



K.S. Oils Limited

Confidential Information Memorandum

August 2013



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PricewaterhouseCoopers Pvt. Limited ("PwC") has been appointed as the Lead Financial and Tax Advisor, by the consortium of banks ("Lenders") led by State Bank of India ("SBI"), to assist the Lenders, in connection with the possible divestment/re-organization of the edible oil business ("the Business") of K S Oils Limited (the "Transaction").

The Board of Directors of K S Oils Limited (the Company) have, in consultation with the consortium of banks/Lenders of the Company ("Consortium"/"Lenders"), decided to examine the possibility of re-organizing the existing businesses and corporate structure of the Company and/or induction of potential financial or strategic investor(s) in the same vide the Board Resolution dated February 11, 2013. State Bank of India as the lead Banker of the above stated consortium and has been duly authorized in writing by the Company vide a board resolution passed by the board of Directors of the Company to appoint PwC to provide the aforesaid assistance.

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Key Definitions



Definitions

- **Division** - Division shall mean (i) any of the manufacturing facilities and related offices of the Company located at Morena, Ratlam and Guna (all three in Madhya Pradesh), Kota (Rajasthan) and Haldia (West Bengal) respectively, and (ii) the Brands of the Company, all of which are used for carrying out the Business
- **Mustard/ Rapeseed** – ‘Rapeseed’ in India is generally referred to as ‘Mustard’. In this information memorandum in all instances that ‘Mustard’ has been used it can be taken to also mean ‘Rapeseed’
- **Kachchi Ghani Mustard Oil** – Refers to the pungent variety of Mustard Oil which is a premium edible oil characteristic to the Indian Edible Oil Market
- **Mandi** – Mandi refers to a large market where the local farmers congregate to sell their produce which provides them combined bargaining power. Mandi’s are controlled/managed by the state government authorities. The Minimum Sale Price is determined by the Government Authorities and buyers have to enter participate in an auction process for procurement
- **Vanaspati** – In India Hydrogenated Fat is referred to as Vanaspati
- **USD – INR Exchange Rate** 1 USD = 55 INR

Acronyms

- **C&F Agents** – Clearing and Forwarding Agents
- **MT** – Metric Tons
- **FY** - Refers to “Fiscal Year” which refers to period from April 1st to March 31st
- **OY** – Refers to “Oil Year” which refers to period from October 1st to September 30th
- **HDPE** - High Density Polythylene
- **AGMARK** – Acronym for agricultural marketing. Agmark is a quality certification mark provided by the Government of India
- **SEA** – Solvent Extractor’s Association (India)

