

K.S. Oils to raise palm oil cultivation by 7,000 ha

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K.S. Oils, the Madhya Pradesh-based edible oil manufacturer, plans to undertake palm plantation in 35,000 hectares in Indonesia with an investment of Rs 850 crore over the next three years.

The company intends to invest Rs 150 crore to cover 7,000 hectares this fiscal and had invested Rs 200 crore till last fiscal.

K.S. Natural Resources, the wholly-owned Singapore subsidiary, owns 55,000 hectares and has already covered palm plantation over 1,000 hectares in Indonesia. The subsidiary also produces 500 tonnes of crude palm oil (CPO) from the 1,000 acres of palm plantation in Malaysia.

Mr Sanjay Agarwal, Managing Director, K.S. Oils, said: "We will be able to source our entire requirement of two lakh tonnes of CPO once our international plantations start yielding fruits."

The company has imported one lakh tonnes of soya oil and two lakh tonnes of CPO cumulatively worth Rs 1,200 crore last fiscal. It expects overseas business to add Rs 700 crore to its topline in the next four years.

"International palm plantation not only secures our raw material requirement but also adds to our profitability as farming commands an EBITDA (earnings before interest, taxes, depreciation and amortisation) of 50-55 per cent," he said.

Domestic plans

The company will invest Rs 70 crore to improve infrastructure facilities at its five plants. It has three plants in Madhya Pradesh, one each in West Bengal and Rajasthan with a cumulative mustard seed crushing capacity of 4,400 tonnes a day (tpd), solvent extraction of 4,200 tpd and refining capacity of 1,600 tpd.

K.S. Oils expects soya output this kharif season to be lower by 5-10 per cent due to farmers shifting to pulses whose minimum support prices was increased substantially.

“Though a clear picture on area under soy sowing will be available by this month end, it may fall 5-10 per cent lower than nine million hectares covered last year,” said Mr Agarwal. Output of mustard seed, a rabi crop, had fallen to five million tonnes this year compared with 6.2 million tonnes last year.

The company plans to increase its tie-up with farmers from 1,000 to 1,500 at Morena and Guna in Madhya Pradesh. KS Oils provides assistance to these farmers by providing its expertise in growing oilseeds such as soybean and mustard.

“By enhancing our association with farmers, we will be able to cover 1,000 hectares against 400 hectares done last year. The intent is to improve the yield of oilseeds as it is among the lowest. For instance, the mustard yield per hectare in India is lower at 1,000 kg a hectare compared to world average of 2,000 kg a hectare,” said Mr Agarwal.

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