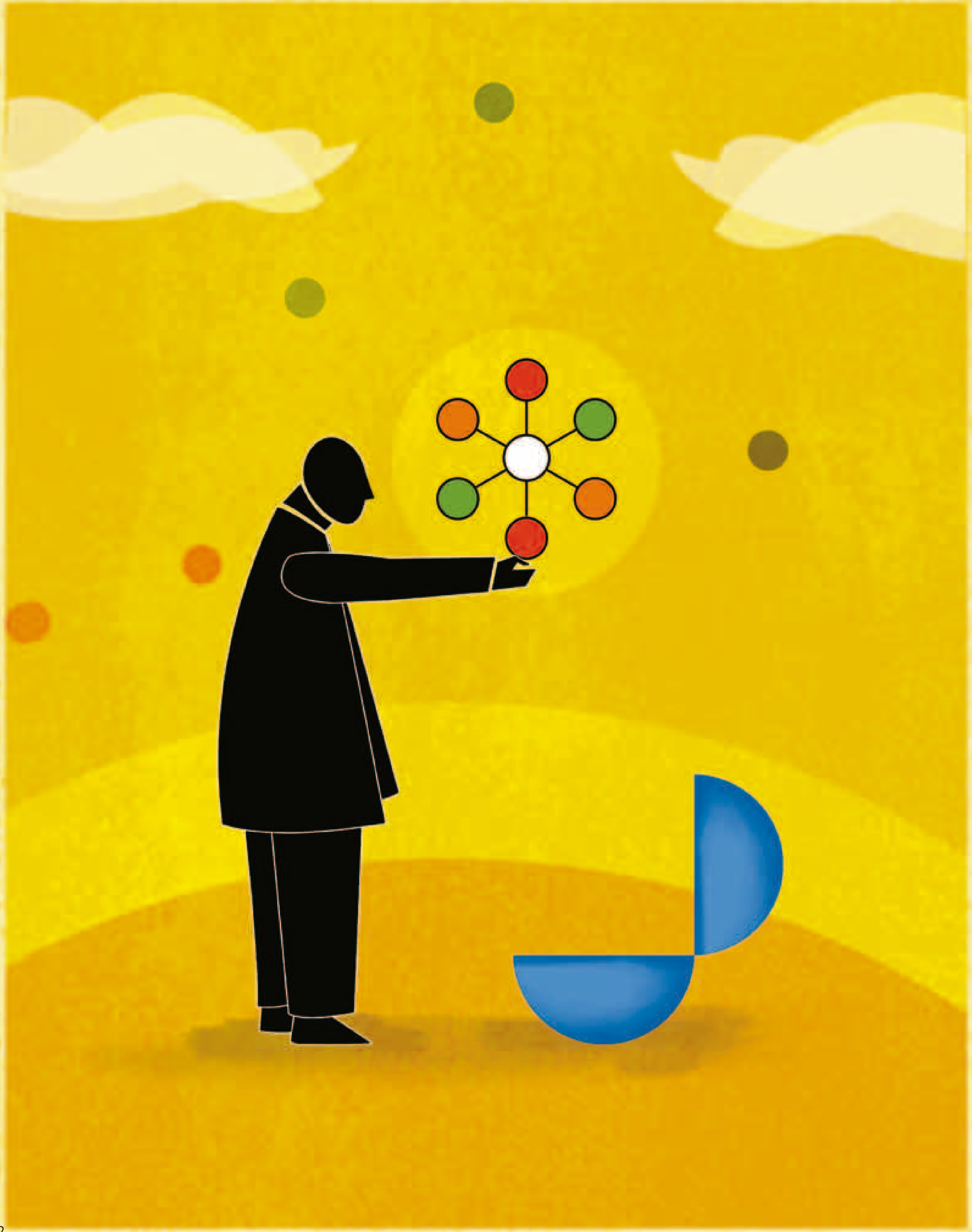
This is not an annual report about edible oil, market share and margins.

This is an annual report about asli India.

And why it continues to trust Brand Jhoola.



asli India is about a
distinctive identity.

Drinks lassi, not soft drinks. Wears polyester, not linen. **Uses hair oil, not cream.** Wears flats, not stilettos. **Uses tooth powder, not necessarily paste.** Commutes in buses, not air-conditioned cars. **Walks on the road, not on the treadmill.** Uses attar, not deo. **Uses vanaspati and refined oil, not olive oil.** Buys local trusted desi food brands, not necessarily MNC labels. **Wears tailored clothes, not readymade.** Eats curd rice, not pizza. **Uses neem, not toothbrush.** Visits haats, not malls. **Wears chotis, not ponytails.** Uses lotaa, not water jet. **Uses chutney, not ketchup.** Visits melas, not multiplexes. **Watches nautanki, not theatre.** Munches chanaa, not popcorn. **Plays gilli-danda, not golf.** Loves kushti, not video games. **Trusts gobar gas, not LPG.** Uses matkaas, not flasks. **Soaks in ponds, not jacuzzis.** Patronises the daakghar, not Facebook. **Trusts Jhoola, not Bertolli.**

asli India is also about
intelligent change.