Executive Summary

Executive Summary

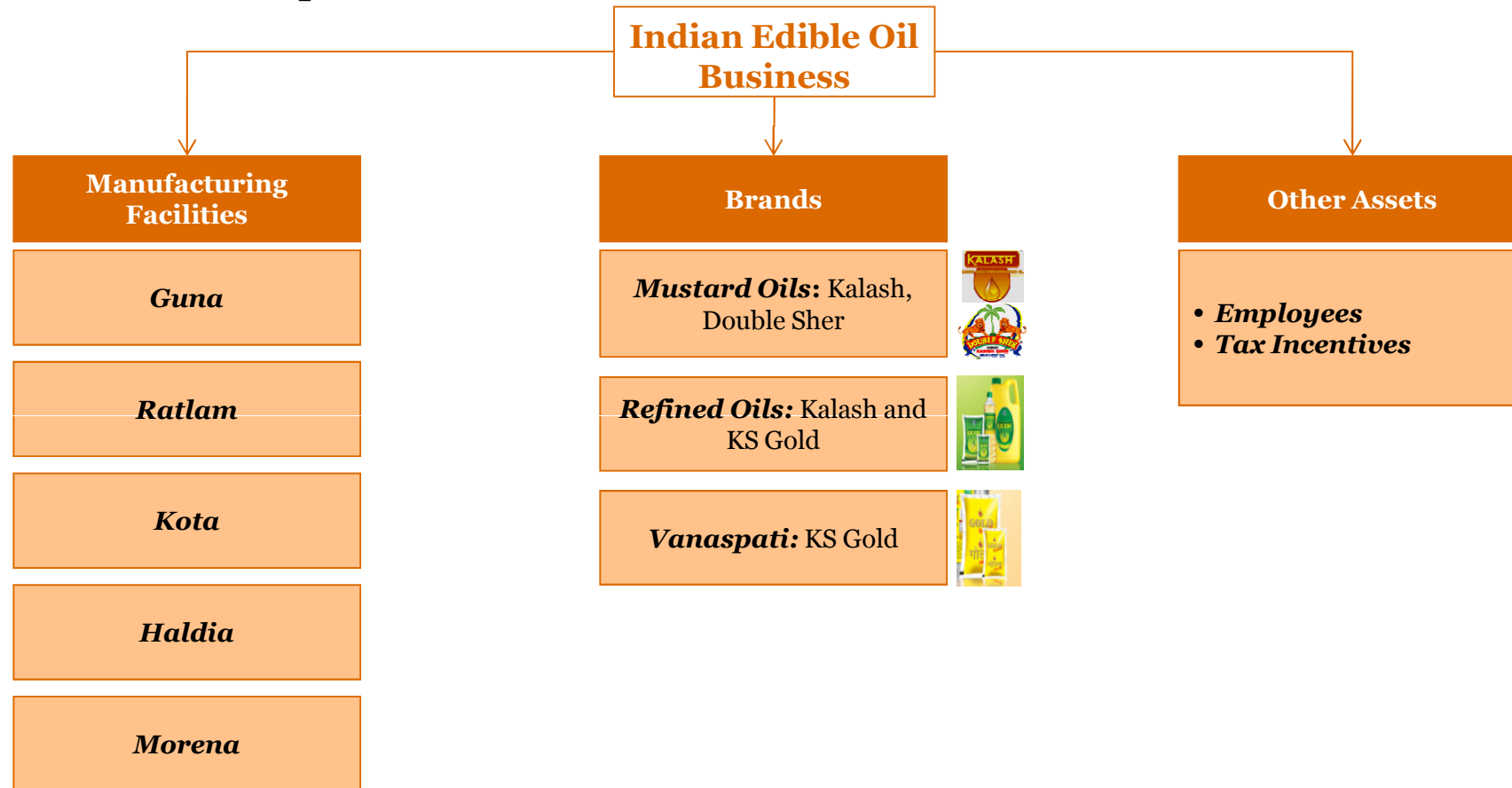
Proposed Transaction



- K S Oils (“KSO” or “the Company”) is an established edible oil player in India with one of the largest capacities of edible oil processing
 - One of the largest crushing capacities of mustard in India and also has significant presence in the refined oil market (soyabean / palm)
 - Integrated manufacturing facilities, located at strategic raw materials and consumer belts in India viz. Madhya Pradesh, Rajasthan and West Bengal
 - The company had developed a pan India distribution network covering North, East and Central India with brands like Kalash, Double Sher, etc. however the company could not focus on the same over the past two years due to various constraints. The same could be restored by reinitiating focus on the network.
- It presents an ideal opportunity for a strategic player in the edible oil business to strategically enhance their footprint, on the basis of its strong manufacturing capabilities
- State bank of India and other Lenders have independently appointed PricewaterhouseCoopers Private Limited (“PwC”) as the Lead Financial and Tax Adviser and SBI Capital Markets Limited (“SBICAP”) as the Senior Transaction Adviser to explore the possibility of inducting a strategic and /or financial investor in the Company’s Indian Edible Oils Business carried out through the divisions of the Company, and including the employees.(“EOB” or the “Business”), (the “Transaction”) . The transaction will involve a transfer of the EOB/division’s of KS Oils Limited through an appropriate structure .
- The Company is in the process of rebalancing its operations. Some of the operational details given in this Memorandum are prior to the realignment of the operations by the Company

Executive Summary

Transaction Scope



Executive Summary

Business Overview



Overview

- KSO is one of the established edible oil players with a presence in mustard oil in India
 - One of the largest crushing capacities of mustard in India and also has significant presence in the refined oil market (soyabean / palm)
- Owns and operates integrated manufacturing facilities, located at strategic raw materials and consumer belts across India
 - Plants specifically designed to manufacture pungent variety (Kachchi Ghani) of mustard oil which is a premium edible oil in India due its pungency, color and taste. This variety of mustard oil is an integral part of Indian cuisine
- Owns established brands like Kalash, Double Sher, etc., which had a good presence in the branded mustard oil segment as well as other edible oils including soya , vanaspati

