### KEDIA ADVISORY

# 8th Annual FISSH Meet





03 March, 2024

### Who are we?



Incorporated in 2006 as Kedia Commodities by Mr. Vijay Kedia and Mr. Ajay Kedia. Later on, diversified business from Commodity to other segments of Financial Markets, they are also the 2nd Generation Entrepreneurs and have become India's 1st Unified Licensed Broker approved by SEBI.



Mr. Ajay Kedia Director, Kedia Advisory

- 20+ Years of Market Experience
- **Renowned Commodity Expert**
- Conducted more than 2500+ Webinars and Seminars
- **Member of Many Associations**

**National Media** 

















#### **Print Media**













#### Live Media







This Presentation is for **Educational Purposes Only**.

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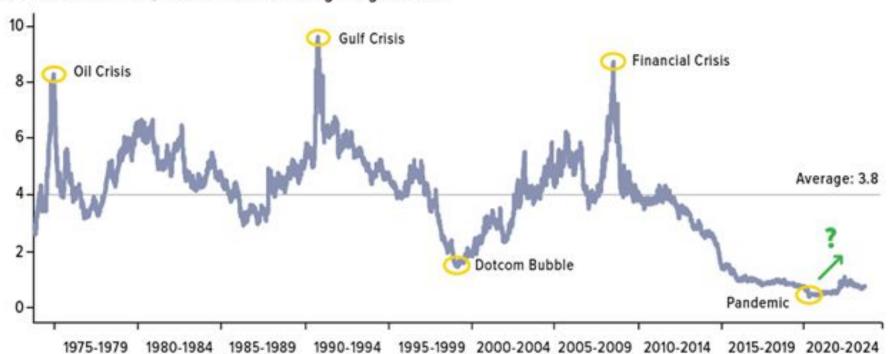
Sr.No	Content	
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# **Commodity Cycle**



#### **Commodity Prices Relative to Equities**

S&P GSCI / S&P 500, 50-Year Period Through August 2023



Source: Bloomberg, U.S. Global Investors

# **Commodity Super Cycle**

			Co	mmo	dity A	nnua	l Perfo	rman	ce Sir	nce 20	13 (%)			
Commodity	Price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Commodity Cycle Started Since 2019	Commodity
						NON AG	RO COI	MMODI	TIES					
Gold	63203.00	-8.09	-5.86	-6.64	10.08	5.67	8.25	24.90	27.91	-4.09	14.38	14.88	77.98	Gold
ilver	74430.00	-24.25	-17.89	-7.48	18.58	-1.23	-0.46	20.32	45.80	-8.00	10.78	7.23	76.13	Silver
crude oil	6007.00	22.07	-44.97	-26.00	42.04	8.73	-17.66	38.36	-19.65	59.62	16.53	-8.36	86.50	Crude oil
latural Gas	211.90	43.59	-28.78	-17.56	61.64	-24.72	11.86	-26.72	17.11	51.84	36.64	-43.91	34.96	Natural Gas
Copper	730.55	5.59	-14.82	-20.95	18.19	24.97	-12.50	8.22	34.78	25.93	-4.03	1.65	66.55	Copper
linc	233.50	15.79	6.32	-22.63	63.73	19.75	-17.17	4.10	19.78	34.31	-6.93	-12.95	38.31	Zinc
lickel	1436.10	-7.61	9.94	-38.46	29.07	10.96	-5.34	38.78	17.78	29.48	63.58	-44.07	105.55	Nickel
Muminium	211.95	-2.28	6.23	-13.66	17.02	22.27	-10.57	7.10	17.27	39.95	-7.44	1.65	58.53	Aluminium
_ead	182.90	6.52	-14.07	1.88	12.80	18.73	-12.40	8.24	2.80	19.58	1.21	-3.13	28.70	Lead
						AGRO	СОММ	ODITI	S					
Mentha Oil	930.20	-33.44	-11.21	8.10	11.22	95.88	-20.54	-16.64	-23.71	0.97	0.82	-8.26	-46.82	Mentha Oil
)haniya	7244.00	46.89	44.00	-33.48	2.60	-30.68	15.64	7.98	-14.55	50.09	-7.87	-10.63	25.02	Dhaniya
leera	30995.00	-14.07	24.14	-6.93	15.72	28.45	-18.31	-8.14	-22.04	28.35	92.06	-0.72	89.51	Jeera
Turmeric	14116.00	-2.68	35.88	8.79	-29.71	14.08	-14.05	-2.64	-9.72	62.19	-13.86	70.57	106.54	Turmeric
Cotton	26429.95	19.24	-17.94	2.42	17.74	3.56	5.55	-9.92	7.09	65.83	-13.62	-8.57	40.81	Cotton
Cocudakl	2762.00	6.89	-3.53	46.62	-3.50	-10.91	7.45	11.06	-6.36	55.32	-4.04	-7.47	48.51	Cocudakl
Castor	5724.00	22.00	46.67	22.62	-5.23	20.19	20.73	-20.34	6.06	32.27	21.13	-19.61	19.51	Castor
Guarseed	5507.00	-17.78	-12.45	-30.91	-2.32	25.94	6.11	-2.24	-7.61	54.22	-0.68	-8.00	35.69	Guarseed
Guargum	10858.00	-61.07	6.95	-49.45	-4.01	44.15	-4.11	-9.61	-22.70	79.60	18.19	-14.59	50.89	Guargum
Soyabean	4887.90	19.23	-11.86	15.27	-21.93	2.94	9.01	30.51	3.83	38.88	-10.00	-15.10	48.12	Soyabean
1ustard	5599.70	-2.12	1.59	20.43	14.23	-0.88	-0.25	18.55	24.88	29.36	-10.42	16.93	79.30	Mustard
Ref Soyoil	865.65	0.31	-8.79	-3.80	15.15	3.00	0.35	26.18	30.18	-2.33	10.93	-33.53	31.43	Ref Soyoil
Crude Palm Oil	769.60	29.27	-14.74	-10.77	41.78	-4.82	-7.75	55.43	22.26	9.88	-18.02	-12.12	57.43	Crude Palm (
Chana	5715.15	-24.80	21.30	38.93	81.25	-56.05	13.76	3.33	-2.51	9.77	2.83	15.55	28.97	Chana
Vheat	2605.00	4.78	1.65	0.70	16.04	-9.21	16.78	6.12	-21.18	20.14	38.51	-10.14	33.45	Wheat
Sugar	3700.00	-12.65	4.39	4.54	17.49	-12.12	-7.19	9.45	-3.82	7.43	-1.48	11.45	23.02	Sugar

