

TECHNO FUNDA REPORT ON

05 November 2015

Sugar futures

March



**Presented by:
Subhranil Dey**

 **smc**[®]
Moneywise. Be wise.

TECHNO FUNDA REPORT ON SUGAR FUTURES (MARCH) – SELL



Recommendation: Investors are advised to take fundamental positional SELL position in Sugar futures (March) at current market price for the target of 2660 in long-term, with a closing stop loss above 2910 levels.

Note:

- These long term fundamental calls are for duration of one to three weeks time frame and do not confuse these with intraday calls.
- It is assumed that investor takes position in two lots and square off position in one lot on partial profit booking and trail stop loss to buying/selling price for second lot.

Fundamentals

- The Indian government forecasted a total sugar production of 26 MT in India during marketing year 2015-16 (01st Oct, 2015 – 30th Sep, 2016), wherein Maharashtra, Uttar Pradesh and Karnataka are expected to produce 8.6 MT, 7.2 MT and 4.0 MT of sugar respectively.
- ISMA has revised its sugar production estimate from 280 lakh tons to 270 lakh tons in marketing year 2015-16 (1st Oct, 2015 – 30th Sep, 2016).
- India exported 44.5 thousand tons of sugar in the week ending on 01st Nov, 2015 while imported 158.1 thousand tons of sugar during the same interval.
- In a bid to resolve the issue of pending cane arrears, the Indian govt. is planning to provide direct cash subsidy to the cane farmers in the country.
- Sugar prices at the spot markets are declining at producing level as few millers are selling the fair quality stocks at heavy discount.
- Weak trend at mill level and lifting pressure are pulling down naka rates.
- Arrivals and local dispatches at Vashi market remained at par keeping inventory unchanged at 110-115 truck loads.
- The sugar mills in Maharashtra are ready to start the crushing season despite a severe drought. About 164 sugar mills have sought the state's permission to begin crushing. As many as 31 mills have started crushing 8 lakh tonne of cane to produce 65,000 quintals of sugar.

- On the demand, still there is no clarity over exports as there is uncertainty over the structure and timing of raw sugar export subsidies that could be renewed in 2015/16.
- Indian mills are prioritising exports of low-quality white sugar, signalling that the world's second biggest producer is unlikely to emerge as a major raws exporter this season.
- Sugar consumption estimate for MY 2014/15 is revised lower to 27 MMT while MY 2015/16 remain unchanged at 28 MMT as they accurately reflect the most recent consumption trend.
- It is expected that closing stock of sugar at the end of 2014-15 sugar season would be around 96 lakh tons.
- On the international market, New York March sugar may break a support at 14.57 cents per lb and fall towards the next support at 13.98 cents.
- Raw sugar futures on ICE slumped more than 5 percent on 4th November, 2015 their biggest tumble in 20 months, as automatic sell orders and heavy fund sales from overbought positions took prices sharply off nine-month highs.
- Brazilian export sales are still signaling market weakness and sluggish demand.

For further any queries, please contact

Subhranil Dey

Sr. Research Analyst

subhranildey@smcindiaonline.com

Ph.: 011-30111000

Extn.: 674

SMC Global Securities Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, a further public issue of its equity shares and has filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI). The DRHP is available on the website of the SEBI at www.sebi.gov.in and the website of the Book Running Lead Managers i.e. Tata Securities Limited at www.tatacapital.com and IL&FS Capital Advisors Limited at www.ilfscapital.com. Investors should note that investment in equity shares involves a high degree of risk. For details please refer to the DRHP and particularly the section titled Risk Factors in the Draft Red Herring Prospectus.

Disclaimer:

This report is for the personal information of the authorized recipient and doesn't constitute to be any investment, legal or taxation advice to you. It is only for private circulation and use. The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of the report. The report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that we and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material; (a) from time to time, may have long or short positions in, and buy or sell the commodities thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.