sunflower oil (Chennai) to trade in the price band of Rs 650-780 per 10 Kg.

**Groundnut oil:
Domestic Market Fundamentals**

- Groundnut oil featured bearish tone during January at its benchmark market in Rajkot on weak demand.
- Groundnut oil prices fell on weak demand. Peak season demand is over in Gujarat which has led to fall in prices. Price of groundnut oil is high compared to oils like cottonseed oil and palm oil and price sensitive consumers have moved towards competing oils. Prices of groundnut oil will weaken when harvest begins. Lower sowing of groundnut crop is due to fall in prices of groundnut during Kharif harvest. Exports of groundnut have improved and quality of groundnut in market is good. Vietnam has lifted the suspension of import of groundnut seed from India. India exports to Vietnam in 2014-15 were 28 percent of total groundnut exports.
- Groundnut sowing is complete in 4.45 lakh hectares in Rabi 2015-16 as on 28 January 2016 v/s 5.96 lakh hectares in the corresponding period last year
- According to Indian Oilseeds and Produce Export Promotion Council (IOPEPC), groundnut (In shell) production reached 51.99 lakh tons in Kharif 2015 compared to production of 34.64 lakh tons in Kharif 2014. Higher production is due to higher area and higher yield.
- COOIT estimated kharif production of groundnut for MY 2015-16 at 32.30 lakh tons v/s 35.70 lakh tons in kharif 2014-15. Kharif groundnut oil availability is reported at 1.64 lakh tons for MY 2015-16 v/s 1.2 lakh tons kharif 2014-15.
- USDA has projected India's total Groundnut oil consumption at 1.015 MMT in 2015/16 compared to 1.085 MMT in 2014/15, lower by 6.9 percent y-o-y. Groundnut seed production is projected at 4.7 MMT in 2015/16 v/s 4.9 MMT in 2014/15, down by 4.25 percent y-o-y basis
- On the price front, currently the groundnut oil prices in Rajkot is hovering near Rs 9,150 (9,750) per quintal and quoting at Rs 8,800 (Rs 9,000) per quintal in Chennai market.
- Groundnut oil prices are likely to trade with a sideways to weak tone in the coming days owing to weak demand.



Price Outlook: We expect Groundnut oil (Rajkot) to trade in the price band of Rs 850-950 per 10 Kg.

Balance Sheet- Groundnut Oil, India

Fig. in lakh tons

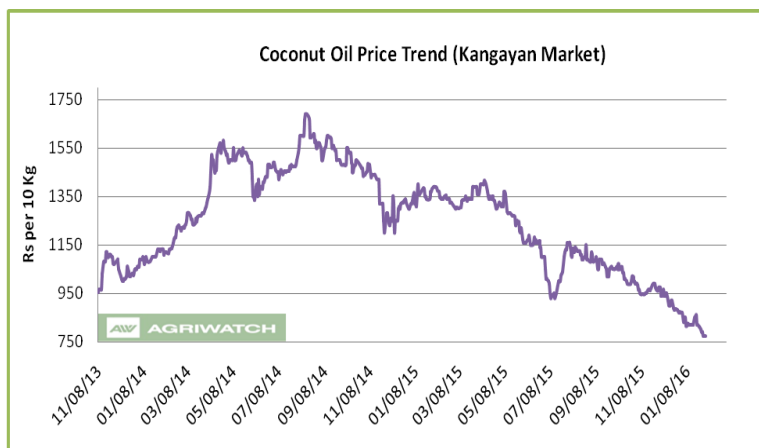
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16-F |
|---------------|---------|---------|---------|---------|---------|-----------|
| Opening Stock | 0.37 | 0.89 | 0.54 | 0.20 | 0.81 | 0.31 |
| Production | 7.36 | 4.64 | 2.88 | 6.35 | 1.72 | 2.04 |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 7.73 | 5.53 | 3.42 | 6.55 | 2.53 | 2.35 |
| Exports | 0.20 | 0.05 | 0.05 | 0.15 | 0.05 | 0.05 |
| Consumption | 6.64 | 4.94 | 3.17 | 5.59 | 2.17 | 1.87 |
| Ending Stocks | 0.89 | 0.54 | 0.20 | 0.81 | 0.31 | 0.43 |



