

**Story so Far**

Chana is considered one of the chief pulses; it carries great significance especially for Indian market. Chana (chickpeas) is consumed in various forms. Major use of chana consist of making flour- popularly known as 'besan', around 60% of total chana consumption is in the form of besan. Around 15-20% of chana (chickpeas) is used for seeding purpose, and the balance is consumed in raw form or used as chana dal. Fourth Quarter considered as prime months for Besan consumption, as majority sweet consumption takes places during these month on account of festive season.

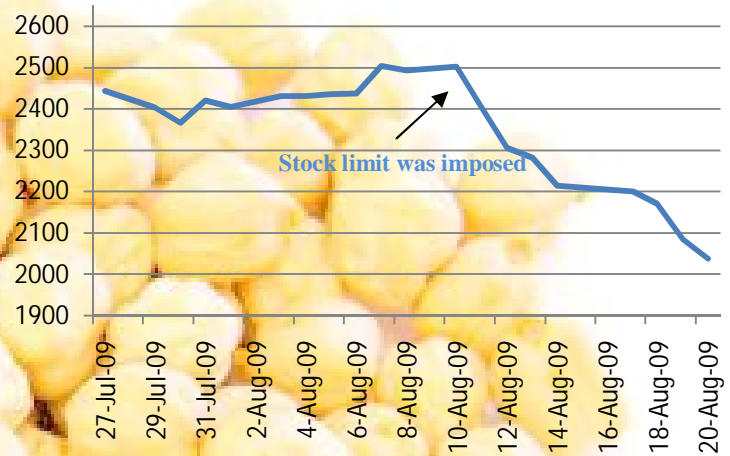
Chana was looking fundamentally very strong on the back of demand-supply scenario, but this equation changed when Rajasthan Government imposed the stock limit in pulses on 10<sup>th</sup> August 2009. States like Punjab, Haryana and Maharashtra too followed the suit. Stock limit was mainly imposed due to soaring prices of pulses (other than chana), and there was a huge pressure from the Central Government to do so.

This development led to a downside trigger in Chana spot prices, and prices fell from the levels of Rs. 2500/quintal to Rs. 2200/quintal within a month's time. NCDEX August contract too plunged till Rs. 2001/quintal which was trading at Rs 2450-2500/quintal during first week of August.

**Looking ahead**

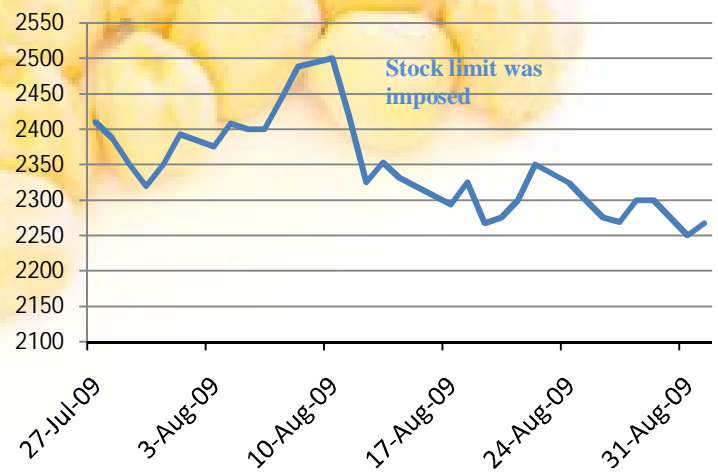
- If prices still continue to trade at Rs. 2200-2250/quintal levels, we expect a huge buying coming in Spot market especially from the millers, as demand for chana is expected to be double during last quarter of the year, and moreover Rs 2200/quintal is a price which normally prevails during the months of Feb-May as when the arrivals are at its peak in those months.
- As it has started raining off lately, but this monsoon has got nothing to do with fall or rise in chana prices during the current phase, people have a tendency to relate rainfall with agricultural crop, but current rainfall will impact on next year's chana production and its price, as chana being a rabi crop and its sowing begins during Dec-Jan

