

19th April, 2021

# Monthly Report On Oilseeds & Edible Oils



# SOYBEAN

Price range: (Rs./Quintal): 6500-7500

## Monthly Outlook

Soybean futures have clocked an all-time high of 7300 on the back of prospects of higher exports and shortage of soybean in the global market. But going ahead, the fundamentals highlight that the demand at these levels is getting hindered from domestic industries as well there is a fear that exports may slow down due to high Indian parity in the international market. Overall, it seems that the bull run may get stalled and the upside may remain capped.

## Weekly Price movement of Soybean Futures (NCDEX)

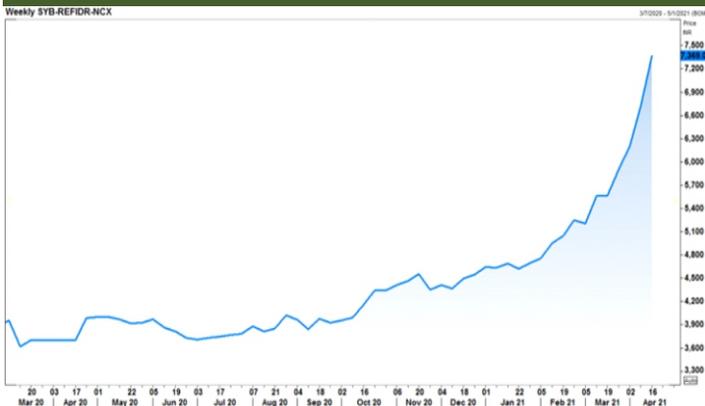


Source: Reuters

## Fundamental factors:

- Additional margin of 3% on both long side and short side of all running contracts and yet to be launched contracts in Soy Bean (SYBEANIDR) shall be imposed with effect from beginning of the day Thursday, April 22, 2021.
- On NCDEX, the May futures contract of soybean hit a record high of 7,300 rupees per 100 kg. On a year-on-year basis, soybean prices have jumped 126% from last year low of 3228.
- It is reported that due to this surge in prices, the arrivals have reduced as traders and farmers don't want to sell in hope of better prices.
- According to market participants, soymeal exports will be difficult because the Indian oilmeal is heavily out-priced in international markets. Prices of soymeal, ex-factory, are around 60,000 rupees per tn against 40,500 rupees a month ago.
- at this price, crushers find disparity of Rs.4,000/- to Rs.5,000/- per tone of processing and in the process, the availability of soybean meal has reduced dramatically. Price of soymeal, Ex-factory has touched Rs.60,000/- per ton from Rs.40,500/- per ton a month ago.
- According to the Soybean Processors Association of India, the latest estimates of supply and demand of soybean for the oil year 2020-2021 (October 2020 to September 2021) till March 2021 show that:
  - o Estimated demand of soybean seed for sowing has been increased by 1 Lakh Ton because the farmer this year is retaining more seed.
  - o Poultry demand estimates have been lowered by 1 Lakh Ton due to very high soybean prices and also reduction in inclusion by feed makers.
  - o Estimates for crushing for the entire year has been reduced to 93.5 Lakh Tons from the earlier estimate of 95 Lakh Tons, on reduced meal demand.
  - o Estimates of soybean imports have been reduced to 2 Lakh Tons from the earlier 3 Lakh Tons.
- Assuming a normal 2021 monsoon season (June-September) and favorable weather conditions, India's total oilseed production in market year (MY) 2021/22 (October-September) is forecast to rise four percent to 39.9 million metric tons (MMT), based on expectations of near normal oilseed crop yields.
- According to IMD, the monsoon seasonal rainfall is likely to be 98% of the Long Period Average (LPA) with a model error of  $\pm 5\%$ .