### **Dominating Factors of 2023**

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#### **Weather and Climate**

- Monsoon variations (rainfall distribution, intensity)
- Unseasonal rains and floods
- Erratic weather patterns

#### **Production and Supply**

- Yield variations (regional differences, bumper harvest, crop damage)
- Import dependence (Dhaniya)
- Export restrictions (Jeera)





# Demand and Consumption

- Global demand for spices (Jeera, Turmeric)
- Domestic consumption patterns (seasonal variations, festive seasons)
- Shifting consumer preferences (health benefits)

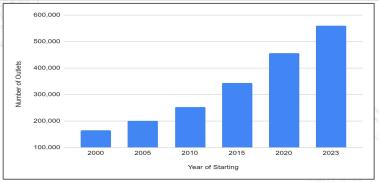
#### **Market Dynamics**

- CASH CRUNCH
- Uneven Trade and Storage
- Market manipulation (artificial price inflation, controlling stocks)
- Global spice trade competition (Jeera, Turmeric)

# India's Organised Retail Outlet Growth KEDIA ADVISORY

Number of Retail Outlets							
Company	Year of Starting	2000	2005	2010	2015	2020	2023
ITC Limited (Agri Business Division)	1910	50,000	75,000	100,000	150,000	200,000	250,000
MDH Spices	1919	30,000	35,000	40,000	45,000	50,000	55,000
Tata Consumer Products (Tata Sampann)	1937	25,000	30,000	35,000	40,000	45,000	50,000
Everest Spices	1944	20,000	25,000	30,000	35,000	40,000	45,000
Catch Foods	1982	15,000	20,000	25,000	30,000	35,000	40,000
Eastern Condiments	1993	10,000	15,000	20,000	25,000	30,000	35,000
Suhana	1992	10,000	15,000	20,000	25,000	30,000	35,000
MTR Foods	1924	5,000	10,000	15,000	20,000	25,000	30,000
Jagat Agrocom Limited	1983	5,000	10,000	15,000	20,000	25,000	30,000
Patanjali	1987	-	-/////	5,000	10,000	20,000	30,000
Reliance Retail (Reliance Fresh, Reliance Smart)	2006	-	-	500	2,000	10,000	20,000
Adani Wilmar Limited (Agri-Division)	1999	-	100	500	1,000	5,000	10,000
Cargill India	1989	100	200	500	1,000	2,000	5,000
Pan India Total	600	165,100	200,300	252,000	344,000	457,000	560,000

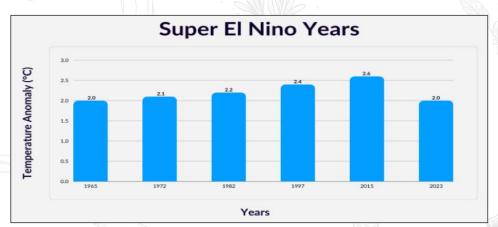


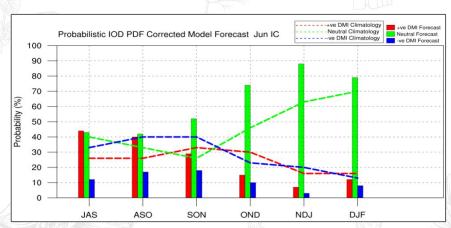


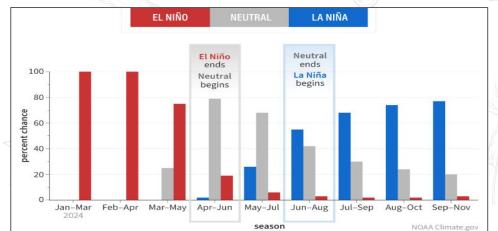
Source: Compiled from various sources

# Weather Developments - 2024









Millo Illuices ( C). Jail 1 eb 2024							
	Nino 4	Nino 3.4	Nino 3	Nino 1+2			
22 Jan 24	1.4	1.7	1.9	0.8			
29 Jan 24	1.6	1.7	1.8	0.7			
05 Feb 24	1.5	1.8	1.9	1.0			
12 Feb 24	1.3	1.7	1.6	1.2			