Chana NCDEX August Contract



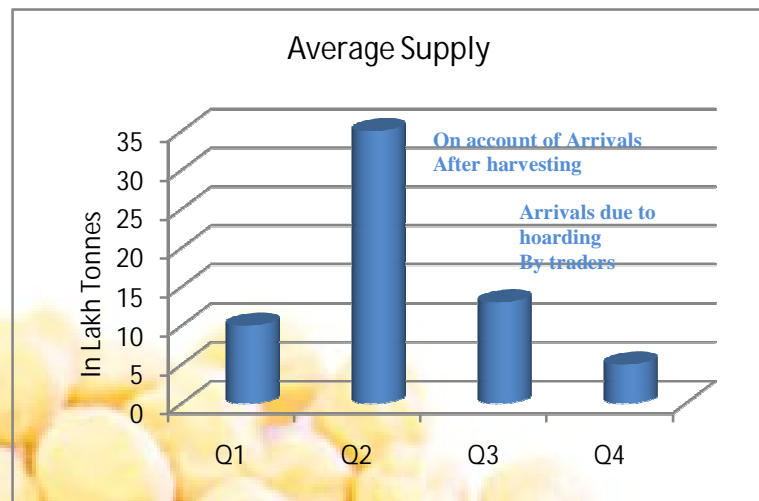
Source: NCDEX

Spot Price of Chana

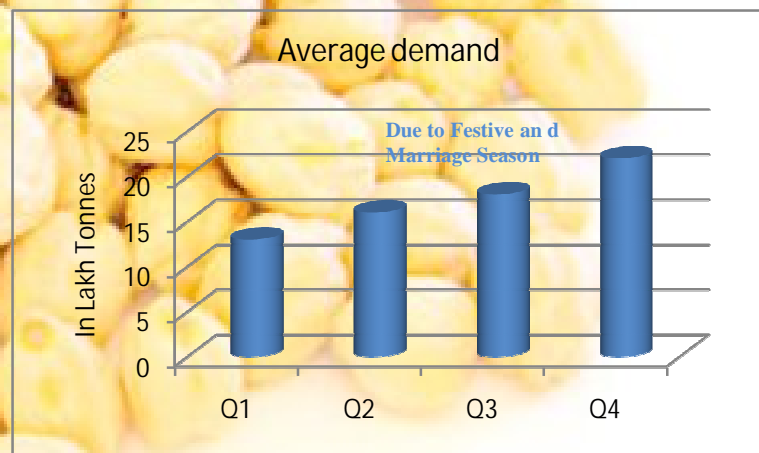


Source: NCDEX

- We have witnessed a surge in prices for all the pulses except for chana, thereby reducing the probability of implementation of stock limit in chana by Madhya Pradesh State Government. This development make us believe that even though stock limit is implemented in chana and prices fall further, these lower prices would not be sustainable for a longer period as there will be good demand from millers on account of festive and marriage season coming ahead, as demand for besan is at its peak during the last quarter
- Current year's production of kharif pulses is expected to decline by 30-40% due to below average rainfalls. Moreover if this current rainfall would hardly provide any relief to any of the kharif pulses; as soon, the harvesting of kharif pulses will kickoff and any rainfall during harvesting and pre harvesting season will further hamper the output as well the quality
- Chana which we are importing currently is from Tanzania at 475\$ (Roughly Rs.2375-2400/quintal), this price doesn't include the freight charges of Rs.180-220/quintal from port to mandis. So at mandis these chana will be introduced at price of Rs.2550-2600/quintal, which is at premium of Rs. 250/quintal than current spot price, moreover the quality of chana that we import from Tanzania are among the inferior ones, as around 78-82 kg of Chana dal is extracted after processing 100 kg of chana and it also contains dust to a great extent, whereas Indian Chana provides an output of around 84-86 kg chana dal after processing 100kgs of Chana



Source: NB Research



Source : NB Research

Current estimated stock of Chana in India	16-17 lakh tonnes
Current demand on account of festive and marriage season	21-22 lakh tonnes
Deficit of Chana for current quarter and year	4-5 lakh tonnes

Source: NB Research

**Outlook**

The outlook for Chana looks bullish as the current stock available in the country is around 16-17 lakh tonnes and demand against is around 21-22 lakh tonnes for the remaining quarter and year. This development states that we are well short of supply of around 4-5 lakh tonnes of chana. Despite of government intervention we feel over current quarter prices of Chana may move up. We recommend to go long in October Chana contract between 2250-2300/quintal in October contract as such decline would not be sustainable for a longer period of time as fundamentals are favoring bulls in the current scenario. October contract may touch Rs.2500/quintal.



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