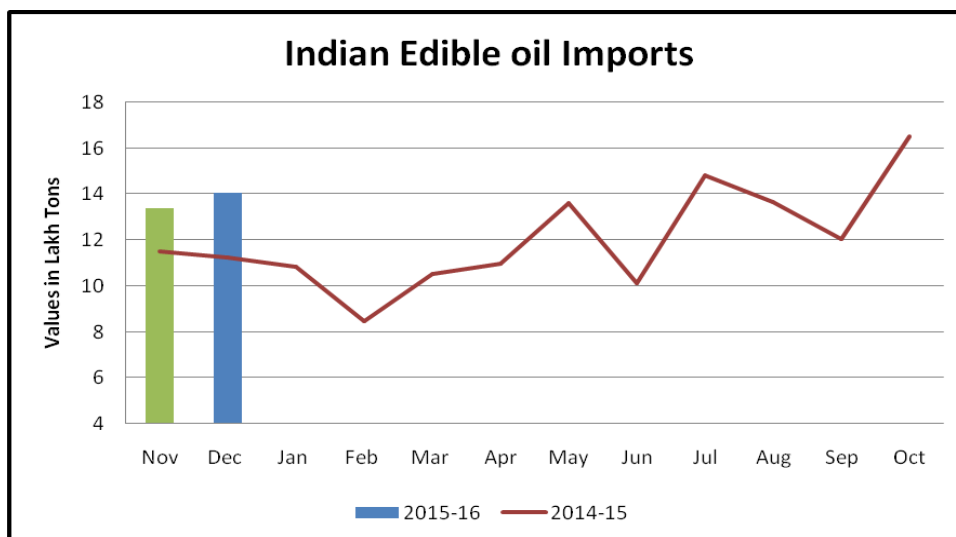
- Prices of groundnut oil in 2015-16 are expected to be firm on lower carryout in oil year 2014-15.
- Groundnut oil production is expected to be higher in oil year 2015-16 on higher groundnut crop.
- Higher oil production in 2015-16 is due to higher marketable surplus of groundnut seed on lower seeds exports and lower direct consumption of groundnut seed resulting in higher crush.
- Carryout stocks of oil year 2014-15 is 0.31 lakh tons on lower groundnut oil production.
- Lower supply of groundnut oil in 2015-16 is due to lower opening stocks.
- Carryout of 2015-16 is higher than last year due to lower consumption of groundnut oil.

Coconut oil: Domestic Market Fundamentals

- Coconut oil featured down trend at its benchmark market Kangeyam during the month on weak demand. In Trissur and Kochi prices fell.
- Prices of coconut oil have weakened during the month on weak demand. Demand is weak from North India on winters. Harvesting has increased in January which has improved the supply of copra. Millers are purchasing copra at lower prices leading to higher stocks of coconut oil with crushers which they are ready to sell at lower prices. Corporate demand is weak as they fear price fall. Competing oils like palm kernel oil, rice bran oil and cottonseed oil is very competitive and price sensitive consumers have shifted to these oils. Traders and upcountry buyers have abstained from purchase of coconut oil on expectation of fall in prices. Prices of coconut oil are heading towards a lower base in 2016 and the bottom of prices is still not clear.
- Coconut Development Board has asked farmers to avoid distressed selling of coconut oil as production has not shown significant increase in 2015-16 compared to last year, according to survey conducted by board. Exports of coconut products have increased by 8.25 percent between April and December 2015. The board has asked farmers to take into consideration facts and act accordingly to improve their income.
- Government of India (GOI) has increased minimum support prices (MSP) for fair average quality (FAQ) of “milling copra” by Rs 400 to Rs 5,950/quintal for 2016 from 5,550/quintal in 2015. MSP for FAQ of “ball copra” has been increased to Rs 6,250/quintal for 2016 from Rs 5,830/quintal 2015. MSP has been increased to ensure appropriate minimum prices to the farmers and improve investment in coconut sector.
- On the price front, currently the coconut oil prices in Trissur is hovering near Rs 8,300 (9,000) per quintal due to weak demand amid adequate supply of coconut oil, and quoting Rs 7,750 (8,700) per quintal in Erode market on January 30, 2016.
- Coconut oil prices may trade sideways to weak tone tracking weak demand and adequate supply.