Overview of Operations	
Sourcing	<ul style="list-style-type: none"> ▪ Seeds sourced from Rajasthan, Madhya Pradesh and Uttar Pradesh
Manufacturing	<ul style="list-style-type: none"> ▪ Facilities located in Madhya Pradesh, Rajasthan & West Bengal ▪ Total installed capacity <ul style="list-style-type: none"> – Crushing Capacity – 4,400 MT/ day – Solvent Extraction – 4,200 MT/ day – Refinery – 1,600 MT/ day – Vanaspati – 150 MT/ day
Distribution	<ul style="list-style-type: none"> ▪ Sales through C&F Agents and Company Depots ▪ Pan – India distribution through network of distributors and retailers
Products and Brands	<ul style="list-style-type: none"> ▪ Mustard oil (Double Sher & Kalash brands) ▪ Refined oils (Kalash, KS Refined & KS Gold brands) ▪ Vanaspati (KS Gold & KS Gold Plus brands)

Executive Summary

Manufacturing Facilities



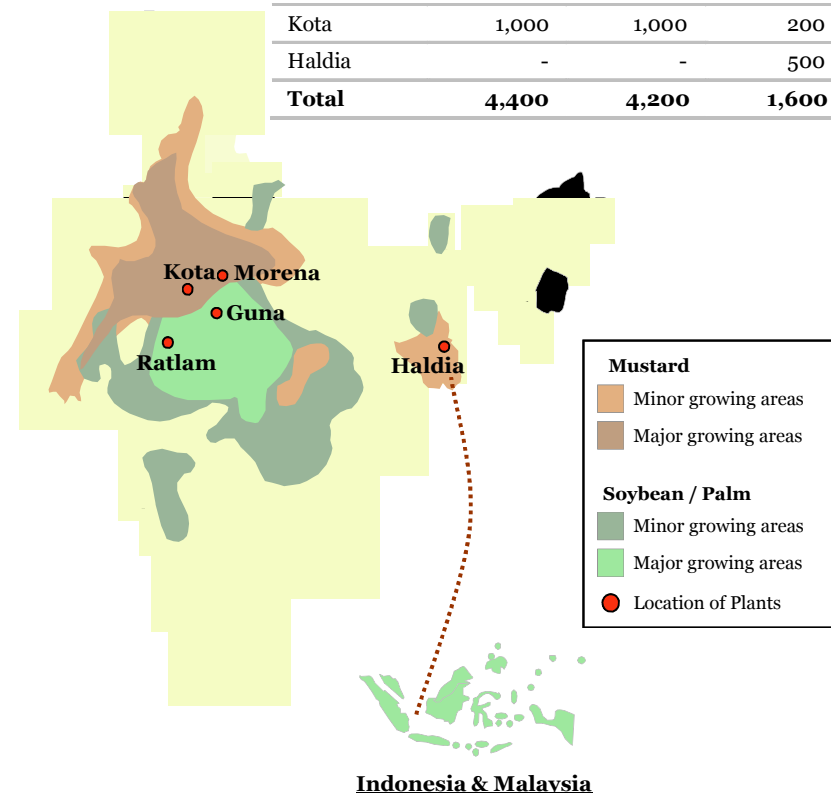
Manufacturing presence across strategic locations

- The manufacturing units are located in Morena, Ratlam, Guna in Madhya Pradesh, Kota in Rajasthan and a port based refinery in Haldia, West Bengal
- The facilities are well equipped to switch to crushing between mustard and soya seeds and refining of other crude edible oils like palm, soya, sunflower, mustard etc.
- The plants are specifically designed to manufacture pungent variety of mustard oil which is a premium edible oil in India
 - Plants use an indigenously developed seed preparation technology which allows the pungency to be retained in the oil during the crushing/ expeller process. The Company has applied for a patent for the Chillex technology
- KSO's operations are fully integrated with an in-house packaging department which completely meets the Company's requirements of tin, HDPE jars, pouches and PET bottles
- KSO has one of the largest mustard crushing capacity in India at 4,400 MT / day
- KSO enjoys significant cost savings on account of plant technology and integration