## Weekly spot price chart of Soybean (Indore)



Source: Reuters

## Heat map & Seasonal table of Soybean futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.52%	8.56%	16.76%	21.30%								
2020	-9.15%	-9.09%	2.50%	1.38%	-1.57%	-2.07%	1.84%	7.93%	-4.12%	10.24%	3.15%	4.14%
2019	12.37%	-5.40%	2.24%	-0.75%	0.08%	-1.91%	-1.78%	0.25%	4.68%	3.54%	5.34%	8.73%
2018	19.72%	3.16%	-1.38%	-1.74%	-4.18%	-2.94%	-2.88%	-4.09%	1.11%	2.88%	0.92%	1.47%
2017	0.42%	-2.72%	-2.19%	2.07%	-7.99%	5.90%	7.83%	-1.81%	-2.07%	-6.92%	9.74%	0.65%
AVG	4.78%	-1.10%	3.59%	4.45%	-3.42%	-0.25%	1.25%	0.57%	-0.10%	2.43%	4.79%	3.75%
STD	11.32%	7.01%	7.66%	9.54%	3.52%	4.13%	4.83%	5.22%	3.84%	7.07%	3.76%	3.64%

Source: Reuters

# U.S SOYBEAN FUTURES (CBOT)

Price range: (\$/Bushel): 13.30-14.80

## Monthly Outlook

U.S Soybean futures (May) is expected to trade range bound within 13.30-14.80. Some of the factors such as slower growth of soymeal exports from U.S, China diverting purchases to Brazil, negative crush margin of soybean in China & funds failing to regain the enthusiasm they had for soybeans back in October/November, may dent the upside momentum and keep the counter pressurized. However, one positive factor of bull run in soybean oil prices in the global market amid burgeoning demand from industries may continue to add cushion to this counter.

## Weekly Price movement of U.S Soybean Futures (CBOT)

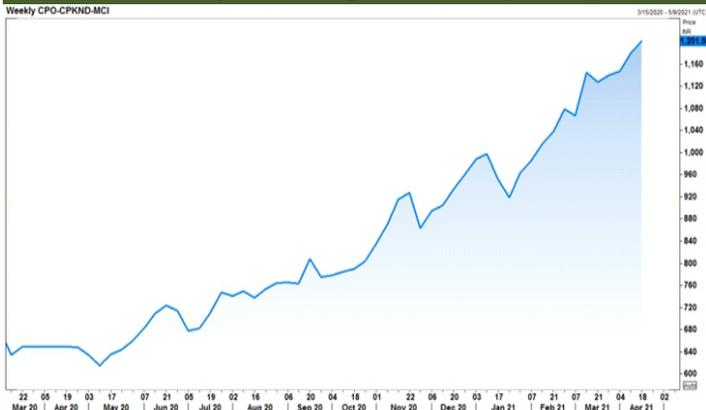


Source: Reuters

## Fundamental factors:

- U.S. soybean futures showed an upside momentum last month as the exporters expecting record exports of about 36 million metric tons to China in the 2020/21 marketing year, as the China-US phase one trade deal remains in force
- As of April 1, China has purchased 2.6 million metric tons of US soybeans, smashing the previous record of 2.4 million tons for new soybean crop sales in 2015.
- But, this scenario is seen changing as soybean shortages in US have led some Chinese demand to shift to other sources, such as Brazil. The impact of this is being seen on the U. S soybean futures on CBOT, with upside getting limited. The recent weekly export sales show that net sales for soybean was 90,400 MT for 2020/2021, down noticeably from the previous week and down 14 percent from the prior 4-week average.
- The CFTC said that the funds have failed to regain the enthusiasm they had for soybeans back in October/November. Managed money net long fell to 142.3k from 154.3k futures and options contracts in the week ended April 13.
- On the other hand, the Brazilian soybean harvest continued to accelerate in the week ended April 10 on dry weather in most states and surpassed 5-year average pace.
- Some have also raised questions about whether political tensions between China and the US have affected full implementation of the phase one trade agreement, under which China has pledged to increase purchase of US soybeans and other products.
- March soybean crush and bean oil stocks were both slightly below average market expectations, and show less demand than last year. Processing margins were down, but apparently didn't fall enough to significantly slow crush rates. If the market's function is to ration demand, prices should see limited downside.
- Looking towards China, it is seen that large-scale substitution of wheat for corn in feed has depressed the proportion of soymeal in both pig and poultry feeds with the drop ranging between 2% to 7%, across the country. In some areas of northern China, the soymeal percentage in poultry feeds has fallen to 15% from 24% previously.
- Also, the pressure on soybean meal comes just as millions of tonnes of soybeans are en route from Brazil. China is expected to receive more than 7 million tonnes of soybeans in April, and around 10 million tonnes for both May and June.
- Under current prices, Chinese crushers would lose 50-200 yuan for each tonne of soybeans processed in the coming months, according to crushers.
- Soybean crush margins in the country's key oilseed processing province of Shandong slid into negative territory earlier this month for the first time since March 2020. Last week, they stood at -40 yuan per tonne, and may weaken to as low as -300 yuan in the coming months as Brazilian soy supplies mount.