Price Outlook: We expect coconut oil (Erode) to trade in the price band of Rs 720-840 per 10 Kg.

Indian Edible Oil Imports Scenario –:


As per Solvent Extractors' Association of India, India imported 14.42 million tons of veg. oils in the 2014/15 oil year. However, edible oils imports were 9.44 million tons in the corresponding period last year. Edible oils (including CPO, CDSO, CSFO, and RBD Palmolein) imports for December is pegged at 14.07 lakh tons.

Indian Supply and Demand Scenario:

| Balance sheet of Indian Edible Oil | 2013-2014 | 2014-2015 | 2015-2016 | % Change |
|------------------------------------|-----------|-----------|-----------|----------|
| Value in million tons | | | | |
| Beginning Stock | 1.02 | 1.49 | 2.77 | 85.52 |
| Production | 7.97 | 7.55 | 6.78 | -10.23 |
| Imports | 11.48 | 14.42 | 15.72 | 9.00 |
| Total Supply | 20.48 | 23.46 | 25.27 | 7.69 |
| Exports | 0.01 | 0.01 | 0.01 | 0.00 |
| Total Demand(Consumption) | 18.97 | 20.68 | 22.34 | 8.00 |
| Ending Stock | 1.49 | 2.77 | 2.92 | 5.39 |

* Value in million tons

Balance Sheet Highlights

Net edible oil output is likely to be 6.78 million tons (down 10.23 percent y-o-y basis) in 2015-16 on the back of lower oilseed sowing in Kharif and Rabi season in the current oil year.

On import front, edible oil imports seen at 15.72 million tons for 2015/16 oil year v/s 14.42 million tons last year.

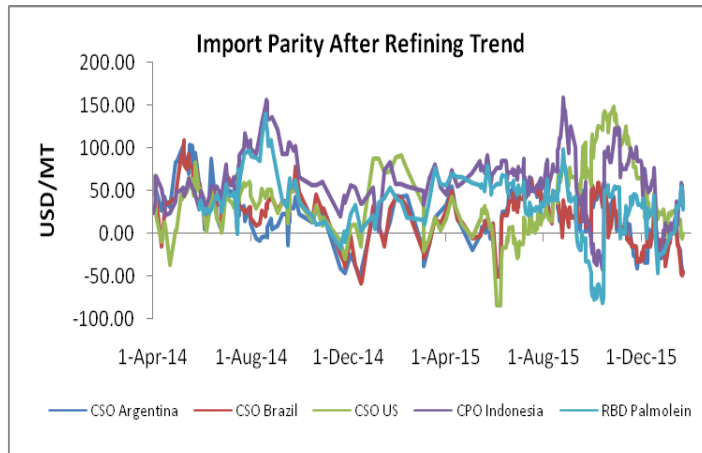
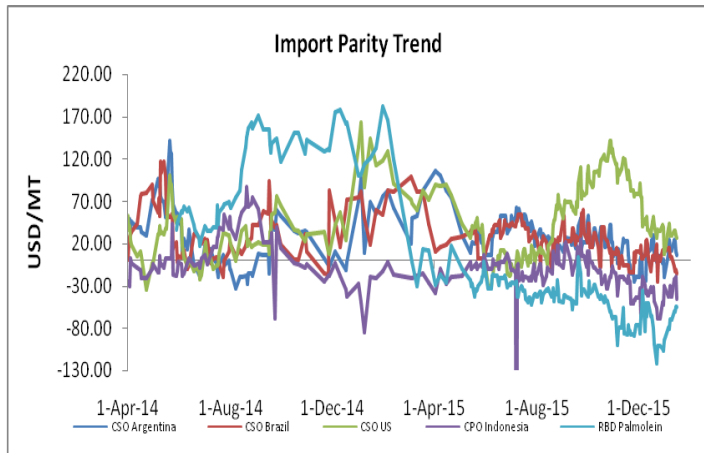
On the consumption side, India's edible oil consumption for 2015-16 oil year seen at 22.34 million tons, up 8 percent from last year. Ending stocks are projected higher compared to 2014-15 at 2.92 million tons.

