

## Edible Oil

Industry Code (as per CMIE Prowess): 0101011101200000'

June 2022

Overall Industry Risk Score: **11/20 | Marginally Favourable**

Sample Size: 27 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **16/20**

Moderate Demand

In Q1FY21, the lockdowns resulted in drop in consumption from hospitality segment which was partially offset by the increase in demand from household segment. The subsequent relaxation in lockdowns led to demand from hospitality and restaurant segment. India imports 70% of its oil requirements, of which palm oil at 60% is the major component. As per SEA (Solvent Extractors Association) data, the import of vegetable oils during May 2022 declined to 10.6 lac tonnes compared to 12.5 lac tonnes in May 2021. A decline in palm oil output in Malaysia resulted in an increase in international prices. The prices of edible oil have consequently spiked in the domestic market. The prices are expected to remain stiff over the near term.

**Extent of Competition**  **8/20**

Fragmented Industry

While there is a significant presence of the unorganised sector in the edible oil industry, branded players have been able to enjoy higher albeit moderate margins.

## Regulatory Risk



12/20

Predictable Regulatory environment

A favourable government policy towards the agriculture sector benefits edible oil industry as well. The duties on imports also has a bearing on the performance of the units.

## Input Related Risk



8/20

Erratic / unpredictable supply / wide fluctuations in price/

Inadequate domestic availability of oilseeds and/or import restrictions can lead to raw material cost volatility. Exchange rate fluctuations can also have a bearing on the final prices. The ban on exports of palm oil from Indonesia can further dent the prices.