## U.S soybean export sales (tonnes)



Source: Reuters

## Heat map & Seasonal table of U.S Soybean Futures (CBOT)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	4.16%	2.57%	2.24%	0.59%								
2020	-7.48%	1.26%	0.28%	-4.03%	-1.12%	5.17%	1.50%	5.99%	7.60%	3.22%	10.60%	12.56%
2019	3.71%	-1.94%	-1.48%	-4.86%	4.34%	2.51%	-3.97%	-0.81%	5.72%	1.19%	-4.36%	7.56%
2018	4.62%	4.95%	-0.02%	-0.67%	-1.85%	15.71%	5.27%	-7.83%	1.50%	-0.77%	6.64%	-1.37%
2017	2.81%	0.05%	-7.71%	-0.08%	-3.09%	2.87%	5.55%	-5.86%	3.42%	0.57%	1.23%	-3.45%
AVG	1.57%	1.38%	-1.34%	-1.81%	-0.43%	-1.29%	2.09%	-2.13%	4.56%	1.05%	3.53%	3.82%
STD	5.10%	2.60%	3.80%	2.47%	3.28%	9.68%	4.44%	6.17%	2.66%	1.66%	6.51%	7.53%

Source: Reuters

# EDIBLE OILS ( Domestic Market )

## Price Range:

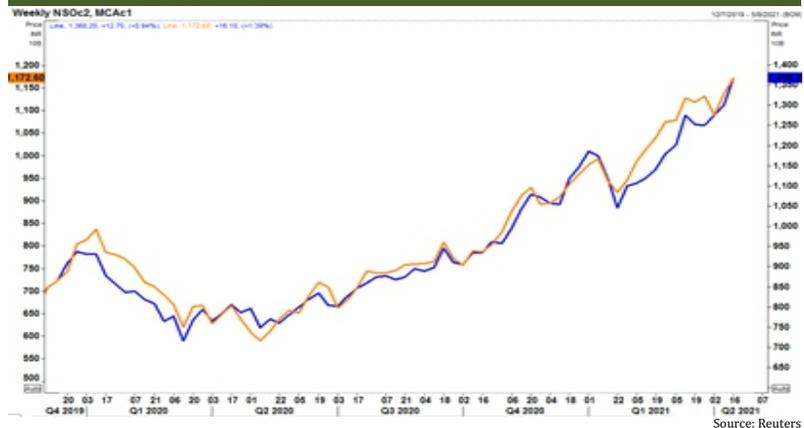
Soy oil (NCDEX) : 1300-1450 (Rs./10 Kgs)

CPO Futures (MCX) : 1100-1250 (Rs./10 Kgs)

## Monthly Outlook

Soy oil and CPO futures on the national bourse have been skyrocketing and are on life time high. Soybean oil has gained 35%, while palm oil has given a return of 31% as of now in 2021, from the yearly lows. Bullish trend of soybean in the domestic market, logistic issues due to lockdown hurting imports and movement, and rising consumption, all these factors have added to the rally of edible oil prices. Going ahead, we may continue to see an upside bias, but the pace may get slower as the concerns of inflation is being monitored and demand is slowing down with re-impositions of lockdowns in various states, especially affecting the HoReCa sector, the highest consumers. However, the confident rally of soy oil on CBOT may continue to add cushion the prices in the domestic market.