From Bhojpuri films to dubbed Hollywood blockbusters. From dantmanjan to toothpaste. **From unpackaged products to sachets.** From mud to brick. **From kabaddi to T-20.** From naara to belt. **From unpackaged to branded.** From candles to bulbs. **From slate to keyboard.** From ignorance to e-choupals. **From Sujit Kumar to Shahrukh Khan.** From bullock carts to tractors. **From chitthi to mobile.** From radio to cable TV. **From tiled roof to concrete.** From Ganga maiyya tohe piyari chadhaibo to 3- Idiots. **From one Jhoola vegetable oil product to another Jhoola vegetable oil product.**

asli India.

Bottom of the pyramid. Consumption growth. JVL Agro Industries Limited.

There is a large market at the bottom of the country's economic pyramid according to CK Prahlad. Here is how JVL is capitalising on it

The BOP market is connected

Contrary to the popular view, BOP consumers are connected, networked and receptive to new age products.

According to the Economic Survey 2009-10, rural tele-density increased from 1.2% in March 2002 to 15.1% in March 2009 and 21.2% at the end of December 2009. This indicates an evolving consumer wishing to upgrade to a better product and brand quality. Nearly 40% of JVL's revenues are derived from rural India.

There is money at the BOP

The dominant assumption is that the poor have no purchasing power and therefore do not represent a viable market.

Despite the apparent poverty in rural India, rural consumption expenditure outstrips total urban consumption expenditure in India by 30%. Nearly 25% of JVL's revenues are derived from Tier 2 and 35% from Tier 3 Indian locations.

Access to BOP markets

The dominant assumption is that distribution access to the BOP markets is difficult and an impediment for large companies.

Nearly 83% of India's rural population is connected by roads (75% in 2000). The government allocated ₹500 billion for Pradhan Mantri Gram Sadak Yojana. JVL has 5000 retailers across the country.

The BOP markets are brand-conscious

The assumption is that the poor are not brand-conscious. On the contrary, the poor are brand-conscious and value-conscious.

BOP consumers are value buyers who prefer value-pack versions. Almost all of JVL's revenues are derived from packaged and branded products. They are packaged in varied SKUs (200 ml to 15 kg in 2009-10) at affordable price points (from ₹10 to ₹900) to catalyse offtake.

2
The number of approximate times (x) rural Indian households (121 million) outnumber urban households (65 million) in India from among those households earning more than USD 1,000 a year.

30
The difference (in %) between rural consumption expenditure and urban consumption expenditure (former being higher at USD 200 bn).

2005
The first year from when rural monthly per capita expenditure growth began to outstrip urban monthly per capita expenditure – for the first time in more than two decades.

28
The percentage growth in JVL's sales (by volume) in 2009-10 over the previous year.

What makes Jhoola one of the most **bharosemand** brands in asli India?

Comprehensive
JVL provides a complete vegetable oil solution comprising a range of refined oils (refined soyabean oil and palm oil), vanaspati and mustard oil.

Experience
JVL possesses a rich 20-year experience in comprehending customer preferences, agricultural trends and palm oil trends to ensure consistent product availability across Real India.

Relationships
JVL's trusted two-decade relationship with credible plantation owners in Indonesia and Malaysia translated into a consistent supply of raw materials, which sustains production and quality, leading to consumer trust.

Logistics
JVL's presence as northern and central India's largest crude edible oil importer translated into a better bargaining power and logistics competitiveness.

Brand
The Jhoola brand is available in 17 Indian states and two Union territories; it enjoys a market-leading share for edible oil in Central India.

Economies
JVL's manufacturing unit for saturated fats is the single largest for the product in India, resulting in one of the lowest per tonne production costs.

Integration
JVL manufactures the packaging for all its products. Its manufacturing capacity comprises 18,00,000 HDPE jars per annum and 42,00,000 tins per annum. It manufactures handles and caps for containers. JVL invested in a 3-MW captive power plant in the Varanasi facility that provided for most of unit's power requirement and reduced power costs compared with the prevailing grid tariff.

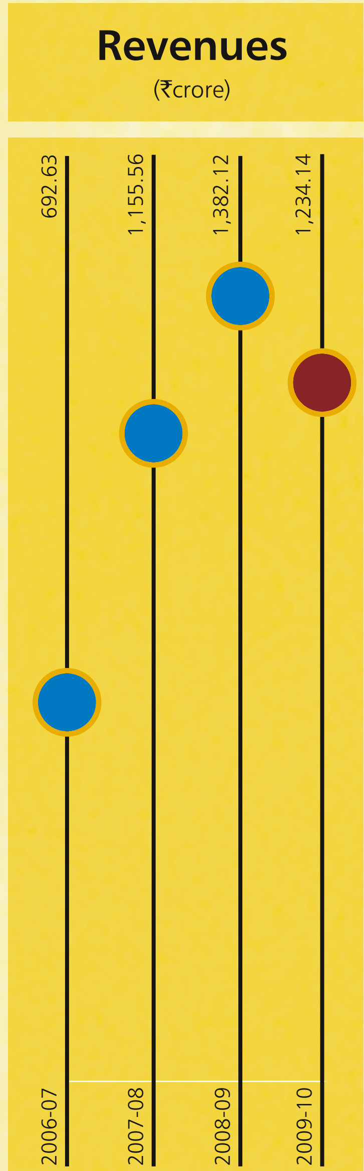
Quality
JVL's ISO 9001-2002 certification translates into product consistency in a sector where hygiene and purity considerations are paramount. The Company has also started supplying to institutional buyers/bakery manufacturers etc. which indicates that the Company is a step ahead of competition in quality compliances.