Nino Indices (°C.) : Jan-Feb 2024

### Weather Expectation for 2024



- El Nino decline is evident, but no sharp drop suggests collapse.
- Madden-Madden-Julian oscillation in Pacific region is causing El Nino state fluctuations.
- Decay of El Nino event imminent, but timing is uncertain.
- Sea Surface Temperatures in central tropical Pacific and Pacific sub-surface align with degradation of events.
- El Nino breakdown and La Nina development increase likelihood of normal or above normal southwest monsoon.
- Expectations for 2024 monsoon to be healthier than average.
- El Nino and La Nina events typically develop during Apr-Jun and last for 9-12 months.
- Indian Ocean Dipole has crashed to become negative neutral.
- Madden-Julian Oscillation enters Western Hemisphere as a borderline case.
- All the above developments are hinting towards a weak opening but a strong finish to the upcoming monsoon of 2024.

# Comparative Crop Analysis- Jeera

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(% Area Allocation under Different Monsoon Situation)

	Guj	arat		Rajasthan				
Crop/Fruit	Normal	Drought	Above Normal	Crop/Fruit	Normal	Drought	Above Normal	
Jeera	40	20	30	Jeera	40	20	60	
Cotton	15	10	20	Guar	20	10	15	
Castor	10	15	10	Pearl Millet (Bajra)	15	5	10	
Groundnut	12	18	15	Moong	5	2	8	
Fennel	5	8	7	Sesame (Til)	8	3	12	
Pearl Millet (Bajra)	8	5	7	Fodder Crops	5	10	2	
Guar	5	8	5	Cotton	5	8	3	
Mango Trees	2	1	3	Mustard	2	1	5	
Pomegranate Trees	2	AN CL	3	Wheat (Rabi Crop)	0	1	0	
Fodder Crops	1 5	3	2	Barley (Rabi Crop)	0	000	E0 12	

# Comparative Crop Analysis- Dhaniya

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(% Area Allocation under Different Monsoon Situation)

Gujarat						
Crop/Fruit	Normal	Drought	Above Normal			
Dhaniya	35	20	40			
Wheat	20	10	15			
Cotton	10	5	8			
Mustard 🦷	8	3	5 4			
Pearl Millet (Bajra)	7	5	6			
Fodder Crops	5	15	8			
Chickpea	5	2	4			
Sunflower	4	2	3			
Vegetables	3	10	5			
Other Pulses	3	8	6			



Madhya Pradesh						
Crop/Fruit	Normal	Drought	Above Normal			
Dhaniya	40	20	50			
Wheat	20	10	15			
Soybean	10	5	8			
Mustard	5	3	6			
Gram (Chana)	5	2	4			
Maize	8	4	7			
Pigeon Pea (Tur)	7	3	5			
Fruits (e.g., Mango)	5	2	5			
Other Vegetables	2	1	3			
Fallow Land	3	50	2			

Rajasthan						
Crop/Fruit	Normal	Drought	Above Normal			
Dhaniya	40	20	30			
Pearl Millet (Bajra)	15	25	10			
Moong	10	15	12			
Guar	10	5	8			
Wheat	5	10	15			
Mustard	8	12	10			
Fruits (Citrus, Pomegranate, etc.)	10	8	15			
Other Vegetables	2	5	5			
Fallow Land	0	0	0			

# Comparative Crop Analysis - Turmeric (% Area Allocation under Different Monsoon Situation)

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	Turmeric – Andhra Pradesh							
Crop/Fruit	Normal	Drought	Above Normal					
Turmeric	40	20	50 / 3 / 1/3					
Rice	20	10	15					
Groundnut	10	5	8					
Mango	5	2	418					
Banana	5	2	6					
Red Gram (Pigeon Pea)	10	5	5					
Maize	( / 5 /	3	4					
Sweet Orange	2	)	3					
Sugarcane	2	1	1					
Other Vegetables	1	1	1					

Telangana						
Crop/Fruit	Normal	Drought	Above Normal			
Turmeric	40	20	30			
Rice	20	10	15			
Maize	10	5	8			
Groundnut	8	4	6			
Cotton	5	A 2	4			
Red Gram (Tur Dal)	7	3	5			
Sorghum (Jowar)	5	2	3			
Vegetables	3 1	1 2/51	2			
Fruits (Mango, Banana)	2	140	2			
Fallow Land	0	52	25			

Maharashtra							
Crop/Fruit	Normal	Drought	Above Normal				
Turmeric	40	20	35				
Rice	20	10	15				
Pulses (Moong, Urad)	10	5	8 -				
Millets (Jowar, Bajra)	10	5	12				
Fruits (Mango, Banana)	5	2	8				
Oilseeds (Groundnut)	8	3	5				
Vegetables	5	2	7				
Sugarcane	2		5				
Fallow Land	0	20	5				
Other Crops	0	2	5				

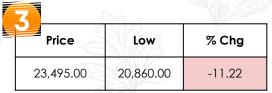
Tamil Nadu						
Crop/Fruit	Normal	Drought	Above Normal			
Turmeric	40	20	30			
Rice	20	15	25			
Groundnut	10	5	15			
Banana	5	3	8			
Sugarcane	8	4	10			
Maize	7	3	6			
Drumstick	3	2	5			
Pulses	5	2	4			
Other Vegetables	2		2 9			
Fallow/Rotation	0 _ 0 _	45	0			