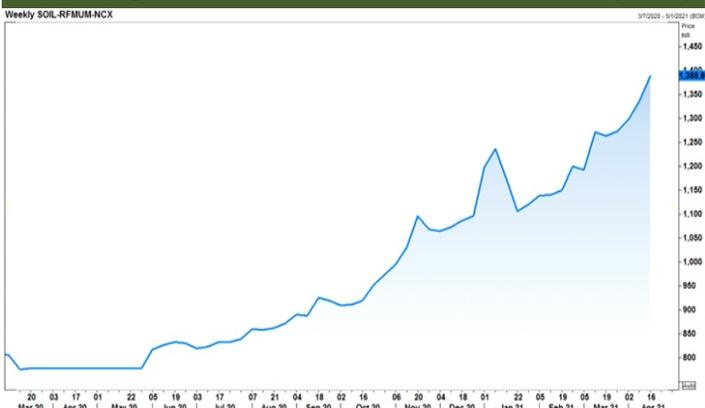
## Weekly Price movement of Soy oil (NCDEX) & CPO Futures (MCX)



## Fundamental factors:

- The Solvent Extractors' Association of India has compiled the Import data of Vegetable Oils (edible & non-edible) for the month of March, 2021. Import of vegetable oils during March 2021 is reported at 980,243 tons compared to 955,422 tons in March, 2020, consisting 957,633 tons of edible oils and 22,610 tons of non-edible oils i.e. up by 2.6%. The overall import of vegetable oils during November 2020 to March 2021 (5 months) is reported at 5,375,003 tons compared to 5,519,213 tons i.e. down by 2.6%.
- Imports of soybean oil are at same level. However import of RBD Palmolein reduced while Crude Palm Oil increased from 24.6 lakh tons during Nov.'19 to Mar.'20 to 29.9 lakh tons during first five months of current year.
- Indonesia and Malaysia are the major suppliers of Palm Oil to India. During Nov.'20.-Mar.'21, Malaysia was major supplier of CPO (1,680,599 tons) followed by Indonesia (1,295,073 tons). In case of Crude Soybean Degummed Oil, India mainly imported from Argentina (1,124,728 tons).
- Going ahead, with record crop of mustard to the tune of 85-90 lakh tons and heavy demand for kachi ghani and refined mustard oil, crushing is at the peak level which will check mate the import of edible oils in coming months.
- USDA estimates show that India's edible oil imports in MY 2021/22 are forecast to rise one percent to 14.5 MMT, of which 8.5 MMT is palm oil and 3.7 MMT soybean oil.
- The stock of edible oils as on 1st April, 2021 at various ports has estimated at 463,000 tons (CPO 180,000 tons, RBD Palmolein 3,000, Degummed Soybean Oil 140,000 tons and Crude Sunflower Oil 140,000) and pipeline 1,224,000 tons, total stock at 1,687,000 tons. The stock has decreased marginally by 3,000 tons to 16.87 lakh tons as on 1st Apr., 2021 from 16.90 lakh tons as on 1st March, 2021.
- On the demand side, vegetable oil consumption in MY 2021/22 will rise two percent to 22.9 MMT due to expected demand recovery, particularly from bulk buyers, which includes hotels, restaurants, food business operators, institutions, and catering services (HRI). Household consumption demand, such as consumer packs, continues to remain strong. However, most consumers, particularly in urban centers have gravitated toward packaged and branded edible oils due to increased health and safety awareness prompted by the COVID-19 pandemic.