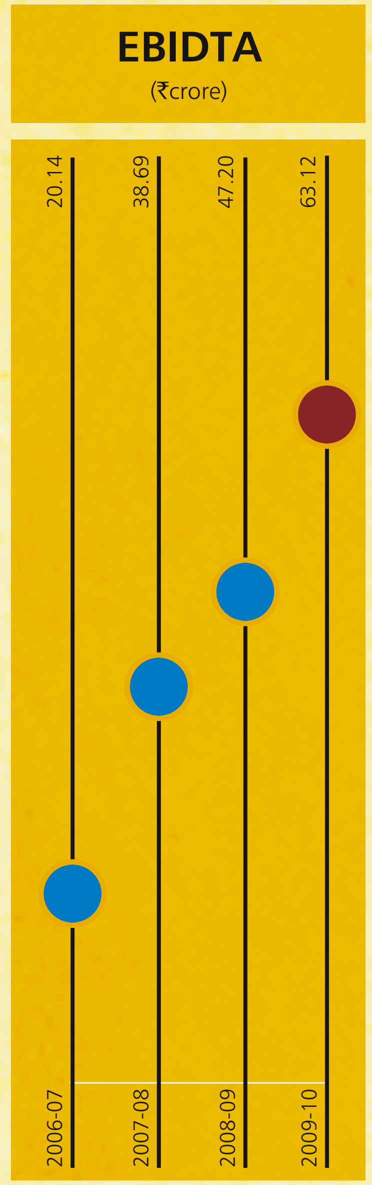
Distribution
JVL's products are found in more than 5000 retail outlets in Real India. The Company entered into manufacturing-marketing agreements with large retail formats like Big Bazaar in UP and is engaged in discussions with retail formats like Spencer, Reliance and More.

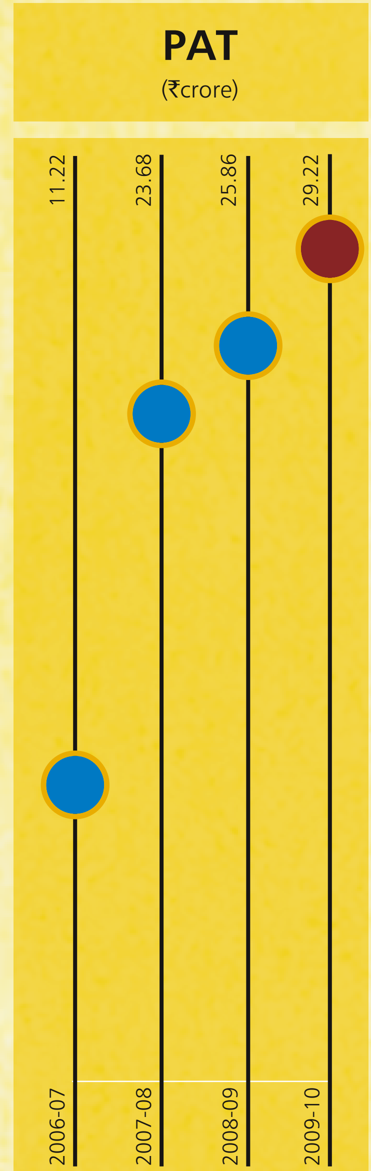
Customisation
JVL services the needs of various Real India consumers through various packaging options – from 200 ml to 5 kg to 15 kg.

In 1989, Jhunjhunwala Vanaspati Limited was started as a modest **25 MT/day hydrogenated** vegetable oil unit.

By 2009-10, JVL Agro Industries Limited had emerged as one of India's fastest growing complete vegetable oil solution companies.







The Jhoola brand.

Represents a complete vegetable oil solution.
Available in diverse edible oil variants.
Perceived as the cook's best friend.
Always available when people want it.
All about quality consistency.
Represents superior price-value.

What is JVL's vision?

To delight the consumer through a complete vegetable oils solution, through continuous Research and Development in healthier oil varieties, leading to a single-stop convenience.

What is JVL's mission?

To extend its leadership from Central India to the rest of the country and become a Company with pan India presence by 2015. The Company also wants to leverage its existing brand and sales & marketing set up to enter into other agro-based products such as rice and bakery.

What is the origin of JVL?

Incorporated in 1989 by Mr. D. N. Jhunjhunwala with the objective to market hydrogenated vegetable oil to rural India

Where is JVL located?

- Wherever the consumers are
- Refined oil and vanaspati units in Jaunpur (Uttar Pradesh) and Dehri-On-Sone (Bihar)
- Mustard seed processing and solvent extraction unit in Alwar (Rajasthan)
- Headquartered in Varanasi with offices in Delhi, Mumbai and Kolkata.
- Subsidiary company in Singapore

Where are JVL products available?

- In states that account for more than 50% of India's population
- The Company's products are marketed in more than 17 Indian states and two Union territories.
- The Company enjoys a pan North, Central, East and North-East India distribution network of over 30 depots, 12 sale points and over 5,000 retailers.
- The Company exports animal / poultry feed raw material to countries like Vietnam, Bangladesh, Thailand, China, Indonesia, South Korea and other Far East countries.

How do alliances take JVL ahead?

- Enduring relationships with plantation owners in Malaysia, Indonesia, Argentina and Brazil ensures consistent supply of raw material.
- Proposed entry into relationships with companies in western India for selling products in the Western and Northern states (Jammu & Kashmir, Punjab and Haryana, among others).

How is JVL viewed by the world?