### Jeera Previous View

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4		
Price	High	% Chg
26,300.00	32,000.00	21.67





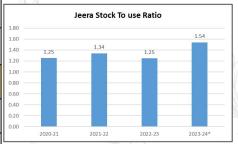
Commodity	Price			Change)			
Commodity	Price	1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
Jeera	25385.00	-3.17	-6.36	-42.46	-58.12	-15.44	-18.10



### Jeera Balance Sheet



Indian Scenario (In Lakh Bags)							
Particulars	2020-21	2021-22	2022-23	2023-24*	% Change		
Opening stock	8.00	20.36	23.45	16.18	-31.01		
Production	91.82	71.09	57.45	103.09	79.43		
Imports	1.27	0.91	0.36	0.29	-20.00		
Total Supply	101.09	92.36	81.27	119.56	47.11		
Domestic Consumption	32.73	27.27	32.73	40.00	22.22		
Exports	48.00	41.64	32.36	20.73	-35.96		
Total Demand	80.73	68.91	65.09	60.73	-6.70		
Closing stock	20.36	23.45	16.18	32.55	101.12		

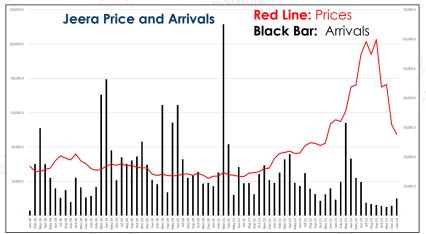


Each bag of 50 Kg

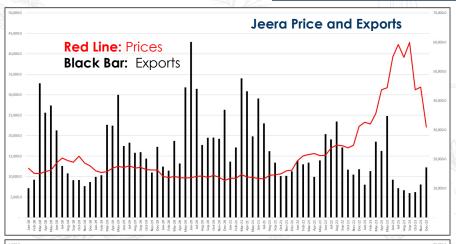
**Source**: Market estimations

### Jeera - Key Fundamental Trends

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# Jeera Open Interest Analysis

### JEERA OPEN INTEREST ANALYSIS

Date	Open	High	Low	Close	% Change	Cumulative OI	% OI Change
Feb-24	27500.0	28150.0	24715.0	27780.0	2.47	3972	35.24
Jan-24	30200.0	35150.0	25900.0	27110.0	-12.53	2937	-21.87
Dec-23	44995.0	44995.0	30435.0	30995.0	-30.52	3759	-28.36
Nov-23	43690.0	47000.0	38895.0	44610.0	2.06	5247	-14.85
Oct-23	59940.0	59940.0	43705.0	43710.0	-26.99	6162	7.60
Sep-23	54585.0	64800.0	54585.0	59865.0	9.19	5727	-27.03
Aug-23	58865.0	63540.0	52650.0	54825.0	-7.41	7848	0.11
Jul-23	54050.0	62300.0	52780.0	59215.0	7.71	7839	-22.21
Jun-23	44350.0	58235.0	44150.0	54975.0	23.46	10077	-2.44
May-23	45480.0	49280.0	42880.0	44530.0	1.82	10329	-0.29
Apr-23	35640.0	44275.0	34650.0	43735.0	22.83	10359	3.17
Mar-23	32050.0	36090.0	29355.0	35605.0	11.25	10041	48.29
Feb-23	32400.0	34645.0	29525.0	32005.0	-1.81	6771	20.95
Jan-23	31960.0	37990.0	30250.0	32595.0	4.40	5598	-44.71

Jeera

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### Jeera Outlook

#### Trend: Sideways



- Infrastructure Development
- Cash Crunch
- Market Confidence
- Trade Tariffs and Agreements

#### Monsoon

#### **Election**

- Crop Yield and Production
- Quality and Purity
- Storage and Warehousing Challenges
- Farmer Decisions and Market Psychology

Trend: Sideways



#### **Trend:** Positive



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- Empty Pipelines due to high prices in 2023
- Domestic Demand
- Seasonality and festivals
- Global spice market trends
- Demand for organic and specialty Jeera