Source: Management Sources

Facilities Overview

MT/day	Crushing	Extraction	Refining
Morena	1,000	600	450
Guna	1,200	1,600	200
Ratlam	1,200	1,000	250
Kota	1,000	1,000	200
Haldia	-	-	500
Total	4,400	4,200	1,600







Executive Summary

Marketing and Distribution Network



Key Brands

KSO was a key player in the branded mustard edible oil segment with brands like Kalash and Double Sher

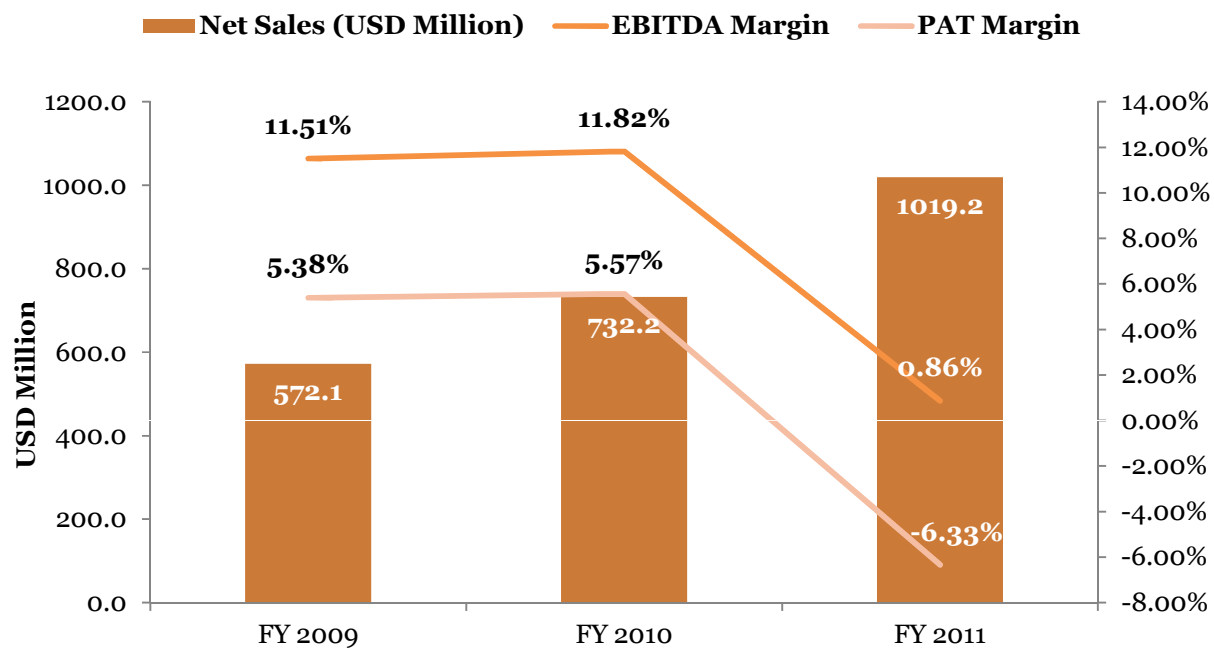
	Product & Brands	Description
Rapeded/ Mustard Oils	Kalash 	<ul style="list-style-type: none"> Flagship brand for Kachchi Ghani mustard oil, well known for purity, pungency and colour Pack sizes ranging from 50ml pouchesto 15 litre/Kg tins
	Double Sher 	<ul style="list-style-type: none"> Branded Kachchi Ghani mustard oil Also has high penetration and acceptance in the rural areas Pack sizes ranging from 50ml pouchesto 15 litre/Kg tins
Refined Oils	Kalash & KS Gold 	<ul style="list-style-type: none"> Brand extensions for refined oil with high customer recall for purity Kalash refined oils include soybean and sunflower oil available in PET bottles, pouches, jerry cans and tins KS Gold refined palm oil is available in pack sizes ranging between 500ml pouches and 15 litre/kg tins
Vanaspati	KS Gold 	<ul style="list-style-type: none"> More than a decade old brand made by hydrogenation of excellent quality crude palm oil Pack sizes range between 200ml pouches to 15kg/litre tins

Distribution Network

The company had developed a pan India distribution network covering North, East and Central India with brands like Kalash, Double Sher, etc, however the company could not focus on the same over the past two years due to various constraints. The same can be restored by reinitiating focus on the network.