- Acknowledgement of Jhoola as the fastest growing vanaspati brand by Globoil India (international forum for research, analysis, dissemination of knowledge on edible oil and related industries) in 2006.
- Received the Emerging Company of the Year 2007 Award by Globoil India
- Sri S N Jhunjhunwala, Managing Director, was selected as Globoil Man of the Year 2008 for his industry contribution by the Global India award committee.
- Listed on the Bombay Stock Exchange (BSE) and Uttar Pradesh Stock Exchange (UPSE), Delhi Stock Exchange (DSE); soon to be listed on the National Stock Exchange.

What is JVL's roadmap?

- Enhance shareholder value
- Exceed client/buyer expectation
- Unleash employee potential
- Emphasise corporate social responsibility

"Incremental capacity additions will add ₹1,000 crore top line year-on-year from 2011-12 onwards"

JVL provides a complement of vegetable oil products – vanaspati on the one hand and refined oils (palm oil and soya oil) and mustard oil on the other.

What were the highlights of the Company's performance during the year under review?

The Company performed better in 2009-10 owing to improved profitability, evident in the 28% increase in sales by volume, increased operating profits and 15.30% higher earnings before depreciation and taxation. Profit after tax also rose from ₹30.94 crore in 2008-09 to ₹32.61 crore in 2009-10, following cost control.

So would it be fair to assume that the Company did not perform well, reflected in a 11% decline in revenues?

On the contrary, the reverse is true. The Company strengthened its performance in 2009-10. This is the evidence: the Company did well to increase tonnage sales by 28% when the broad industry grew only 6%. This indicates that the Company enhanced its share of the markets of its presence. Besides, the Company reported a 13% improvement in its post-tax bottom line from ₹25.86 crore in 2008-09 to ₹29.22 crore in 2009-10, indicating that the Company more than adequately addressed its industry challenges during the year under review.

What were the other highlights of the Company's performance during the year under review?

The Company strengthened its operations through the following improvements during the year under review:

- **Enhanced capacity utilisation:** The Company reported an over 80% capacity utilisation in its Varanasi and Alwar (Rajasthan) units. It commenced a new unit in Bihar (1,50,000 MTPA), which became operational by the middle of 2010-2011 and will add to the growth of the Company going forward.
- **Cost reduction:** At JVL, cost reduction was achieved by enhancing plant automation and increasing throughput, which reduced per unit cost of production. The Company leveraged economies of scale resulting in lower fixed costs, overheads and capital cost per tonne.
- The company has expanded its sales and distribution network by reaching newer states and penetrating existing markets.

A number of observers would then conclude that the year under review was comfortable.

On the contrary, it was a challenging year for the following reasons:

- As raw material costs kept fluctuating, there was always the danger that the Company would suffer an inventory loss based on a decline in raw material costs prior to product manufacture and end product sale. I am happy to state that the Company managed its inventories and costs competently through prudent hedging and purchases.
- As raw material costs declined there was a corresponding need to reduce end product prices as well; the Company negotiated competitively for raw material was placed in the best position to reduce end product prices aggressively and capture market share. This made it imperative for us to be sharply observant of raw material cost movements with the objective to capture the largest quantity at the lowest cost and pass on the benefit (or retain a part of it) for enhanced market share or profits. The fact that we increased our market share indicates that we were able to link gains in raw material pricing – 80-85% of the cost of production – with gains in market share
- As India's refined oil consumption grew, there was a need to commission additional capacity to be able to capitalise on a growing market. We commissioned our Bihar unit in nine months compared to a prevailing industry benchmark of 11 months.
- Increasing volumes must be accompanied by sufficient stock. We entered into dependable supplier relationships that resulted in uninterrupted input supply from their end, keeping our production lines going.

How did the Company strengthen its competitive position during the year under review?

Our competitiveness is derived from the complement of a number of factors:

- JVL possesses the largest single location vanaspati plant in India and accounts for a majority of the organised North Indian vanaspati capacity. This has translated into an ability to provide the market with adequate material on demand, preventing competitors from making inroads.
- JVL provides a complement of vegetable oil products – vanaspati on the one hand and refined oils (palm oil and soya oil) and mustard oil on the other.
- JVL enjoys a long standing positioning in Central India. Over the last couple of years, we have progressively emerged out of our regional presence to become a zonal entity with a footprint across several Northern, Central and Eastern India states, as a prelude to emerging as a truly pan-Indian brand in the foreseeable future
- JVL hedged raw material costs, protecting the Company from volatile foreign exchange and commodity movements.

Going ahead, how will the Company enhance shareholder value?

These are some of the initiatives through which we expect to enhance shareholder value in a significant way:

- We are marketing a product that addresses the price-sensitive bottom of India's pyramid (jo sasta hai, woh bikta hai) that is going through the biggest income transition in the independent history of this nation.
- We are seriously scouting opportunities for plantation acquisition in Indonesia, which will secure our access to raw materials on the one and enable us to reduce our costs on the other
- We established a 500 TPD Bihar unit to manufacture refined oil and vanaspati in 2009-10. This unit will enable us to deepen our brand presence in Bihar, a state which does not have any other similar unit which is surprising for a state with a population of approximately 100 million people.
- We are engaged in establishing a new 1,000 TPD Haldia unit by 2011, with a product mix comprising refined oil and fats. JVL is perched at a take-off. We expect our tonnage to increase significantly in 2010-11. In addition to these units, we expect to commission two more units - on the southern and

one western coasts of the country, which will translate into a projected annual increase of 1,000 MT in every alternate year thereafter. The more we expand our capacity, the more we will be able to bargain for cost-effective raw material purchases, widening our margins. As a result, the bigger we become the more profitable we are likely to become as well – a double-play.