#### Macro- economics

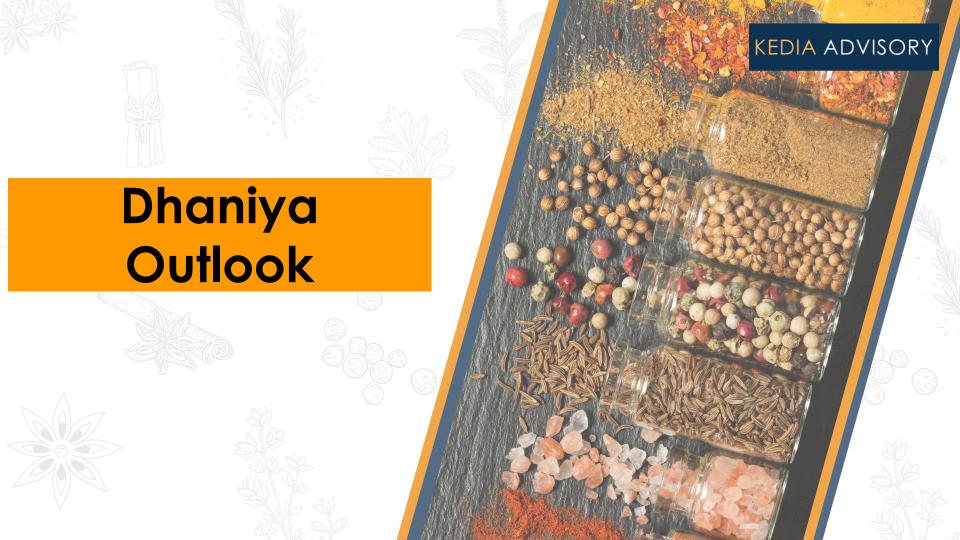
#### **Demand**

- Climate Change and Weather Events
- Inflation & Interest rates
- Currency Fluctuations
- Global Economic Growth
- Geopolitical Conflicts

Trend: Sideways

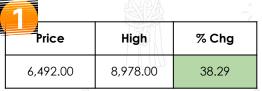


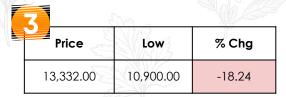
Support	Target	Aggressive	Overall Trend
21000	32000	38500	Support at 21000 while look firm ahead



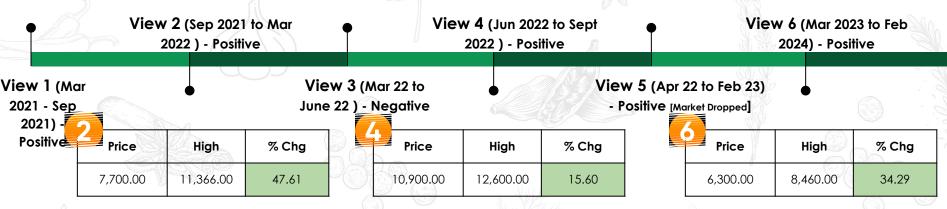
# **Dhaniya Previous View**

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<b>J</b>		
Price	High	% Chg
10,900.00	9,800.00	-10.09





# Dhaniya so far



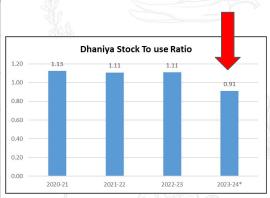
	ammadity	Drico L						53. — — — — — — — — — — — — — — — — — — —
	ommodity	Price	1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
Dh	aniya	8028.00	3.19	3.94	-1.69	12.78	13.81	10.82
Lower in Sow Area	ing			<u></u>				High Carryover stock
High Domestic Festive Demand								Rising Stocks to use ratio
Rising Export Den	nand					7		Intense El-nino Expectations

Period (% Change)

# **Dhaniya Balance Sheet**



Indian Scenario (In Lakh Bags)								
Particulars	2020-21	2021-22	2022-23	2023-24*	% Change			
Opening stock	13.20	21.40	17.80	56.60	217.98			
Production	178.20	160.00	224.80	118.40	-47.33			
Imports	0.80	1.00	6.20	4.40	-29.03			
Total Supply	192.20	182.40	248.80	172.20	-30.79			
Domestic Consumption	161.40	153.20	177.00	144.40	-18.42			
Exports	9.40	11.40	15.20	9.80	-35.53			
Total Demand	170.80	164.60	192.20	154.20	-19.77			
Closing stock	21.40	17.80	56.60	18.00	-68.20			