Note - Values in Mln. Tons, Oil year (Nov.-Oct.) *Including Production of Groundnut, Soy, Mustard, Sunflower, Sesame, Niger, Safflower, Cottonseed, Copra, Rice bran Oils. ** 2014-15- SEA of India & 2015-16 Agriwatch Estimates, *** (USDA estimates).

Landed Cost at the Indian Ports - Crude soy oil and Crude palm oil

| Landed Cost Calculation as on 05/02/2016 | CSO Argentina | CSO Brazil | CSO US | CPO Indonesia | RBD Palmolein |
|--|----------------------|-------------------|-----------------|----------------------|----------------------|
| FOB USD per ton | 674 | 687 | 667 | 610 | 618 |
| Freight (USD/MT) | 80 | 72 | 64 | 35 | 35.0 |
| Landing Charge 1% | 7.54 | 7.59 | 7.31 | 6.45 | 6.525 |
| C & F | 754.0 | 759.0 | 731.0 | 645.0 | 652.5 |
| Weight loss (0.25% of FOB) | 1.69 | 1.72 | 1.67 | 1.53 | 1.54 |
| Finance charges (0.4% on CNF) | 3.02 | 3.04 | 2.92 | 2.58 | 2.61 |
| Insurance (0.3% of C&F) | 2.26 | 2.28 | 2.19 | 1.94 | 1.96 |
| CIF (Indian Port - Kandla) | 769 | 774 | 745 | 657 | 665 |
| CVD | 0 | 0 | 0 | 0 | 0 |
| Duty (Values in USD per tons) | 91.13 | 91.13 | 91.13 | 69.13 | 119.80 |
| CVD value USD per ton | 0 | 0 | 0 | 0 | 0 |
| Cess (3% on duty) USD per ton | 1.8225 | 1.8225 | 2.73375 | 1.3825 | 2.396 |
| Exchange rate | 67.64 | 67.64 | 67.64 | 67.64 | 67.64 |
| Landed cost without customs duty in INR per ton | 51982 | 52328 | 50398 | 44473 | 44990 |
| Customs duty % | 12.50% | 12.50% | 12.50% | 12.50% | 20.00% |
| Base import price | 729 | 729 | 729 | 553 | 599 |
| Fixed exchange rate by customs department | 68.45 | 68.45 | 68.45 | 68.45 | 68.45 |
| Duty component in INR per ton | 6237.51 | 6237.51 | 6237.51 | 4731.61 | 8200.31 |
| Clearing charges INR per ton | 483 | 483 | 483 | 483 | 483 |
| Brokerage INR per ton | 75 | 75 | 75 | 75 | 75 |
| Total landed cost INR per ton | 58777 | 59123 | 57194 | 49762 | 53748 |
| Domestic Market price INR/ton Soy Degum Kandla/CPO Kandla/RBD Kandla | 57200 | 57200 | 57200 | 46200 | 49500 |
| Total landed cost USD per ton | 869 | 874 | 846 | 736 | 795 |
| Domestic Market price USD/tons Soy Degum Kandla/ CPO Kandla 5% | 846 | 846 | 846 | 683 | 732 |
| Parity INR/MT (Domestic - Landed) | -1577 | -1923 | 6 | -3562 | -4248 |
| Parity USD/MT (Domestic - Landed) | -23.32 | -28.43 | 0.09 | -52.66 | -62.80 |
| Source: Agriwatch | | | | | |
| Refining/ Processing Cost per MT | 3200.00 | 3200.00 | 3200.00 | 4700.00 | |
| Freight to Inland location (Indore for soy and Delhi for Palm oil) | 2500.00 | 2500.00 | 2500.00 | 2800.00 | 2800.00 |
| Cost of Imported oil after refining/Processing | 64477.05 | 64823.20 | 62893.70 | 57262.23 | 56548.13 |
| Soy/Palm oil imported Price (Including tax) | 67700.90 | 68064.36 | 66038.38 | 60125.34 | 59375.53 |
| Loose price of Soy/Palm in Indore and Delhi market | 64890.00 | 64890.00 | 64890.00 | 55650.00 | 55650.00 |
| Parity after processing and Taxes (Rs per MT) | -2810.90 | -3174.36 | -1148.38 | -4475.34 | -3725.53 |
| Parity after processing and Taxes (USD per MT) | -41.56 | -46.94 | -16.98 | -66.17 | -55.09 |
| Source: Agriwatch | | | | | |