## Heat map & Seasonal table of CPO futures (MCX)



## Heat map & Seasonal table of Soy oil futures (NCDEX)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-2.54%	13.72%	5.26%	3.55%								
2020	-3.92%	-10.31%	-1.47%	-7.38%	4.20%	6.46%	5.57%	3.20%	1.21%	7.62%	4.87%	11.32%
2019	11.92%	-2.31%	-5.99%	3.17%	-2.78%	-1.60%	-0.14%	8.42%	-0.65%	6.18%	14.73%	20.22%
2018	0.99%	4.82%	11.02%	-1.33%	1.57%	-1.48%	-4.10%	-3.74%	-0.13%	-2.97%	-13.08%	0.46%
2017	0.96%	-7.21%	-1.17%	-4.14%	-0.79%	-4.23%	-0.45%	5.98%	5.76%	-0.42%	8.12%	-5.94%
AVG	1.48%	-0.26%	1.53%	-1.22%	0.55%	-0.22%	0.22%	3.47%	1.54%	2.60%	3.66%	6.52%
STD	6.59%	9.68%	6.65%	4.70%	3.01%	4.63%	3.99%	5.26%	2.91%	5.10%	11.89%	11.58%

Source: Reuters

# EBIBLE OILS ( International Market )

## Price Range:

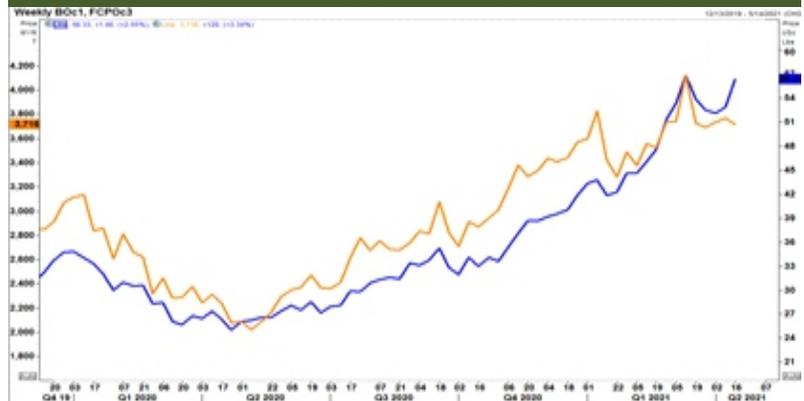
Soy oil (CBOT) : 45-48 (Cents/Pound)

CPO Futures (BMD) : 3400-3800 (MYR/Ton)

## Monthly Outlook

Soy oil and CPO futures in the international market are continuously maintaining their respective uptrend. Factors such as higher demand of soybean oil for meeting the bio-fuel mandates along with shortage of U.S soybean will continue to fuel the demand. The higher crude oil prices are also acting as a catalyst to the upside in commodities. Regarding palm oil, the impressive figures of exports will continue to lend positive sentiments.

## Weekly Price movement of Soy oil (CBOT) & CPO Futures (BMD)



Source: Reuters

## Fundamental factors:

- The mega rally in soybean oil continues as burgeoning industrial demand for biodiesel (with many new facilities coming on line and competing for feedstocks) is now being joined by higher usage in the food sector. Increased indoor dining and greater patronage at various away from home eating establishments is resulting in greater demand for cooking oils.
- The global total vegetable oil, world soybeans and of course the U.S. soybean oil ratio are among the tightest in years.
- This year's global vegoil stocks-to-use ratio at 10.7% is the lowest since the 2010/11 season while the world soybean oil stocks-to-use ratio itself at 7.6%, other than the 2015-2018 period is the lowest going back at least till the 1983/84 year. The last time the world vegoil stocks-to-use ratio was this low was in the 2010/11 season, the 2007/08 year when soybean oil went to its highest point ever and the 2003/04 season when as noted the U.S. soybean oil stocks-to-use ratio was the second lowest ever.
- The U.S. soybean oil stocks-to-use ratio at 7.4% has only been less than that twice since the 1987/88 year, back in the 2013/14 season at 6.1% and a decade earlier at 6.4% in 2003/04.
- The impact of the above has been adverse on demand and some countries have started to curtail the use of soybean oil in production of bio-fuels.
- Brazil has reduced the volume of biodiesel blended with diesel sold at the pump to 10% from 13% for the May-June period amid raw-materials shortages that have caused prices for the biofuel to skyrocket at recent supply auction. Even Belgium will ban biofuels made from soy and palm oil from 2022 onward as part of its effort to combat deforestation.
- The National Oilseed Processors Association (NOPA) crush was lower than expected as tighter supplies restricted crush rates. NOPA members crushed 177.984 million bushels of soybeans in March, which was below the average estimate of 179.179 million. For the second month in a row, the monthly crush was below last year's levels. Total NOPA crush for the marketing year to date is up 36.4 million bushels from last year at 1,229 million bushels.
- Bean oil stocks at the end of March increased slightly to 1.771 billion pounds from 1.757 billion last month versus 1.899 billion last year.
- Regarding palm oil, Malaysian crude palm oil (CPO) stocks continued to increase in March 2021, growing 12.37 per cent to 742,742 tonnes from 660,987 tonnes the month before, according to the Malaysian Palm Oil Board (MPOB).
- On the export front, palm oil exports in March rose 31.83 per cent to 1.18 million tonnes from 896,647 tonnes in February. Malaysia kept its May export tax for crude palm oil at 8%, but raised its reference price to 4,533.40 ringgit (\$1,098.74) per tonne.

