This Monthly report throws light on:
➢ China move in NR trade
➢ Thailand market dynamics
➢ Fast approaching Wintering and its impact on prices
India NR traded negative during the last month.

**Major reasons behind the price movement**
- Peak NR production in India and increasing stocks across supply chain
- Tyre makers reluctant buying due to fall in consumption (Nov’13 consumption fell by 2.23% y/y)
- Commercial vehicles segment sales fell by 17.51% from Apr-Nov’13
- Increase in Nov’13 ending stocks towards 2.45 Lakh tons over 2.40 Lakh tons in Oct’13 (& down by 20 Th. tons from Nov’12 stocks).
Summary Market Analysis
Critical price drivers for 1-2 months

<table>
<thead>
<tr>
<th>S No.</th>
<th>Factor (1-5 scale)</th>
<th>India 1-2 Months</th>
<th>India 2-3 Months</th>
<th>Global 1-2 Months</th>
<th>Global 2-3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic sentiments</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>S'n'D</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Automobile Demand</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Stocks with end users</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Policy Changes</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Synthetic Rubber</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Overall weightage</strong></td>
<td><strong>2.66</strong></td>
<td><strong>2.83</strong></td>
<td><strong>3</strong></td>
<td><strong>3.33</strong></td>
</tr>
</tbody>
</table>

1 - Bearish | 5 - Bullish
Factors:

- Technically, prices are still in downtrend and shall approach the minor resistance around INR 16200 within 1-2 months as RSI (14) indicator is also showing slightly positive divergence. According to Elliott wave analysis prices are about to conclude intermediate wave A wherein the possibility of a test of INR 14600 remains open ahead of prices to turn positive. However early gains above 17500 shall build market confidence and negate the possibility of further fall.

- Increasing production amid higher imports have increased the supplies at markets. Tyre makers stayed away from market from making fresh purchases on the back of lean demand for OEM tyres.

- Looking ahead, higher stocks with the supply chain is likely to keep the prices stable with moderate demand.
# Price Outlook Summary

<table>
<thead>
<tr>
<th>Markets</th>
<th>Last Closing (December 17, 2013)</th>
<th>Price Direction</th>
<th>Price outlook (1-2 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSS4 Kottayam Spot, INR/QtI</td>
<td>15300</td>
<td>Prices are likely to remain range-bound with mixed bias between INR 14600-16200 ahead of inching up further higher in the coming months.</td>
<td>14600-16200</td>
</tr>
</tbody>
</table>
Detailed Market Analysis
NR production in Nov’13 stood at 91 Th. tons, down by 7% over Nov’12. However, Nov’13 production higher by 9.64% over Oct’13 production indicates the supplies are increasing but not at the rate of last year.

Seasonal peak production remains till Dec end and falls significantly from Jan onwards as wintering season enters.

Nov’13 consumption stood at 76.50 Th. tons which is down by 2.23% y/y.

Slowdown in demand from the tyre makers due to lingering automobiles sector growth.

India automobile production in Nov’13 rose by 8% on higher contribution from 2 wheelers but major NR consuming segment i.e., commercial heavy vehicles have not shown positive sign.

We expect NR consumption is likely to improve in months ahead on approaching wintering season as well as anticipation summer tyre replacement demand.
• With sharp fall in Jun’13 production, **AMJ’13** production slipped towards 1.5 Lakh tons while demand component remained stable at 2.47 Lakh tons.

• **JAS’13** NR production stood at 1.93 Lakh tons which is down by 13.45% y/y and consumption fell by 3.17% y/y to 2.43 Lakh ton.

• Moving ahead, JFM’14 NR production is expected stand higher by 11.8% to 2.42 Lakh tons as farmers have not tapped the trees aggressively in JAS’13 quarter.

• With anticipation of recovery in tyre replacement demand, we expect there will be a rise of 8.7% in NR consumption in JFM’14 over JFM’13.
**Natural Rubber and Automobiles Sector Performance (Apr to Nov)**

### Performance during First Eight months of Financial year

<table>
<thead>
<tr>
<th>in Tons</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14 E</th>
<th>%change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>5.75</td>
<td>5.83</td>
<td>5.17</td>
<td>-11.35%</td>
</tr>
<tr>
<td>Consumption</td>
<td>6.34</td>
<td>6.64</td>
<td>6.48</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Imports</td>
<td>1.16</td>
<td>1.55</td>
<td>2.23</td>
<td>44%</td>
</tr>
<tr>
<td>Exports</td>
<td>0.22</td>
<td>0.09</td>
<td>0.04</td>
<td>-52%</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>2.52</td>
<td>2.65</td>
<td>2.45</td>
<td>-7.55%</td>
</tr>
<tr>
<td>Automobiles Production</td>
<td>13.363</td>
<td>13.666</td>
<td>14.138</td>
<td>0.84%</td>
</tr>
<tr>
<td>Domestic Sales</td>
<td>11.320</td>
<td>11.863</td>
<td>12.180</td>
<td>2.73%</td>
</tr>
<tr>
<td>Exports</td>
<td>2.017</td>
<td>1.925</td>
<td>2.030</td>
<td>5.52%</td>
</tr>
</tbody>
</table>