Import Parity Trend

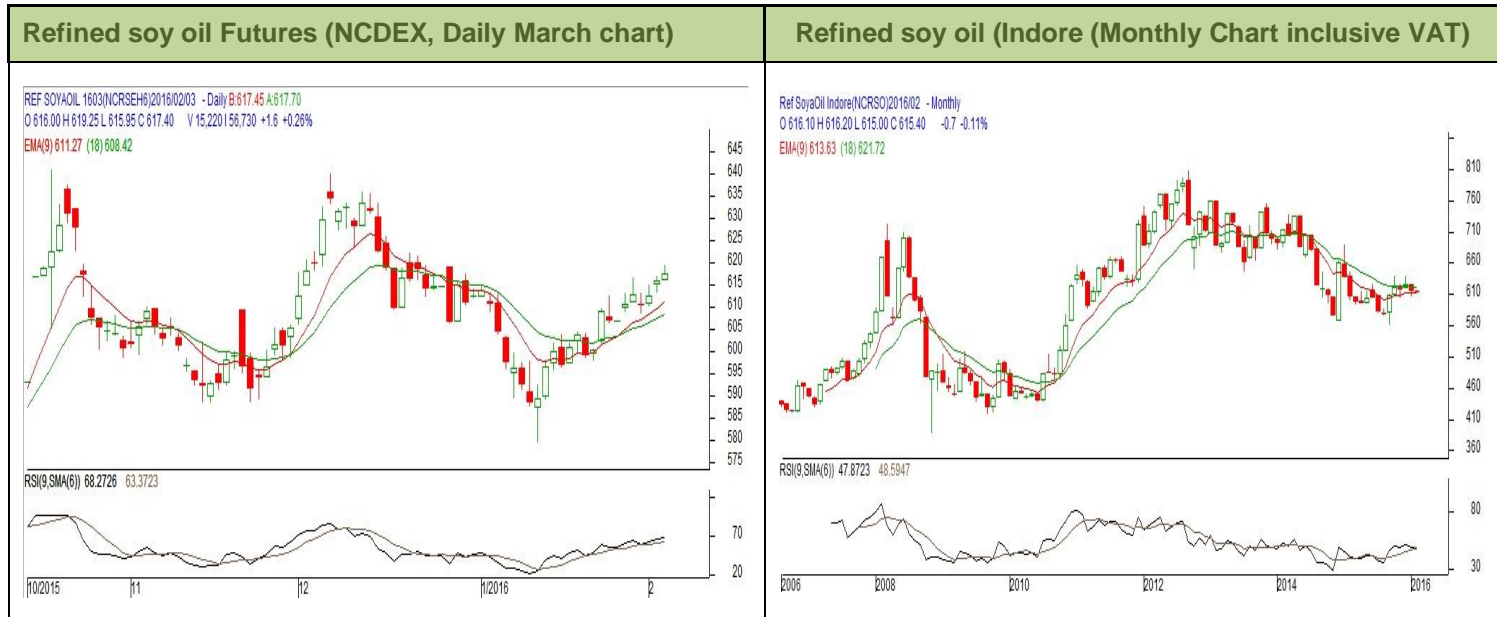


Import Parity after Refining in US dollar per tons (Monthly Average)

| | CSO Argentina | CSO Brazil | CSO US | CPO Indonesia | RBD Palmolein |
|------------------|---------------|------------|--------|---------------|---------------|
| Nov, 2015 | -7.61 | -8.75 | 93.57 | 88.37 | 29.02 |
| Dec, 2015 | -12.15 | -10.91 | 32.63 | 35.93 | 7.77 |
| Jan, 2016 | -8.57 | -14.53 | 16.32 | 22.56 | 19.05 |

Outlook:-

Import parity for CDSO Argentina and CDSO Brazil is negative due to costlier imports. We expect CDSO import parity to improve in February . However, parity in palm oil products may increase palm oil imports in the coming days.

