

TECHNO FUNDA REPORT ON

09 December 2015

Kapas futures

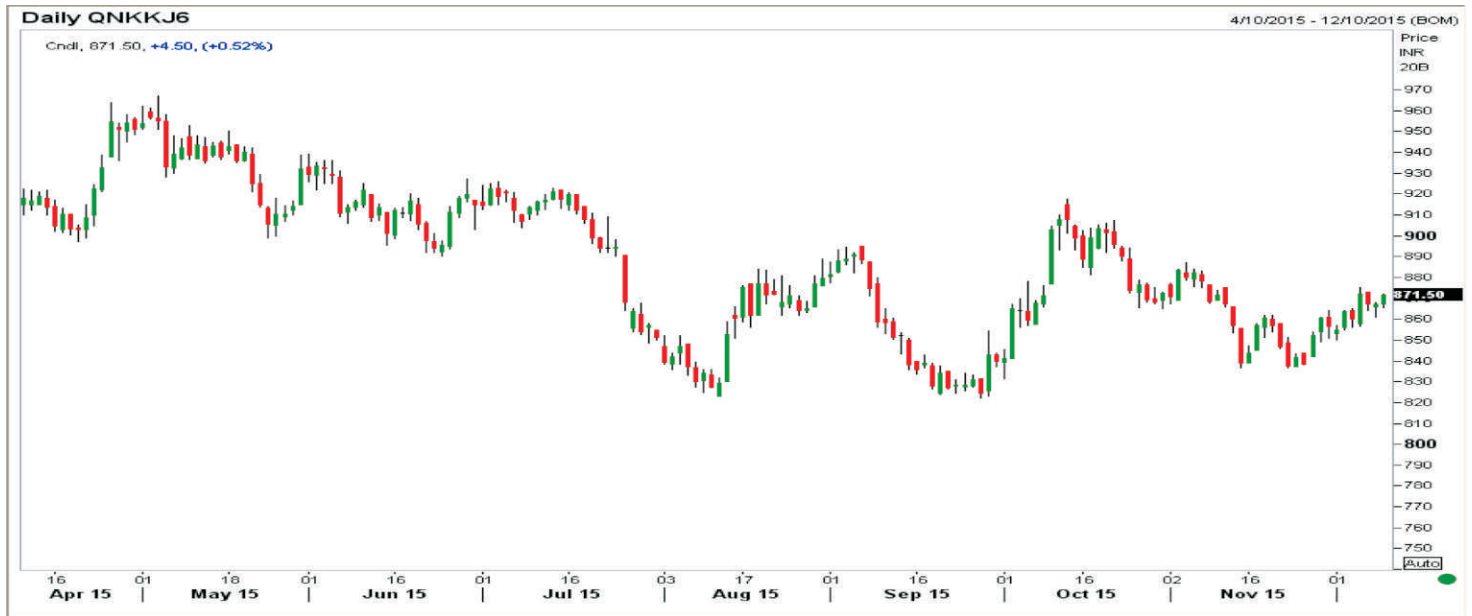
April 2016



**Presented by:
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TECHNO FUNDA REPORT ON KAPAS FUTURES (APR '16) – BUY



Recommendation: Investors are advised to take fundamental positional BUY call in Kapas futures (April 2016 contract) NCDEX at current market price for the target of 915 in long-term, with a closing stop loss below 845 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.

Estimates of demand & supply

- The Cotton Association of India (CAI) cited that the total cotton output in the country is estimated to be 370.50 lakh bales for the 2015-16 season which began on October 1. However, the estimate is lower by 12.25 lakh bales than the output of 382.75 lakh bales for the cotton season 2014-15. The domestic consumption is pegged at 325 lakh bales.
- As stated by USDA, in the MY 2015/16 production estimate is 28.5 million 480 lb. bales while planted area is finalized at 11.8 million hectares.
- According to USDA, the MY 2015/16 production estimate is 28.5 million 480 lb. bales while planted area is finalized at 11.8 million hectares.
- The Cotton Corporation (CCI) of India has intensified new crop MSP procurement across India.
- The Government of India approves another export incentive scheme to boost sluggish export sales.
- On November 18, 2015, the Government of India approved the Interest Equalization Scheme (earlier called Interest Subvention Scheme) for five years effective April 1, 2015. Under the scheme, eligible exporters can avail a three percent export credit subvention (subsidy on interest rate charged on export credit).
- The centre plans to introduce a Direct Benefit Transfer scheme for cotton farmers in response to a slowdown in global cotton consumption and the demand for higher Minimum Support Price (MSP) for cotton by some states.
- The average monthly mill consumption in MY 2015/16 so far is around 1.97 million 480 lb. bales.
- Indian ex-gin prices are lower than the Cotlook A Index (figure 1a) making Indian cotton very competitive.

- Exports are expected to remain strong in the coming months especially to neighboring countries.
- The country's cotton shipments are expected to rise by about 18% in 2015-16 as against the previous fiscal.
- India will export one million bales of cotton to Pakistan as the crop has been damaged in the neighbouring country due to floods, according to the industry body Cotton Association of India (CAI).

Executive Summary:

Cotton Market Begin Year	2013/2014		2014/2015		2015/2016	
	Aug 2013		Aug 2014		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	-	-	-	-	-	-
Area Harvested	11,700	11,960	12,700	12,900	11,800	11,800
Beginning Stocks	11,795	11,795	11,359	10,901	13,386	12,759
Production	31,000	31,000	29,500	29,600	28,500	28,500
Imports	675	675	1,226	1,226	1,000	800
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	43,470	43,470	42,085	41,727	42,886	42,059
Exports	9,261	9,261	4,199	4,199	4,400	4,700
Use	23,350	23,308	24,500	24,769	25,500	25,300
Loss	(500)	-	-	-	-	-
Total Dom. Cons.	22,850	23,308	24,500	24,769	25,500	25,300
Ending Stocks	11,359	10,901	13,386	12,759	12,986	12,059
Total Distribution	43,470	43,470	42,085	41,727	42,886	42,059

(1000 HA) ,1000 480 lb. Bales

For further any queries, please contact

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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.

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