Executive Summary

Key Audited Financials (Including Wind Business)



All figures are in USD Million	FY 2009	FY 2010	FY 2011 *
Gross Block	125.8	213.4	228.5
Less : Accumulated Depreciation/Amortisation	10.7	20.3	34.9
Net Block	115.1	193.1	193.6

Note: Exchange rate used in US\$ 1 = INR 55

Source: Company Standalone Financials, includes the financials of wind business also (Annual Reports)

* FY 2011 refers to 15 months period ended June 30, 2011

Investment Highlights

Investment Highlights



India - World's 3rd Largest and the Fastest Growing Edible Oil Market

- As per USDA estimates, India is the third largest consumer of edible oils, after China and the EU-27 countries (OY 2010 – 11 estimates)
- Growth in the edible oil industry in India is mainly driven by population growth and steady improvement in per capita edible oil consumption (~15kgs.), which is significantly lower than the world average (~26kgs.)
- Favorable macro-economic and demographic factors to result in higher growth in branded oils sales; branded edible oil segment (~25% of the market) expected to grow by 25-30% p.a. in the next few years

Strategically Positioned Manufacturing Facilities

- One of the largest mustard crushing capacity at 4,400 MT/day which is c. four times the nearest competitor
- Mustard oil manufacturing facilities which allows the pungency to be retained in the oil during the crushing/expeller process (patent applied for)
- All manufacturing plants are equipped to produce Kachchi Ghani pungent mustard oil, which is considered a premium variant in India. The Kota, Guna & Ratlam plants run on modern Chillex technology, while the Morena facility is equipped to run on the traditional Kohllu technology
- Facilities well equipped to switch to crushing between mustard and soya seeds and refining of other crude edible oils like palm, soya, sunflower, mustard etc.
- One of the very few fully integrated facilities in India, resulting in significant cost benefits
- Significant tax advantages which could be utilized over the next few years
- Multi-location, strategically dispersed manufacturing facilities enables efficient procurement and supply logistics

Efficient Sourcing Capabilities

- KSO has efficient sourcing capabilities and the the scale of the manufacturing operations provides significant cost economies in procurement

Ready Platform in the Branded Mustard Oil, Soyabean and Vanaspati Segments

- KSO provides a well-positioned platform to capitalize on the growth in the branded mustard oil, soyabean and vanaspati markets
- It owns brands in various segments which used to enjoy a premium position in the market