Technical Analysis (Refined soy oil Monthly Charts)


Outlook – Prices are likely to trade sideways to weak tone in the days ahead. Investors are advised to buy refined soy oil (March contract) on dips.

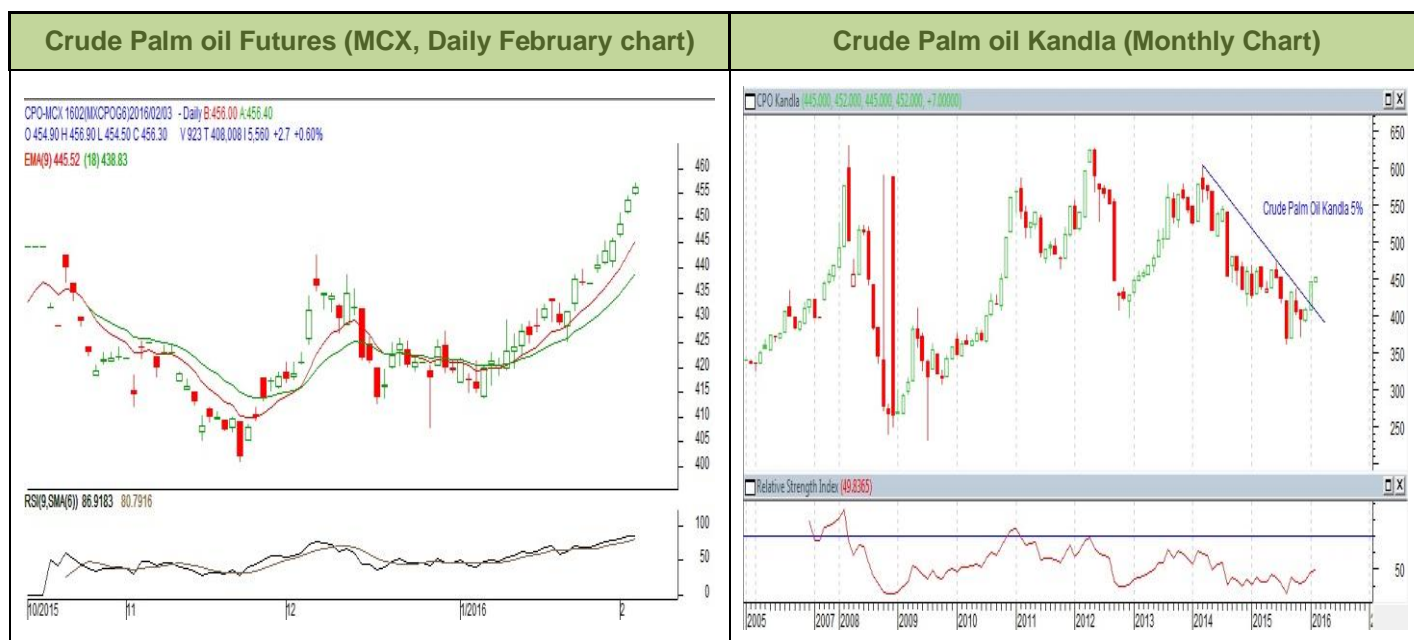
- ❖ Monthly chart of refined soy oil at NCDEX featured losses in the prices. We expect weak to sideways to weak movement in the coming days.
- ❖ Any close below 600 in monthly chart shall change the sentiments and might take the prices to a bearish phase i.e. 580
- ❖ Expected price band for next month is 580-640 level in near to medium term. RSI is moving upwards indicating buying at current levels.

Strategy: Market participants are advised to go long in RSO above 600 for a target of 625 and 630 with a stop loss at 595 on closing basis.

RSO NCDEX

| Support and Resistance | | | | |
|------------------------|--------|-------|--------|--------|
| S2 | S1 | PCP | R1 | R2 |
| 580.00 | 599.00 | 610.1 | 643.00 | 655.00 |

Spot Market outlook: Refined soy oil Indore (including VAT) is likely to stay in the range of 580-650 per 10 Kg.