## Heat map & Seasonal table of CPO futures (BMD)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-3.06%	7.22%	-3.47%	2.88%								
2020	-14.68%	-10.94%	3.58%	-13.07%	9.77%	0.22%	16.54%	2.28%	-0.88%	10.34%	9.76%	8.93%
2019	8.39%	-7.74%	-0.71%	-0.52%	-1.24%	-5.70%	6.10%	7.92%	-4.43%	16.39%	10.42%	11.22%
2018	-0.44%	2.69%	-5.24%	-2.60%	2.84%	-4.24%	-5.67%	2.46%	-3.29%	-1.10%	-5.12%	3.97%
2017	-2.57%	-8.55%	-4.48%	-5.22%	-0.36%	-1.60%	8.78%	1.16%	-0.41%	4.45%	-7.53%	-3.84%
AVG	-2.47%	-3.47%	-2.06%	-3.71%	2.75%	-2.83%	6.44%	3.46%	-2.25%	7.67%	1.88%	5.07%
STD	8.24%	7.94%	3.59%	6.02%	5.00%	2.65%	9.21%	3.03%	1.93%	7.62%	9.53%	6.67%

Source: Reuters

## Heat map & Seasonal table of Soy oil futures (CBOT)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-3.06%	15.06%	3.08%	6.78%								
2020	-13.19%	-5.44%	-4.59%	-2.89%	4.38%	2.19%	10.47%	6.63%	1.24%	0.72%	12.70%	14.39%
2019	9.51%	-0.70%	-5.34%	-2.75%	0.04%	2.36%	-1.74%	3.21%	1.22%	6.07%	-1.07%	13.38%
2018	-0.03%	-3.36%	-0.28%	-4.77%	2.54%	-6.43%	-1.34%	-1.25%	1.09%	-2.30%	-0.71%	-0.97%
2017	-1.66%	-0.47%	-5.67%	-1.04%	-0.35%	5.07%	5.41%	0.00	-6.17%	6.69%	-2.88%	-1.99%
AVG	-0.48%	1.02%	-2.15%	-0.93%	1.65%	0.80%	3.20%	2.15%	-0.65%	2.80%	2.01%	6.20%
STD	5.10%	8.11%	3.82%	4.51%	2.23%	4.99%	5.85%	3.53%	3.68%	4.33%	7.19%	8.89%

Source: Reuters

# RM SEED FUTURES (NCDEX)

Price range: (Rs./ Quintal): 6500-7500

## Monthly Outlook

Mustard futures have continuously been gaining grounds from 4900 to lifetime high of 7215, a return of 49%. This rally is due to very less availability, merely 1 lakh ton of carry forward stocks against the strong export demand of rapeseed meals. The bullrun in the whole oilseeds complex and inclination towards demand for mustard oil is pushing the prices up. Going ahead, we will probably continue to see this bullishness as it can rise till 7500, taking support near 6500 levels.