**Automobile numbers in million vehicles and Natural rubber in Lakh tons**

- India NR production in eight months of the financial year fell by 11.35%
- NR consumption eased by 2.4% due to sharp fall in demand from the automobiles production.
- Imports stood higher by 44% in FY 2013-14 due to rise in imports by 116% in JAS’13 quarter.
- Falling consumption amid picking up production begun to increase the stocks across the value chain.
- Major NR consuming segment of automobiles sales have seen decline of 17.51% y/y from Apr to Nov.
## Indian NR Balance Sheet (FY – Apr to Mar)

<table>
<thead>
<tr>
<th>Attribute (units in Lakh tons)</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13 E</th>
<th>2013-14 F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning stocks</td>
<td>2.14</td>
<td>2.90</td>
<td>4.14</td>
<td>5.42</td>
</tr>
<tr>
<td>Production</td>
<td>8.62</td>
<td>9.04</td>
<td>9.14</td>
<td>8.67</td>
</tr>
<tr>
<td>Imports</td>
<td>1.91</td>
<td>2.13</td>
<td>2.17</td>
<td>2.48</td>
</tr>
<tr>
<td>Total supply</td>
<td>12.67</td>
<td>14.06</td>
<td>15.45</td>
<td>16.57</td>
</tr>
<tr>
<td>Consumption</td>
<td>9.47</td>
<td>9.64</td>
<td>9.73</td>
<td>9.76</td>
</tr>
<tr>
<td>Exports</td>
<td>0.30</td>
<td>0.28</td>
<td>0.30</td>
<td>0.35</td>
</tr>
<tr>
<td>Total demand</td>
<td>9.77</td>
<td>9.92</td>
<td>10.03</td>
<td>10.11</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>2.90</td>
<td>4.14</td>
<td>5.42</td>
<td>6.46</td>
</tr>
</tbody>
</table>

*Source: Rubber Board, TG Estimates, Units in Lakh tons*

- India NR production is likely to be limited to total at 8.67 Lakh ton as heavy rains affected the production during Jul to Sep. And even prevailing lower prices are de-motivating farmers to take up the latex collection aggressively.
- Consumption is likely to witness marginal growth of 0.29% y/y.
- Ending stocks are expected to remain higher – (as per Rubber Board November ending stocks were at 2.45 Lakh tons).
India imported higher NR in JAS’13 quarter as global market prices were at discount to the Indian market prices.

India imported nearly 44% y/y higher NR in the first eight months of FY 2013-14 (Apr to Nov)

Currently, Indian NR prices are trading at discount to the global market and any further widening of export parity will give an opportunity for exports

<table>
<thead>
<tr>
<th>Natural Rubber Imports</th>
<th>Month</th>
<th>AMJ’13</th>
<th>JAS’13</th>
<th>OND’13 E</th>
<th>JFM’14 F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity in tons</td>
<td>51,425</td>
<td>115,701</td>
<td>60,858</td>
<td>20,000</td>
<td></td>
</tr>
</tbody>
</table>
Overall domestic automobiles production stood higher by 0.84% for Apr to Nov in FY 13-14, but sales have not performed good.

Sales of two wheelers and exports have made better performance during Apr to Nov period of FY 2013-14.

However, major natural rubber consuming segments are still under deep threat due to slowdown in economy.

Moving ahead, automobile sales numbers are likely to witness minor improvement due to rising inflation concerns and diminishing consumer confidence.
Global NR Dynamics
Exorbitant growth in China automobiles production and sales during Jan to Nov in CY 2013 wherein both grew by 14.31% and 13.52% respectively.

China leading economic indicators of major enterprises (automobile) remained a faster growth in November of 2013. For the first ten months,

- the operating revenue was up 15.4% year on year
- the total taxes and profits were up 23% year on year
- the total industrial output value was up 16.5% year on year
China NR Imports

- China imported nearly 2.14 mil. tons of NR in till Nov of this year, up by 8.53% y/y
- China SR imports till Nov- 1.39 million tons, up by 5.38%
- Moving ahead, China NR imports for 2013 to total at 2.42 mil tons with projected imports of 0.28 mil. ton in Dec’13.
- China NR production entering to lean production phase from Jan (wintering)
- China and major tyre makers are buying from Indonesian and Thai grade for Jan and Feb deliveries at the price range of $2.38 to 2.41 per kg.
- China (The State Reserve Bureau) purchased nearly 46 Th. tons of NR from its domestic markets and 41.3 Th. tons of NR from Thailand for stockpiling purpose.
- Current round of stockpiling by China's state reserves brings the total volume of purchases in the second half of the year to about 230,000 tons.
- China buyers are likely to remain more active at the markets till Dec as Thailand is likely to begin collecting tax on shipments from Jan onwards.
- Automobiles sales are expected to remain higher around China New Year Festival celebration at the end of Jan. Therefore, demand for rubber is likely to remain higher.
• Political unrest is affecting the shipments
• Thailand is likely to resume collecting tax on NR shipments from Jan (Thailand collects tax of 3 baht per kg at a price between 80 and 100 baht. If the price falls below that range, the tax is 2 baht, and 5 baht above that range.)
• Intensity of latex collection is lower in Thailand due to prevailing lower prices amid rainfall/flood across East coast of Thailand
• Thailand produced nearly 2.961 mil ton in the first nine months of 2013 and exports stood at 2.528 mil ton
• NR stocks at the end of the Sep’13 stood at 0.44 mil ton which is five month high
• Moving ahead, Thailand NR production remains peak for Jan too and falls from Feb onwards owing to wintering.
Global NR production in OND’13 have remained marginally higher over JAS’13 as falling prices amid flood kind of weather restricted the tapping activities.