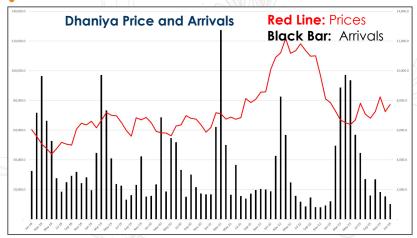


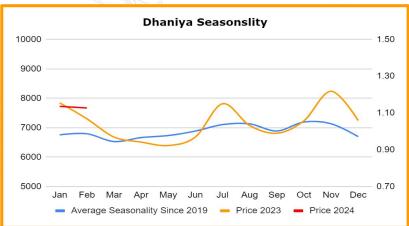
Each bag of 50Kg

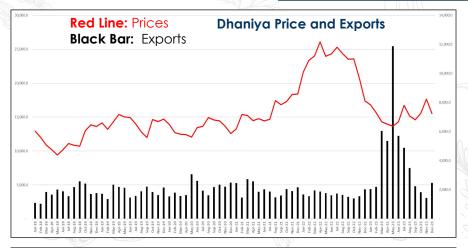
**Source**: Market estimations

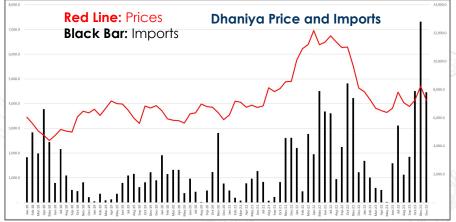
### Dhaniya - Key Fundamental Trends











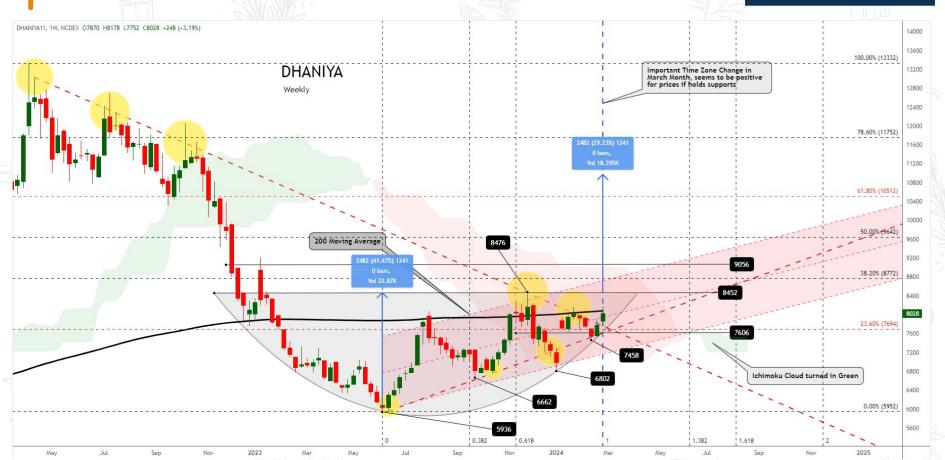
# **Dhaniya Open Interest Analysis**

### **DHANIYA OPEN INTEREST ANALYSIS**

Date	Open	High	Low	Close	% Change	Cumulative OI	% OI Change
Feb-24	7730.0	7988.0	7460.0	7800.0	0.98	22500	8.20
Jan-24	7202.0	8156.0	6814.0	7724.0	6.63	20795	-20.90
Dec-23	8220.0	8294.0	7100.0	7244.0	-12.07	26290	-10.29
Nov-23	7228.0	8462.0	7220.0	8238.0	13.94	29305	-3.20
Oct-23	6772.0	7426.0	6666.0	7230.0	6.17	30275	-13.00
Sep-23	7054.0	7290.0	6700.0	6810.0	-3.70	34800	-8.01
Aug-23	7800.0	7828.0	6900.0	7072.0	-9.50	37830	10.05
Jul-23	6752.0	8068.0	6602.0	7814.0	16.98	34375	19.32
Jun-23	6414.0	6720.0	5880.0	6680.0	4.51	28810	15.59
May-23	6530.0	7020.0	6262.0	6392.0	-1.81	24925	35.02
Apr-23	6602.0	6900.0	6330.0	6510.0	-2.54	18460	3.07
Mar-23	7292.0	7300.0	6620.0	6680.0	-8.52	17910	39.38
Feb-23	7900.0	7968.0	6768.0	7302.0	-6.89	12850	39.22
Jan-23	8018.0	8646.0	7682.0	7842.0	-3.26	9230	-28.00
	N.	1 1 41/2			11/2/27	V = 1 1 2	

# Dhaniya





# **Dhaniya Outlook**

#### Trend: Sideways

4

- Cash Crunch
- Export and Import Policies
- Economic Stability
- Input Costs and Subsidies

Monsoon

#### **Election**

- Crop Yield and Production
- Quality and Purity
- Regional Variances
- Disease and Pest Incidence

Trend: Sideways



#### **Trend:** Positive





- Demand from HORECA industry
- Marriages and festivals
- Global spice market trends
- Competing Crop Alternatives

#### Macro- economics

#### **Demand**

- Climate Change and Weather Events
- Inflation & Interest rates
- Technology and Innovation
- Government Policies and Subsidies

Trend: Sideways

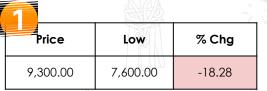


2	Support	Target	Aggressive	Overall Trend
	7200	9800	11000	Overall Positive



### **Turmeric Previous View**





7		- NW 725-	
ľ	Price	Low	% Chg
	9,200.00	8,800.00	-13.04

<b>3</b> a		
Price	High	% Chg
7,300.00	8,400.00	15.07





# Turmeric so far



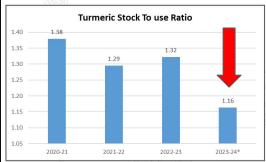
Commodity	Price	Period (% Change)					
	Price	1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
Turmeric	16860.00	10.18	19.61	33.92	11.01	139.42	19.44



### **Turmeric Balance Sheet**



	Indian Scenario (In Lakh Bags)						
Particulars	2020-21	2021-22	2022-23	2023-24*	% Change		
Opening stock	43.40	43.40	31.00	31.20	0.65		
Production	111.20	89.20	93.40	80.32**	-14.00		
Imports	3.20	3.60	3.80	3.20	-15.79		
Total Supply	157.80	136.20	128.20	114.72	-10.51		
Domestic Consumption	80.20	68.60	69.60	70.40	1.15		
Exports	34.20	36.60	27.40	28.20	2.92		
Total Demand	114.40	105.20	97.00	98.60	1.65		
Closing stock	43.40	31.00	31.20	16.12	-48.32		