Technical Analysis (Crude Palm oil Monthly Charts)


Outlook - Prices may trade with a sideways to firm tone in the coming days. Investors are advised to buy MCX CPO (February contract) on dips.

- ❖ Candlestick monthly chart of crude palm oil at MCX depicts rise in prices. We expect prices to feature sideways to firm tone in the near term.
- ❖ Any close below 440 in monthly chart shall change the sentiments and might bring the prices to 420 levels.
- ❖ Expected price band for next month is 380-460 level in near to medium term. RSI along with Stochastic and MACD is moving up supporting prices.

Strategy: Market participants are advised to go long in CPO in above 455 for a target of and 475 and 480 with a stop loss at 435 on closing basis.

CPO MCX

| Support and Resistance | | | | |
|------------------------|--------|-------|--------|--------|
| S2 | S1 | PCP | R1 | R2 |
| 427.00 | 441.00 | 463.4 | 475.00 | 490.00 |

Spot Market outlook: Crude palm oil Kandla is likely to stay in the range of 440-490 per 10 Kg.

Monthly spot prices comparison

Edible Oil Prices at Key Market

| Commodity | Centre | Prices(Per 10 Kg) | | Change |
|-----------------------|-------------------------------|-------------------|-----------|--------|
| | | 30-Jan-16 | 31-Dec-15 | |
| Refined Soybean Oil | Kota | 615 | 630 | -15 |
| | Rajkot | 590 | 600 | -10 |
| | Delhi | 640 | 665 | -25 |
| | Mumbai | 622 | 625 | -3 |
| | Indore | 618 | 625 | -7 |
| | Kandla/Mundra | 605 | 610 | -5 |
| | Kolkata | 605 | 620 | -15 |
| | Indore (Soy Solvent Crude) | 595 | 610 | -15 |
| | Mumbai (Soy Degum) | 575 | 580 | -5 |
| | Kandla/Mundra (Soy Degum) | 575 | 575 | Unch |
| | Akola | 637 | 655 | -18 |
| | Amrawati | 636 | 656 | -20 |
| | Jalna | 644 | 667 | -23 |
| | Nagpur | 639 | 658 | -19 |
| | Alwar | NA | NR | - |
| | Solapur | 644 | 666 | -22 |
| | Bundi | 615 | 635 | -20 |
| | Dhule | 646 | 665 | -19 |
| Palm Oil | Rajkot | 485 | 450 | 35 |
| | Hyderabad | 485 | 475 | 10 |
| | Delhi | 515 | 510 | 5 |
| | Kandla (Crude Palm Oil) | 445 | 407 | 38 |
| | Kandla (RBD Palm oil) | 460 | 430 | 30 |
| | Mumbai RBD Pamolein | 495 | 470 | 25 |
| | Kandla RBD Pamolein | 490 | 460 | 30 |
| | Mangalore RBD Pamolein | 485 | 462 | 23 |
| | Chennai RBD Pamolein | 485 | 462 | 23 |
| | Kakinada RBD Pamolein | 480 | 465 | 15 |
| | KPT (krishna patnam) | 480 | 460 | 20 |
| | Haldia | 480 | 460 | 20 |
| | PFAD (Kandla) | 330 | 285 | 45 |
| | Refined Palm Stearin (Kandla) | 330 | 305 | 25 |
| Refined Sunflower Oil | Mumbai | 755 | 755 | Unch |
| | Mumbai(Expeller Oil) | 675 | 670 | 5 |
| | Kandla/Mundra (Crude) | 675 | 680 | -5 |

