



Mumbai, June 24, 2009

[Company Press Releases K S Oils in News](#)  
[Media contactTVC](#)

## **K S Oils acquires additional 35,000 acres land for oil palm plantations in Indonesia, owning a total of 85,000 acres**

[Click here for Download PDF](#)

**The company reinforces its backward integration strategy by acquiring the second tranche of land; the company had already acquired 50,000 acres in 2008**

- The company's oil palm plantation asset purchases program in Indonesia will envisage a total fund outlay of Rs. 750 crores over a period of 3 years to develop 85,000 acres of palm plantation. The expansion will be through a mix of equity and debt; till date, the company has spent about Rs.90 crores in the palm plantation project.
- From the recent Rs.450 crore equity infusion, which the company is receiving from three private equity players and promoters, Rs. 375 crores will be used for developing oil palm plantation assets in Indonesia. The current acquisition shall be done from funds of this tranche. The balance Rs. 75 crores will be used in expanding capacity for the Haldia refinery from 500 to 1,000 metric tonnes per day.
- With the current acquisition, K S stands to gain self-sufficiency in its key raw material, crude palm oil (CPO) for its Haldia refinery with 50% of its expanded refinery capacity being met by approximately 1,50,000 metric tonnes of CPO produced from its own plantations. The plantations will be ready by 2012.
- The self-sufficiency in CPO will ensure substantial savings for K S Oils, which will increase the company's EBITDA significantly; from the current buying price of CPO at 700 USD per metric tonne from the open market, it will be able to produce its own CPO at a cost of USD 300 per MT ex-Indonesia.

**June 24th, 2009, Mumbai:** In continuation of its strategy of acquiring palm plantation assets in South Asia, K S Oils Limited, one of India's leading FMCG led edible oil players, announced an additional acquisition of 35,000 acres of palm plantation land in Indonesia for an undisclosed sum. With this acquisition, KS' palm plantation land bank assets in Indonesia stand at 85,000 acres with 50,000 acres being acquired in 2008.

The acquired land parcel is situated in Sumatra Island of Indonesia, which has one of the most fertile lands for environmentally sustainable palm plantations in the world and has the highest yield of CPO. The land is adjacent to K S Oils' current plantation and has been acquired through a joint venture with a local partner who has a minority interest of 10%. Sumatra Island has significant palm plantation assets and investments from global edible oil and food companies like Cargill, Sime Darby Berhad, Golden Agri-Resources, IOI Corporation and other players. K S Oils is the first Indian company to join the list of international food companies to develop sustainable palm plantation assets in Indonesia to ensure steady raw material supply for its Indian consumer needs.

K S Oils, through its international subsidiary, K S Natural Resources Pte. Ltd., Singapore (KSNR), has planned an outlay of Rs. 750 crores to acquire and develop palm plantations and related assets like CPO mills in South East Asia over the next 3 years. Till date the company has invested Rs.90 crores in its palm plantation assets in the region. From the current equity infusion of Rs. 450 crores by three private equity players, New Silk Route, Citi Venture Capital, Barings Private Equity Asia and the Promoters, the company has allocated Rs. 375 crores for buying and development of palm plantation and other assets in South East Asia; the balance Rs. 75 crores will be used to double the refinery capacity of its Haldia refinery from 500 to 1,000 metric tonnes per day. The current purchase of 35,000 acres will be funded from the recent funds raised.

Commenting on the new acquisitions, Sanjay Agarwal, MD, K S Oils Limited and Director, KSNR commented, "We will continuously build agri-assets to ensure that we are self-sufficient in raw material needs and to avoid the vagaries of price fluctuations and annual production issues. The plantation assets will ensure that over time 100% of our palm oil (CPO) requirement in India is met from our own plantations in Indonesia. With palm oil being the most consumed and affordable edible oil among Indian consumers, we are well prepared to serve the Indian consumer with our brands Kalash and Double Sher across all edible oil offerings."

Along with the current acquisition of 35,000 acres and previous acquisition of 50,000 acres, company's palm plantations will produce a total of 1,50,000 Metric Tonnes of Crude Palm Oil (CPO), which shall be 50% of the total expanded refining capacity of its Haldia refinery. The above will ensure significant bottom-line improvement and give a strategic cost competitiveness to K S Oils vis-à-vis other Indian and international players. With a clear cut strategy to strengthen its own brand offerings under Kalash & Double Sher and focus on retail packs, the company will see a rise in profitability with the dual impact of front-end better realization due to brand premium, and significant back-end cost reduction by sourcing raw material from company-owned plantations.

The palm plantations will start producing CPO from the year 2012 and currently the first palm plantation is being readied. The nursery, spanning over 100 acres and having a million saplings, is ready and is one of the most advanced and largest in the Sumatra region of Indonesia. Employing over 3,000 people in a direct and indirect way, it is creating a socio-economic impact by improving the lives of the locals in an economical and social way.