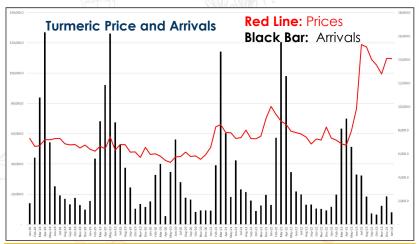


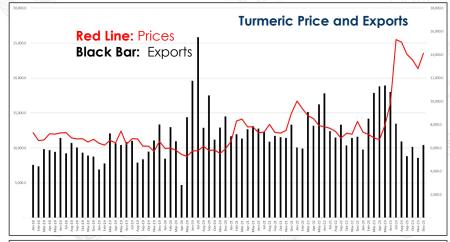
Each bag of 50 Kg

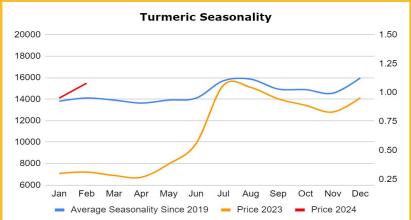
Source: Market estimations

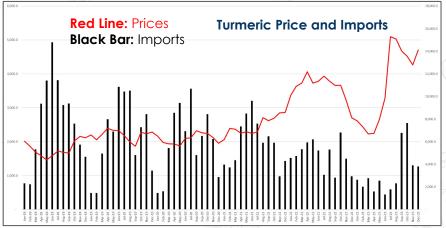
# Turmeric - Key Fundamental Trends

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# **Turmeric Open Interest Analysis**



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Date	Open	High	Low	Close	% Change	Cumulative OI	% OI Change
Feb-24	14054.0	15950.0	13952.0	15552.0	10.33	15045	16.22
Jan-24	14240.0	16298.0	12650.0	14096.0	-0.14	12945	1.25
Dec-23	12846.0	15364.0	12150.0	14116.0	10.32	12785	-22.02
Nov-23	13682.0	14298.0	12010.0	12796.0	-4.68	16395	7.68
Oct-23	14198.0	15114.0	12854.0	13424.0	-4.26	15225	-9.94
Sep-23	15100.0	15800.0	12772.0	14022.0	-7.05	16905	3.14
Aug-23	15540.0	17238.0	13810.0	15086.0	-1.33	16390	-23.52
Jul-23	10050.0	15550.0	9460.0	15290.0	55.10	21430	19.52
Jun-23	7980.0	10048.0	7440.0	9858.0	23.63	17930	17.46
May-23	6730.0	8700.0	6730.0	7974.0	18.52	15265	-5.95
Apr-23	6878.0	7110.0	6452.0	6728.0	-1.87	16230	3.24
Mar-23	7188.0	7244.0	6668.0	6856.0	-4.41	15720	7.49
Feb-23	7350.0	7440.0	6800.0	7172.0	-2.34	14625	-1.22
Jan-23	8260.0	8266.0	7180.0	7344.0	-11.26	14805	32.25

# Turmeric

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### **Turmeric Outlook**

#### Trend: Sideways



- Cash Crunch
- Establishment of Turmeric Board
- Market Regulations
- Global Trade Relations

Monsoon

#### **Election**

- Planting and Harvesting Delays
- Crop Yield and Quality
- Disease and Pest Incidence
- Irrigation Requirements

Trend: Sideways



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#### Trend: Positive



- Product Diversification
- Supply Chain Optimization
- Increased Export Demand
- Market Competitiveness

Macro- economics

#### **Demand**

- Climate Change and Weather Events
- Inflation & Interest rates
- Currency Fluctuations
- Energy Price
- Geopolitical Conflicts

**Trend:** Sideways



Support	Target	Aggressive	Overall Trend
12000	16500	18500+	Overall Positive (may see 20,000+)



# **Industry Pain Points in 2023**

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## Nightmarish Volatility:

- Jeera price peaks at Rs. 65900 in September.
- Fuelled by production shortfalls and export restrictions.
- By December, plummets to around Rs. 28000.
- Erratic weather and fluctuating global demand affect turmeric and dhaniya.

### **Cash Crunches:**

- Soaring prices demand deep pockets, strain traders.
- Banks hesitant to offer credit due to spice market volatility.
- Price crashes later in the year amplify cash flow issues.
- Smaller players face crippling losses, depleting cash reserves.

## **Squeezed Profit Margins:**

- Traders grapple with skyrocketing input costs (fuel, labor, storage).
- High import duties add to the cost pressures.
- Erratic price swings make margin calculations challenging.
- Many traders operate on razor-thin margins to stay afloat.



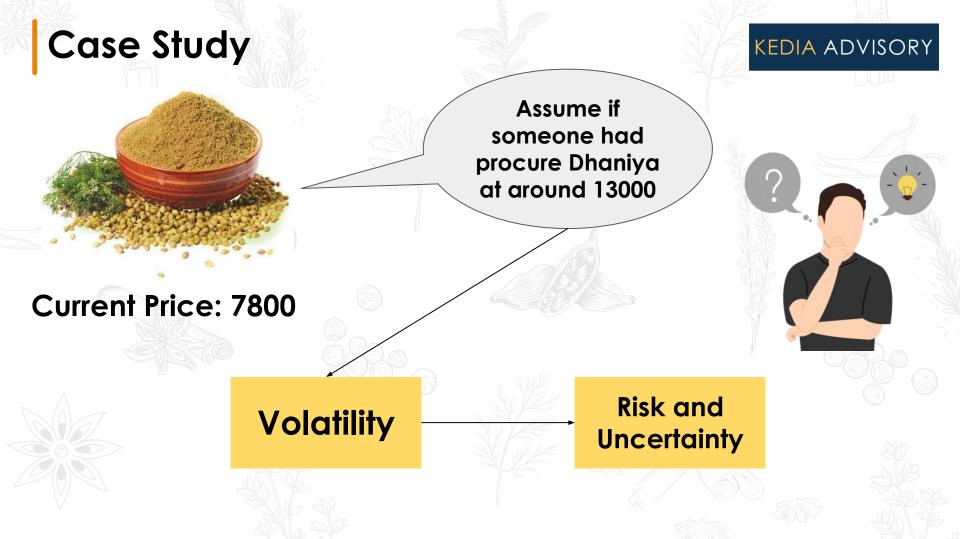


# How it affects the Industry?









# Volatility- The pain of Industry

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 We know that in Market, the prices are very Volatile (price movements at a greater extent),
 Hedging helps us to mitigate that risk.