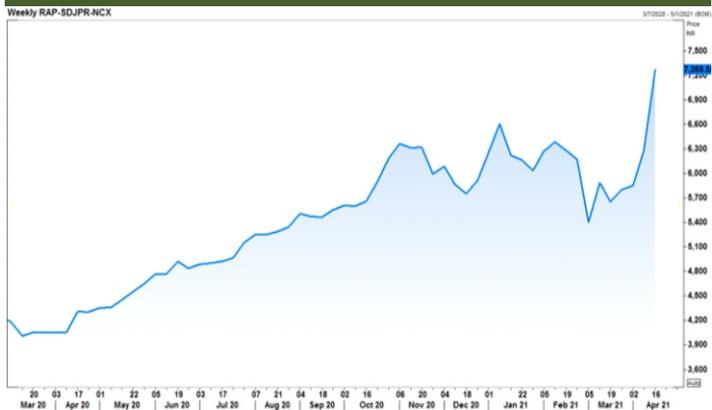
## Weekly Price movement of RM seed Futures (NCDEX)



## Fundamental factors:

- Belief that mustard oil is an immunity booster has led millers to intensify crushing of the oilseed. From the current level as millers and stockists are on a buying spree.
- In March, crushing of mustard seeds across India rose 60% on year to 1.2 mln tn
- As at February end, mustard carryover stocks were down to 100,000 tn from 500,000 tn a year ago, traders said.
- Mustard arrivals in major markets across the country fell sharply to 465,000 bags (1 bag = 85 kg). In Jaipur, the benchmark market, the oilseed was sold at 7,250-7,275 rupees per 100 kg.
- India mustard output this year is projected at 104.27 lakh tonnes. However, the Central Organisation for Oil Industry and Trade (COOIT) and the Mustard Oil Producers' Association (MOPA) have estimated the production at 89.50 lakh tonnes.
- Imports of mustard oil from Canada are negligible. Consumers are shifting to oil produced from home-grown mustard seeds. This will also buoy prices in the near future.
- High global prices have made edible oil imports dearer, benefiting domestic mustard growers just when their crop is being harvested and brought to the mandis.
- One major reason behind the increased consumption of mustard oil is its purity, adding that higher prices of imported oils have left no scope for adulteration in mustard oil, due to which the consumer is enjoying the commodity in a pure form.
- In Apr-Feb, India's mustard meal exports rose 18% on year to 1.03 mln tn, Solvent Extractors' Association data shows.
- Overseas shipments of mustard meal are seen growing in coming days due to upbeat demand from South Korea, the largest importer.
- National Agricultural Cooperative Marketing Federation of India has so far procured just 30 kg of the oilseed, said an official with the government's nodal agency. Procurement is lower because prices are above the minimum support price of 4,650 rupees per 100 kg.

## Weekly spot price chart of RM seed (Jaipur)



## Heat map & Seasonal table of RM seed futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.52%	9.12%	3.27%	22.19%								
2020	-11.68%	-2.28%	0.72%	2.88%	6.56%	3.91%	7.75%	8.88%	1.22%	9.89%	-3.81%	-2.93%
2019	2.51%	-2.77%	-1.69%	-0.11%	5.23%	-0.60%	-0.23%	1.39%	0.35%	6.47%	1.64%	7.31%
2018	1.90%	-1.48%	-1.72%	-6.39%	4.30%	1.74%	4.64%	-3.42%	4.20%	-1.67%	-3.62%	-3.78%
2017	-2.21%	0.44%	1.28%	-3.72%	-7.30%	3.49%	2.36%	2.22%	0.18%	2.69%	5.27%	-0.68%
AVG	-3.88%	0.61%	0.37%	2.97%	2.20%	2.13%	3.63%	2.27%	1.49%	4.35%	-0.13%	-0.02%
STD	6.59%	4.92%	2.12%	11.31%	6.40%	2.05%	3.39%	5.06%	1.86%	4.98%	4.40%	5.06%

Source: Reuters

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