- We plan to increase the non-U.P. and non-Bihar proportion of our revenues going forward following a deeper presence across Madhya Pradesh, Jammu and Kashmir, Himachal Pradesh, Punjab, Haryana, New Delhi, West Bengal and North-Eastern states.
- We plan to enter into relationships for outsourcing refined oils from other manufacturers, providing them with the comfort of assured volumes while we market these products in turn under our brand at attractive realisations
- There has been a significant shift in the product-mix. The Company is enhancing the percentage of refined oil to total sales, enhancing profitability.
- We invested in an ERP for enhanced scalability, accuracy and transparency, resulting in informed decision making. We commenced the implementation of this package in 2009-10 and expect this to be fully implemented in 2010-11, thereby reducing our costs

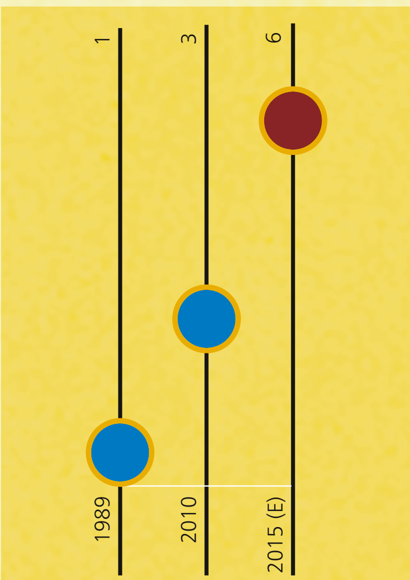
While it would be challenging to hazard revenue implications on account of volatile raw material costs (and hence end product realisations), we expect to report a topline of ₹1800 crore in 2010-11 and a topline of approximately ₹4,000 crore by 2015 (based on prevailing realisations). This will enable us to emerge as a pan-Indian brand by 2015 with attractive margins and profits.

What are the external realities that give you optimism?

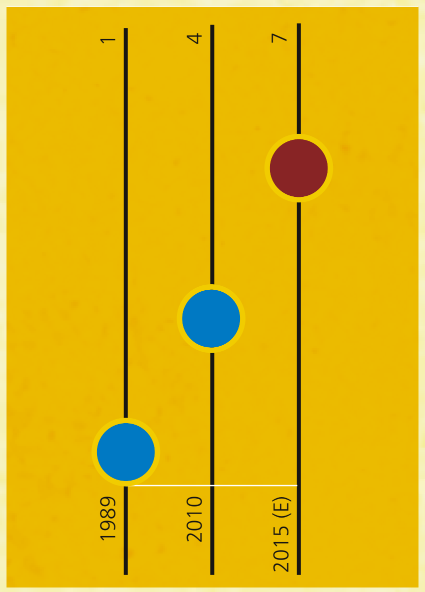
The customs duty on our raw material continues to be zero, making it possible for users to price their end products lower and widen the size of the market. The success of the NREGA scheme is putting more income into the hands of rural India, which will influence food consumption, widening the market for our product. I believe that we have arrived at a point when the sectoral fundamentals are beginning to look robustly attractive; we are bringing to this reality a singular commitment to grow our business profitably, which should correct an extended under-performance of our stock and result in attractive value in the hands of those who own shares in our Company.

JVL Agro. Yesterday. Today. Tomorrow.

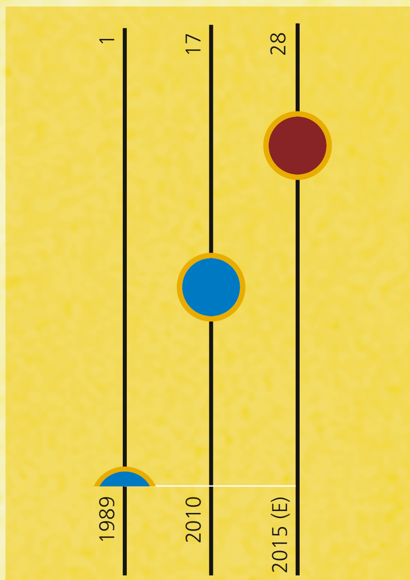
Plants



Number of products



Presence (number of states)



How we **strengthened** the Jhoola brand in 2009-10

1. Efficient raw materials management

In the business of edible oil manufacture, the biggest determinant of profitability is the ability to procure (import) an adequate quantity of raw material at the right price.

JVL is attractively placed in this regard. The Company is the largest importer of crude palm oil (CPO) in Central India. Nearly 95% of the Company's CPO requirements are addressed through imports from credible plantation owners in Indonesia and Malaysia. This facilitates a consistent supply of raw materials around an attractive price-value.

The Company hedges price fluctuations – CPO prices are governed by Malaysia Derivative Exchange rates – through forward contracts, ordering raw material two months in advance as it takes about 15-20 days to be transported. As a step towards integration, JVL is planning to procure palm plantation assets in Indonesia, one of the finest palm growing regions in the world. This will provide raw material for the company and strengthen margins.

The Company also imports soyabean oil from Argentina and Brazil. For the manufacture of mustard oil, the Company buys mustard seeds from indigenous markets.

As a result of these initiatives, raw material cost as a proportion of sales, declined in the year 2009-10 compared to the year 2008-09.