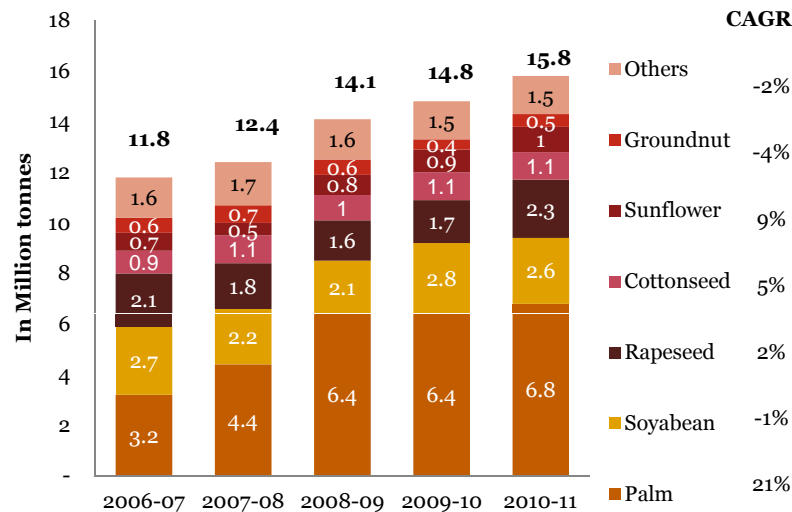
Industry Overview

Industry Overview

Increasing per capita consumption of edible oils

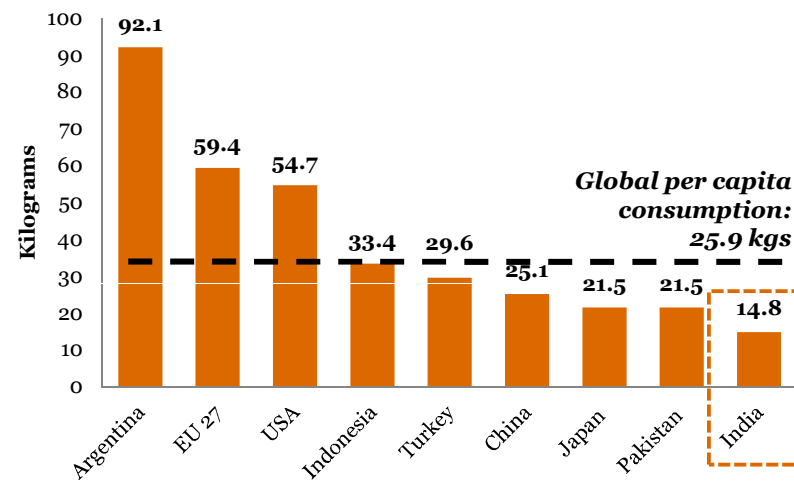


Consumption of Edible Oils – India, 2006-07 to 2010-11



Source: Olam Report titled 'Indian Edible Oil Scenario in 2015'

Per capita consumption of edible oils and fats, 2011-12



- India is the third largest and the fastest growing edible oil consumption market in the world today
- Currently, the per capita consumption of edible oils and fats is 14.8 kgs, well below the global average of 25.9 kgs. This number is expected to increase, with increase in the country's GDP

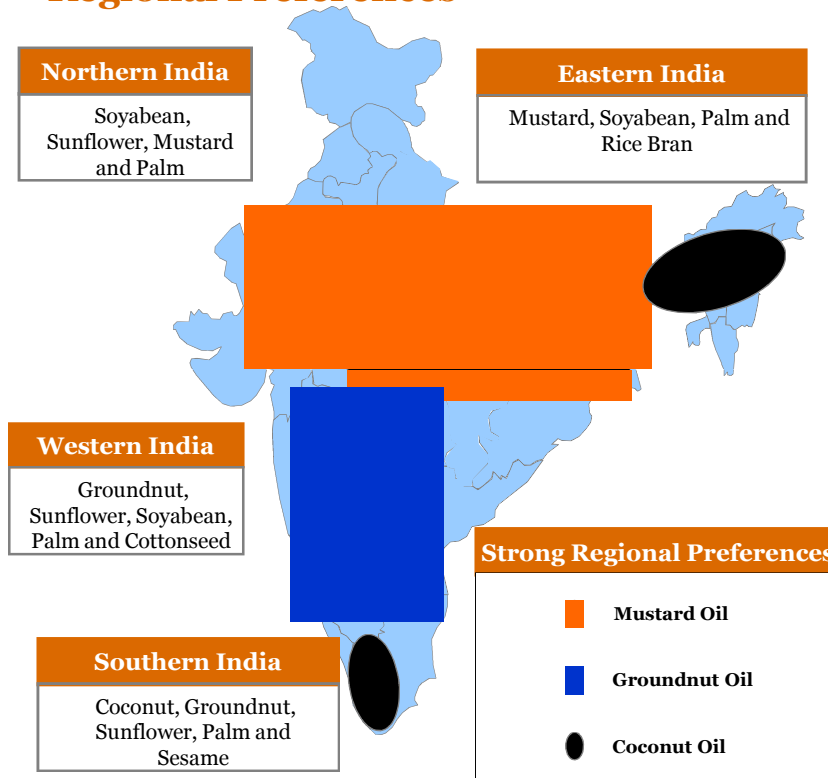
Source: SEA, Assocham Reports, PwC Analysis