| | | | | |
|--------------------------|------------------------------------|-----|------|------|
| | Erode (Expeller Oil) | 735 | 740 | -5 |
| | Hyderabad (Ref) | 713 | 741 | -28 |
| | Chennai | 710 | 720 | -10 |
| | Latur (Expeller Oil) | 700 | 710 | -10 |
| | Chellakere (Expeller Oil) | 660 | 660 | Unch |
| | | | | |
| Groundnut Oil | Rajkot | 915 | 975 | -60 |
| | Chennai | 880 | 900 | -20 |
| | Delhi | 930 | 930 | Unch |
| | Hyderabad * | 930 | 930 | Unch |
| | Mumbai | 950 | 980 | -30 |
| | Gondal | 900 | 970 | -70 |
| | Jamnagar | 915 | 975 | -60 |
| | | | | |
| Rapeseed Oil/Mustard Oil | Mumbai (Expeller Oil) | 760 | 875 | -115 |
| | Sri-GangaNagar(Exp Oil) | 720 | 820 | -100 |
| | Alwar (Expeller Oil) | NA | NA | - |
| | Kota (Expeller Oil) | 670 | 820 | -150 |
| | Jaipur (Expeller Oil) | 751 | 846 | -95 |
| | New Delhi (Expeller Oil) | 952 | 952 | Unch |
| | Hapur (Expeller Oil) | 800 | 840 | -40 |
| | Sri-Ganga Nagar (Kacchi Ghani Oil) | 770 | 880 | -110 |
| | Kota (Kacchi Ghani Oil) | 760 | 900 | -140 |
| | Jaipur (Kacchi Ghani Oil) | 771 | 895 | -124 |
| | Agra (Kacchi Ghani Oil) | 805 | 925 | -120 |
| | Bharatpur (Kacchi Ghani Oil) | 810 | 920 | -110 |
| | Neewai (Kacchi Ghani Oil) | 750 | 885 | -135 |
| | Hapur (Kacchi Ghani Oil) | 850 | 900 | -50 |
| | | | | |
| Refined Cottonseed Oil | Mumbai | 590 | 580 | 10 |
| | Rajkot | 575 | 582 | -7 |
| | New Delhi | 575 | 570 | 5 |
| | Hyderabad | 570 | 570 | Unch |
| | | | | |
| Coconut Oil | Kangayan (Crude) | 775 | 870 | -95 |
| | Cochin | 880 | 1000 | -120 |
| | Trissur | 830 | 900 | -70 |
| | | | | |
| Sesame Oil | New Delhi | 650 | 670 | -20 |
| | Mumbai | 690 | 700 | -10 |
| Kardi | Mumbai | 860 | 870 | -10 |
| Rice Bran Oil (40%) | New Delhi | 430 | 425 | 5 |

| | | | | |
|---|---------------|------------------|------------------|---------------|
| Rice Bran Oil (4%) | Punjab | 500 | 500 | Unch |
| Rice Bran Oil (4%) | Uttar Pradesh | 500 | 500 | Unch |
| | | | | |
| Malaysia Palmolein USD/MT | FOB | 585 | 560 | 25 |
| | CNF India | 595 | 570 | 25 |
| Indonesia CPO USD/MT | FOB | 545 | 515 | 30 |
| | CNF India | 570 | 540 | 30 |
| RBD Palm oil (Malaysia Origin USD/MT) | FOB | 570 | 548 | 22 |
| RBD Palm Stearin (Malaysia Origin USD/MT) | FOB | 543 | 515 | 28 |
| RBD Palm Kernel Oil (Malaysia Origin USD/MT) | FOB | 1055 | 1010 | 45 |
| Crude palm Kernel Oil India (USD/MT) | CNF India | 940 | 920 | 20 |
| Palm Fatty Acid Distillate (Malaysia Origin USD/MT) | FOB | 510 | 463 | 47 |
| Ukraine Origin CSFO USD/MT Kandla | CIF | 860 | 845 | 15 |
| Rapeseed Oil Rotterdam Euro/MT | FOB | 711 | 755 | -44 |
| | | | | |
| Argentina FOB (\$/MT) | | 29-Jan-16 | 30-Dec-15 | Change |
| Crude Soybean Oil Ship | | 670 | 686 | -16 |
| Refined Soy Oil (Bulk) Ship | | 693 | 710 | -17 |
| Sunflower Oil Ship | | 735 | Unq | - |
| Cottonseed Oil Ship | | 650 | 666 | -16 |
| Refined Linseed Oil (Bulk) Ship | | Unq | Unq | - |
| <i>* indicates including VAT</i> | | | | |

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