2. Operations

In edible oil manufacture, there is a premium on the efficient conversion of raw material into finished product on the one hand and proactive investment in production capacity to address growing demand on the other.

JVL has demonstrated competence in this regard:

- The Company operates the single largest unit for saturated fats in India resulting in cost-effective manufacture.
- The Company reported a healthy capacity utilisation across all its units in 2009-10.
- The Company leveraged its installed packaging capacity to 18,00,000 HDPE jars per annum and 42,00,000 tins per annum plus handles and caps.

The Company reported the following developments in 2009-10:

- Streamlined the production of expanded capacity at the refinery unit in Varanasi.
- Commissioned a new, 500-TPD automated plant in Bihar.
- Reduced overall production cost resulting in better profitability over the previous year.

Going ahead, the Company intends to embark on the following:

- Commission a 1,000-TPD refinery plant in Haldia (West Bengal) in 2011
- Expand fractionation capacity at Varanasi from 300 TPD to 700 TPD.
- Increase mustard seed crushing capacity at Alwar to 250 TPD.
- Install a rice husk-based power plant in the Dehri plant (Bihar)
- Expand the capacity of the unit in Bihar by another 200 TPD

3. Marketing

In edible oil marketing, it is imperative to present a wide choice while consumers leveraging a common brand (Jhoola). The Company's product basket comprises:

- Saturated fats (vanaspati ghee)
- Refined palmolein oil
- Refined soybean oil
- *Kachi ghani* mustard oil

- De-oiled cake

The Company strengthened its market presence in 2009-10 through the following initiatives:

- Extended operations in North India, and commenced operations in Jharkhand, West Bengal and North East India.
- Established a strong market monitoring team, leveraging ERP to report competitive initiatives within minutes, leading to responsive counter-action.

This is the result: the Company captured a sizable share of the Uttar Pradesh and Bihar markets for edible oil with a growing presence in Northern and Eastern India. The Company extended its footprint to service 50% of the Indian population.

In this business, the challenge lies in addressing the varied quantity needs of consumers. In view of this, the Company provides products in diverse packaging options to suit pockets and needs: provides vanaspati ghee, refined oil and mustard oil in packages ranging from 200 ml to 1 litre to 15 kg; the Company provides refined oil and mustard oil to small customers in bottle packs from 200 ml to 5 litres.

Even though advertising expenditure is not even 1% of turnover, the company markets its brand effectively and expand market size. This is purely out of the trust it has developed in its consumers for its brand and consistent quality.

Going ahead, the Company intends to expand capacity from 1,400 TPD (as on March 31, 2010) to 2,500 TPD (by 2011) in addition to the introduction of premium quality edible oil products.

4. Distribution network

JVL's strong and extensive network of depots, sale points, distributors, dealers and brokers across India helped it gain considerable market share in the states of its presence.

Besides 5,000 distributors, 30 depots, sales points and over 100 sales staff, a large number of retailers ensure deep market penetration for the Company. It has already entered into manufacturing-marketing agreements with large retail formats such as Big Bazaar in UP. It is also in discussion with other retail format giants like Spencer's and Reliance, among others. The Company has also opened a division to tap into the institutional sales in the country to bakery/biscuit companies.

JVL believes in prompt delivery and delivers products to customer doorsteps, based on minimum order size; depot stocks are replenished daily, while at least seven days of stock is maintained at each depot to service sales agents/C&F, semi-wholesalers and dealers on demand, resulting in widespread product availability. This is the result:

- Products are delivered across 17 Indian states accounting for around 50% of the country's population
- Raw material for animal and poultry feed is exported to Vietnam, Bangladesh, Thailand, China, Indonesia and South Korea

5. Logistics

Being the largest crude edible oil importer in North and Central India enhances the Company's competitiveness in logistics cost management. By the sheer nature of its volumes, the Company can determine the mode of transportation ranging from road, railway or inland waterways, an advantage available to no other edible oil company in the country.