Industry Overview

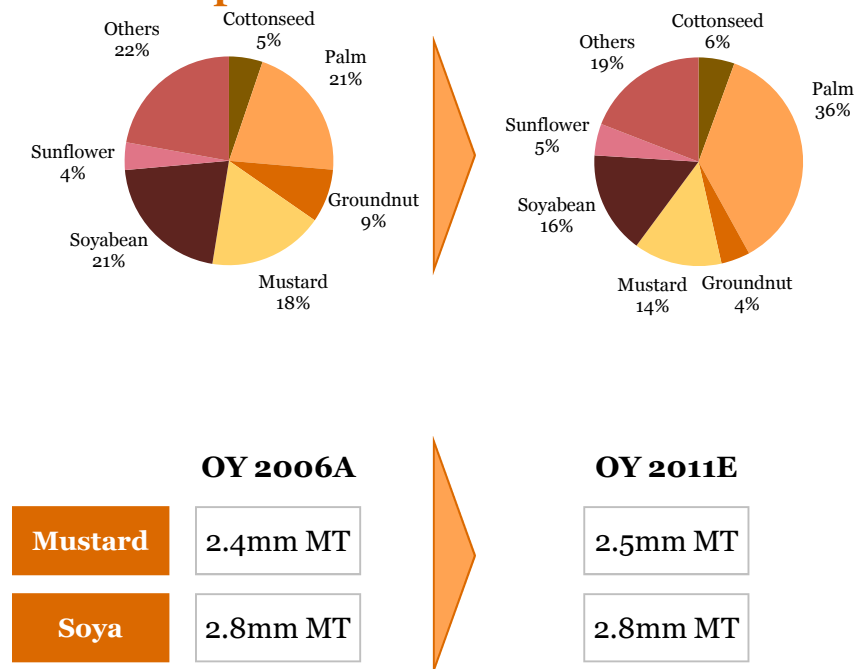
Characterized by several sub markets driven by regional preferences



Regional Preferences⁽¹⁾



Changing Trends in Edible Oil Consumption⁽²⁾



- Diversity of consumption habits and preferences allows regional players to concentrate on key local oils and operate within limited regions
- In India, unlike in other parts of the world, preference is for mustard oil which is pungent in taste and in smell

- A large part of the increased edible oil consumption comprised of increase in consumption of the refined oils (largely Palm)
- Mustard oil consumption has increased marginally over the period mainly due to supply constraints

(1) Source: Industry Discussions, Company Estimates
 (2) Source: Oilworld 2010

Industry Overview

Stagnant production leading to reliance on imports

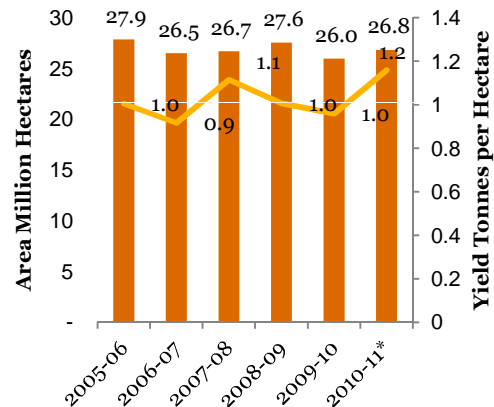


Oilseed acreage and yield have not increased in the recent years...

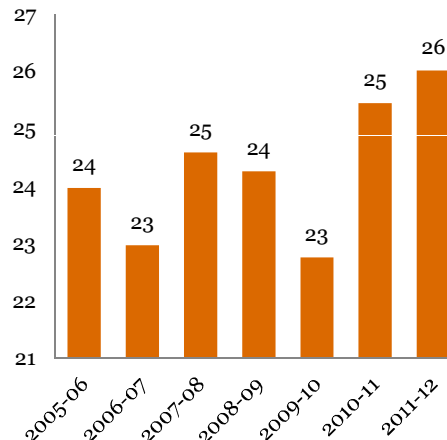
...leading to stagnant production of edible oil in India. Concurrently, the consumption has been increasing...

...which has resulted in reliance on imports

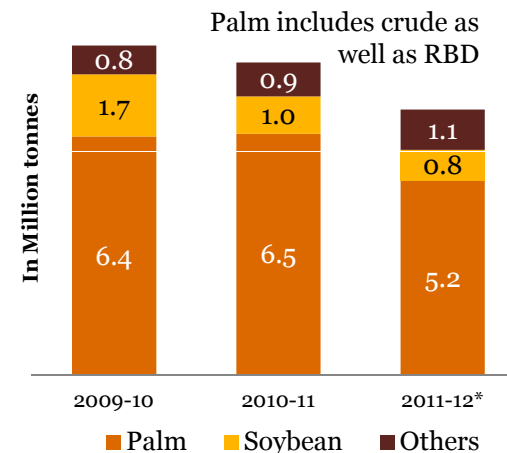
India Oilseed Acreage and Yield, 2005-06 to 2010-11*