Moving ahead, JFM’14 production is likely to fall by 13% over OND’13 on Seasonality factor as well as prevailing lower prices which may de-motivate farmers to reduce the latex collection.

All Industry users of NR are likely to build the inventory before the Jan’14.

Consumption is likely to fall by 8% in JFM’14 and the same shall increase the inventories.

China Lunar New year holidays for a week period in first week of Feb’14 is likely to lead to decline in manufacturing activities which shall affect the consumption of NR.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Opening Stocks</th>
<th>Production</th>
<th>Total Supply</th>
<th>Consumption</th>
<th>Ending stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>OND’13</td>
<td>2.20</td>
<td>3.24</td>
<td>5.44</td>
<td>2.92</td>
<td>2.52</td>
</tr>
<tr>
<td>JFM'14</td>
<td>2.52</td>
<td>2.81</td>
<td>5.33</td>
<td>2.69</td>
<td>2.64</td>
</tr>
<tr>
<td>% change</td>
<td>15%</td>
<td>-13%</td>
<td>-2%</td>
<td>-8%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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EU– NR Supply- Demand Scenario

- Passenger cars production accounts nearly 90% in EU total automobiles production (which uses more of SR)
- Europe is import dependent and more than 80% comes from Asia
- Europe rubber consumption accounts nearly 9-10% of Natural rubber and 15-16% of Synthetic rubber of global consumption
- 2014 proj. – EU NR consumption +1.84%y/y, EU Automobiles Production- 3.9%
NR production is expected to increase on m/m basis and even wintering impact is likely to remain lower compared to last year as farmers have not tapped tress in JAS.

Tyre makers are likely to remain away from making large fresh purchases on lingering automobiles segment. But we can expect some buying at lower levels before commencement of wintering season.

Imports are to decline on disparity and we can expect exports to happen in the months ahead as Indian NR prices are likely to trade discount to the global market.

Consumption front, tyre replacement demand is likely to drive the demand of NR.

Exports are likely to increase in months ahead as India will get export parity on higher global market prices.

Concisely, domestic NR prices are likely to trade range bound in the weeks ahead on the back of higher supplies amid lack of strong demand from automobile segment.
Market analysis summary - Global

- China government stance to build stockpiles is likely to remain key price driver for upcoming couple of months.
- Fast approaching wintering season to stimulate the buyers to secure their material requirement for medium term.
- Major tyre makers are making purchases for forward month deliveries and the same shall support the prices.
- There are strong signs of recovery in China economy as well as prevailing lower prices are likely to attract the end users for low level buying.
- Better-than expected car sales for China, US and EU are likely to keep the positive note to the NR prices.

Concisely, NR prices are likely to remain range bound with positive note on the back of higher seasonal supplies amid buying by tyre makers at prevailing lower prices as well in anticipation of recovery in economy of manor NR consuming nations.
Technical Analysis
RSS3 FOB Spot Bangkok prices seem to have concluded the Primary wave 2 while the confirmation of the same is still awaited and shall be given by early gains above THB 95-100 however a test of support range of THB 74-76 still remains pending. Therefore prices could retest THB 75-74 and form a base for recovery towards THB 90-95 in the coming month.
TOCOM Rubber Futures – Elliott wave applied

TOCOM RSS3 Futures prices have been showing strength since the end of Nov month and as per Elliott wave principle prices have concluded the minor wave b to commence same degree wave c towards JPY 310-315. However a test of support around JPY 275-270 is pending to form a base for recovery till JPY 310-315 in coming month.
## Price Outlook Summary

<table>
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<th>Price outlook (1-2 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSS3 Bangkok spot, THB/Kg</td>
<td>83.8</td>
<td>Prices are likely to approach THB 90 level with slightly positive to mixed bias however any weakness below THB 81 shall trigger further negative sentiments in the market to test support around THB 75-74 in the coming months</td>
<td>76-92</td>
</tr>
<tr>
<td>TOCOM RSS 3 Futures Cont, JPY/Kg</td>
<td>281.1</td>
<td>Prices are likely inch up towards JPY 310-315 with optimism however upon sustaining below JPY 288/290 price shall consolidate within a range of JPY 272-288 ahead of approaching JPY 310 level in coming months.</td>
<td>270-310</td>
</tr>
</tbody>
</table>
Thanking you for your attention.

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