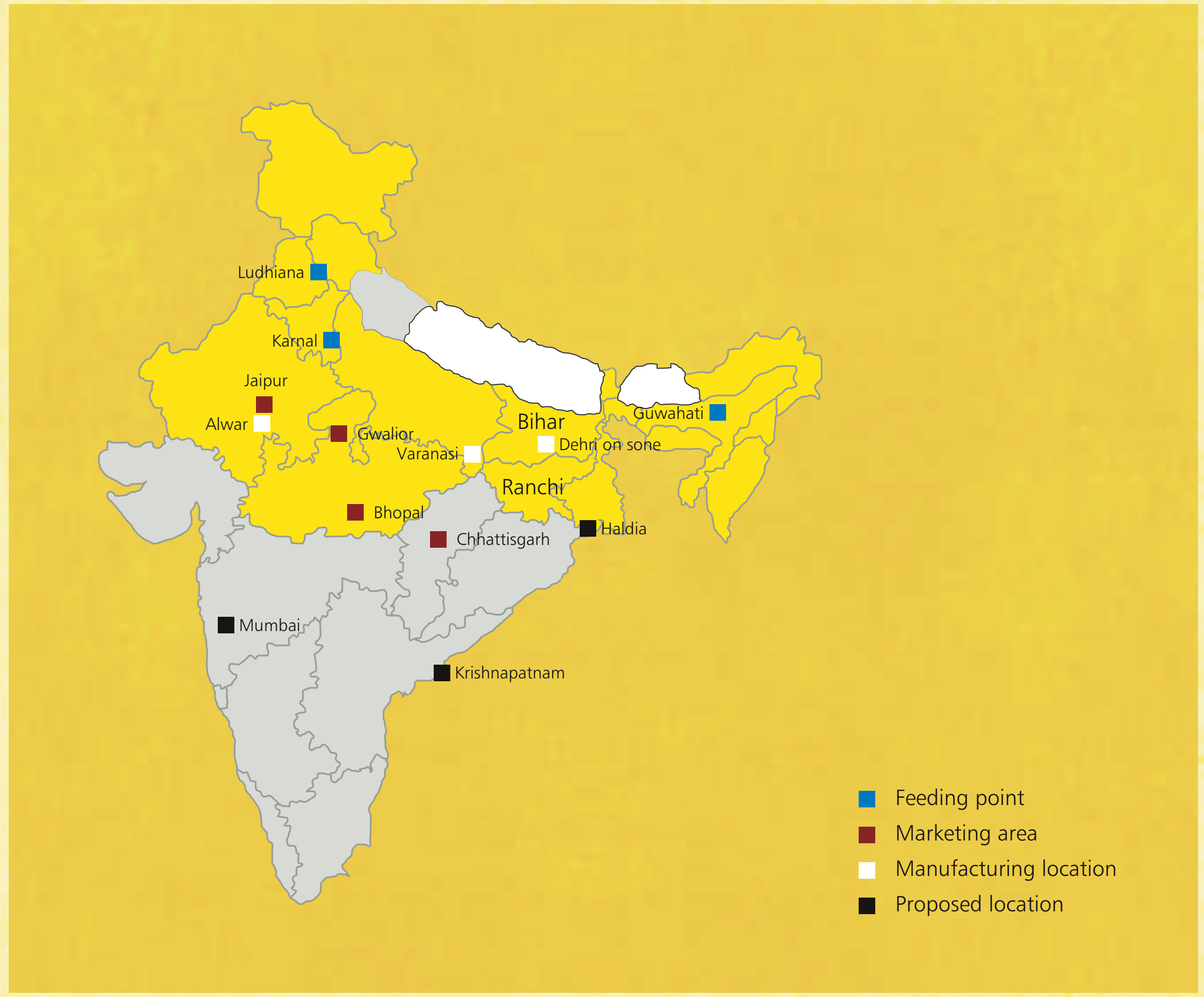
The Company intends to commence operations near the Haldia port and the Kandla port which will enhance logistics competitiveness and enable the Company to capture the North, Central, East and North-East markets since almost 95% of the raw material is imported via sea from other countries.

The Company's plants are situated at about 600-700 km from the port whereas the markets are situated around the areas of its operations. This serves to reduce logistic costs and improve margins.

Road map, 2013

Capacity	Reach	Revenue pie	New avenues
• Saturated fats: 1,98,000 tonnes per annum	Northern and Eastern India	Saturated fats and bakery products: 30%	Planning to undertake palm oil plantation activity in Indonesia, further lowering raw material costs
• Refined palmolein oil: 3,96,000 tonnes per annum	Northern and Eastern India	Refined oil and mustard oil: 70%	Planning to set up a rice mill at the existing refinery in Bihar and extend into agro space leveraging the existing sales and distribution network.
• Bakery saturated fats: 24,000 tonnes per annum			Expected to diversify into power by establishing a 15-MW power plant
• Mustard oil: 90,000 tonnes per annum			Establishment of a state-of-the-art SEZ in Varanasi will fuel growth in the region, one of the most impoverished areas of India
• Solvent extraction: 1,50,000 tonnes per annum			

JVL's presence in India



Management discussion and analysis

Global industry

The International Monetary Fund estimated that the global economy will grow nearly 3% in 2010. Developing countries like China, India, Indonesia and Brazil are expected to grow faster than developed economies. Correspondingly, food demand is expected to expand by about 3–3.5 million tonnes at the current price levels. This is likely to translate into global demand growth of 6 million tonnes of edible oils against the projected supply growth of just 2.6 million tonnes.

Palm oil production: Market estimates indicate Malaysian crude palm oil (CPO) production for 2010 at 17-18 million tonnes, a similar level as 2009. In Indonesia, CPO production is expected to be marginally higher than in 2009 (around 20 MT). However, with global palm oil demand rising faster than supply — primarily driven by India and China, which have significant edible oil deficits — palm oil prices are likely to remain firm in 2010.