As we know following are the business costs involved;

How does an Industry work?



Hedging can help to fix price of Raw material and hence make us Profitable.





# Best Example of Hedging is An Insurance Policy

# Common Reasons not to Hedging



# **Most Common Reasons for Not Hedging**

Expensive

Platform

### Why and how do we hedge?



### Gold on Lease (GOL)

- In case of GOL, gold is procured from banks on an unfixed basis on day 1 and gets priced whenever the gold gets sold to customers, which could be 5-6 months from the date of purchase.
- Thus, the pricing of gold is matched with the sale price from customers and hence acts as a natural hedge and there is no impact on P&L of Titan

### Non Gold on Loan (Spot buying which includes Gold exchange, spot purchases)

- Titan procures 100 Kgs gold on 1st October and pays the vendor based on the price that day, say Rs 4000/Gm and Rs 40 Crs gets paid.
- It takes 5 months to convert the raw gold to finished goods and get cash from the customer. Lets assume that this is expected
  to happen on 1st March.
- Now, between 1st October and 1st March, the gold price could go up or come down.
- If the gold price goes down to Rs 3,000, then on 1<sup>st</sup> March, we receive Rs 30 Cr from the customer resulting in a loss of Rs 10 Cr.
   If the gold price goes up to Rs 4,400, then on 1<sup>st</sup> March, we receive Rs 50 Cr from the customer, resulting in a gain of Rs 10 Cr.
- · Currently, Titan is fully hedged and therefore protected against the vagaries of the gold price movement
- Thus, on 1st October, Titan enters into buying a sell futures contract for 1st March, effectively locking itself into a Rs 4,000 price to be received on 1st March.
- Thus, the buying price of Rs 4,000 is matched by a sell futures contract of Rs 4,000 and hence, there is no impact on the P & L
  of Titan

### Titan Company Limited

Year	Premium	View			
1	25,000.00	Expensive			
2	25,000.00	Costly affair I have done			
3	25,000.00	Very Expensive			
4	25,000.00	I should stop, I'm healthy			
5	25,000.00	Met with Accident & Claim of Rs.15 Lakhs			
6	25,000.00	View Changed : Mediclaim Very Cheap			





# Hedging is a Risk Management



- Hedging is a risk management strategy employed to offset losses in investments by taking an opposite position in a related asset.
- The reduction in risk provided by hedging also typically results in a reduction in potential profits.
- Hedging strategies typically involve derivatives, such as options and futures contracts.

	Case A - Not Hedge				Case B - Hedge				
1	Jan	Bought 10 MT	Spot	7,500	Jan	Bought 10 MT	Spot	7,500	
jan						Sold 10 MT	Future	-7,500	
r <sub>a</sub> L <sub>a</sub>	C-l-	Sold in Market	Spot	-7,000	Γ-b	Sold in Market	Spot	-7,000	
Feb					Feb	Covered	Future	7,000	
		Result Lo	Result Loss of Rs.			Result No i	0		
•	<ul> <li>Have to face Price Competition in Market</li> <li>Either Book Losses or Compromise in Profits</li> </ul>					<ul> <li>No Price Competition / Cost Hardly 1%</li> </ul>			
•						No impact on Profits & Losses			

# **Hedging Outcomes**



# Hedging

# No Hedge

They are Exposed to Full Risk and loss if the prices decline

# After Hedging

# If Prices go up

### **Sell Futures:**

Profit in Physical Holdings but Loss in Futures.

# Net Impact Zero

(Margin Required)

## Options (Buy Put):

Profit from Physical Holdings As Put premiums go to Zero. **Net Impact Zero.** 

(Only Premium Required)
(In other words Insurance Cost)

# If Prices go down

### Sell Futures:

Loss in Physical Holdings and Profit in Futures. Net Impact Zero ( Margin Required )

### Options (Buy Put):

Loss from Physical Holdings As Put premiums go to Go Higher.

Net Impact Zero.
Only Premium Required )

# Summary / Key Takeaway

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### **Key Challenges Faced**

- Weather Anomaly Unseasonal Rains & Super El Niño
- Global Economic Slowdown -Declining Export Demand
- Nightmarish Volatility Unexpected Price Swings
- Cash Crunches Lower Trading Volumes in Spot Market
- Squeezed Profit Margins Skyrocketing Input Costs

### Factors to Watch in 2024

- Normal to above normal monsoon
- Elections in India, US and about 65 Countries in the world
- Interest Rate Cut from FED and other major economies
- Fear of Continued recession

## Spices to Watch in 2024

- Dhaniya
- Turmeric





Importance of Hedging in Business

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# Thank You



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