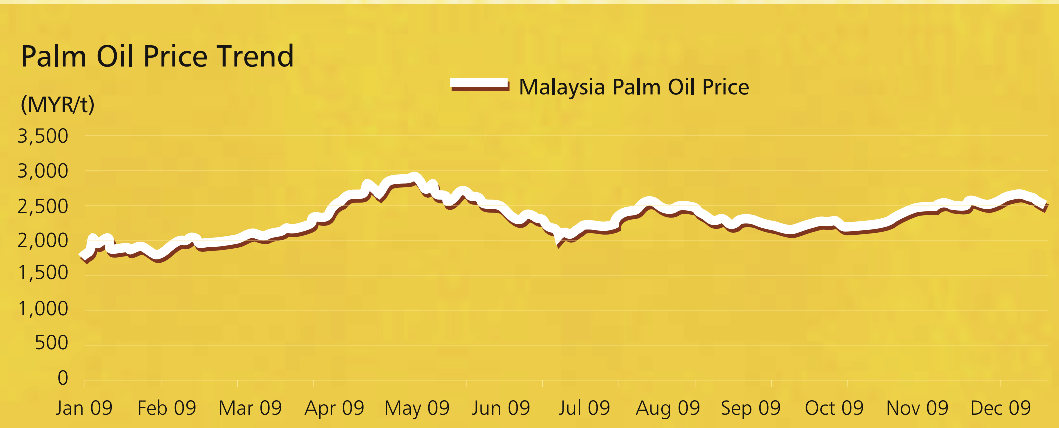
Indian economic overview

Although 2009 started on a gloomy note, the trend reversed from the first quarter of the year when financial markets posted strong gains, fuelled by large capital inflows. Also, to prop up economic growth during the recession, the Indian government announced a stimulus package of over USD100 billion. The Indian economy grew 7.4% in 2009-10 as against 6.7% in the previous year. Going ahead, India's GDP is expected to quadruple across the next ten years *(Source: Edelweiss Capital)*, emerging as a USD 4 trillion economy by 2020 and overtaking China to become the world's fastest growing economy by 2018 *(Source: Economist Intelligence Unit)*.

Agriculture: Agriculture is a stronghold of the Indian economy and accounted for 14.6% of the country's GDP in 2009-10 (15.7% in 2008-09). Agriculture, along with ancillary sectors like forestry, horticulture and fishing, employed over 50% of the country's total population. The bulk of the incremental expenditure by the Central Government, especially in FY09, was focused on providing rural employment through the National Rural Employment Guarantee (NREGA) scheme.

Indian food industry: India's food processing industry attracted an inflow of ₹937 crore across April-December (2009-10) compared with ₹455 crore during the financial year 2008-09 *(Source: The Financial Express, March 19, 2010)*.

The Indian food industry is poised to grow a whopping 42.5% from the present USD 181 billion (₹8,43,460 crore) to USD 258 billion (₹12,02,280 crore) by 2015 and by 76% to USD 318 billion (₹14,81,880 crore) by 2020, throwing up huge opportunities for investment across the entire value chain, according to a FICCI-Ernst & Young study.



Source: Bloomberg

Indian edible oil industry

India's edible oil sector provides a stable outlook for 2010 in the wake of continuing demand improvement, driven by India's growing per capita GDP. The scenario will benefit companies with conservative hedging, responsible inventory policies, strong raw material sourcing and geographically dispersed plants.

India's oil seed deficit is likely to continue owing to an ongoing production shortage coupled with robust demand growth. To meet this increased demand, the government abolished crude edible oil duties coupled with higher duties on refined oils (7.3% to 7.8%), which will support edible oil refining margins.

With a shift in consumption patterns in India towards the relatively cheaper palm oil, a number of large operators shifted their focus towards palm oils. It is expected that the larger entities will eventually have the flexible capacity to process both palm and soya oils which, together with mustard oil, account for around 70% of Indian edible oil consumption.

Following the increased consumption of palm oil, companies plan to commission palm plantations in Southeast Asia, representing profitable backward integration. Although this exposes them to execution risks during project implementation, this is more than offset by enhanced margins on completion. With players investing in backward integration in palm plantations, there are expectations of a substantial rise in the share of palm oil in Indian consumption. On completion of these initiatives over the medium-term, the companies would likely benefit from the added margins, as well as higher resilience to any future price volatility.

There is a tightly balanced global demand/supply dynamics for palm oil as incremental production is expected to be lower than demand growth, with prices likely to remain at current levels (in the region of USD 700 per tonne). With other edible oils typically moving in tandem, prices of other key oils like soya and mustard are also expected to remain firm.

The palm oil advantage

- Palm oil is the cheapest and most affordable of all edible oils (like mustard, palm and soybean). It is used in refined and saturated forms.
- Palm oil is largely used by the middle and low-income groups (comprising 70% of the population) as a cooking medium, resulting in it emerging as the most consumed oil in India.
- The shares of refined palm oil and saturated fats in the total edible oil market are 50% and 15%.
- The demand for refined oil grew steeply in the last few years owing to the increase in income and awareness at the lower end of the income spectrum. The total market for refined palm oil in India is 7 million tonnes per annum.

Raw material dynamics: Indian oil seed production is expected to remain largely stable during 2010. It is believed that the bulk of the impact will be felt by the unbranded segment, which may find it challenging to pass on price increases to consumers, in light of the relatively lower palm oil prices.

Import: India is the world's largest edible oil importer. The gap in demand and supply of edible oil to the extent of 50% is met by imports of mainly soyabean and palm oils *(Source: DGCI&S)*. Low global prices of edible oil in the last season led to a record import of 8.2 million tonnes of oil in the oil year 2009. Out of the around 8 million tonnes of import, palm oil accounted for 6.4 million. During November-January (the first quarter of the oil year), edible oil imports totalled 2.3 million tonnes, up from the 2.1 million tonnes the previous year *(Source: SEA)*. Trade estimates show that India's demand is projected to rise to 16.5 million tonnes by 2011 and 20.8 million tonnes by 2015.

According to statistics prepared by *Oil World*, palm oil and palm kernel oil contributed more than 50% of the growth in supply of all oils and fats in the last five years. In other words, without the contribution from palm and palm kernel, the growth in world supply would have been less than half the growth in world demand.

India is a typical price elastic market where lower prices encourage higher per capita consumption. In the oil year