Indian Oilseeds Production (In Mn Tonnes), 2005-06 to 2011-12



Import of Key Edible Oils, 2009-10 to 2011-12



*Nov-11 to Jul-12

- The low cultivation of oil seeds in India has affected the overall production of edible oil in the country making it difficult for the domestic oil producers to keep up with the demand
- As per industry sources, the consumption of edible oil has shown an increasing trend in India but the production is not increasing at all

** Fourth Advance Estimates as released on 19.07.2011.

Source: SEA Reports, Department of Agriculture and Cooperation, Indian Oilseed and Produce Export Promotion Council Report, Economic Times

Industry Overview

Differing regulations for import of oil seeds, crude oil and refined oil



Oil Seeds

- Government imposes a 30% duty on import of oilseeds and prohibits imports of genetically modified crop to protect organic farming status in oilseeds
- Plant Quarantine Order passed in 2002 states that all imports should be certified pest free and seeds should be de-vitalized (cannot be used for growing crop)
- Since seeds are de-vitalized by splitting them at the origin, they can degrade in quality during shipping
- Owing to the above issues the import of oilseeds is negligible in India

Crude Edible Oil

- As India's reliance on imported edible oil increases, Government has gradually decreased duty on import of crude edible oil
- Currently there is zero duty on import of crude edible oil
- Edible oil is an essential commodity that has a direct impact of inflation
- Government drops import duties when domestic prices show rapid escalation to protect consumers

Refined Oil

- The government maintains a differential between refined and crude oil duties to encourage investment in capacity
- In recent past, this differential has been reduced, however it continues to be maintained to ensure capacity utilization and value addition in India
- Currently there is a 7.73% duty on import of refined edible oils in India

(1) Source: SEA of India

Industry Overview

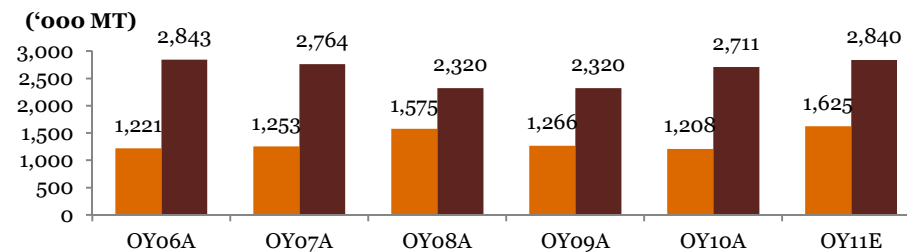
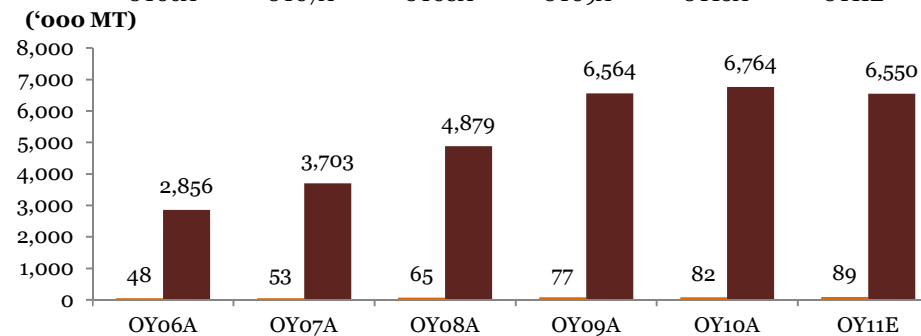
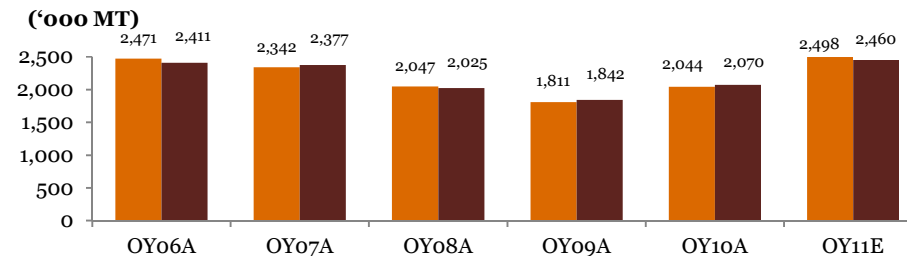
Resulting in differing dynamics for each of the sub-market



Various edible oils have different demand supply dynamics

- Imports are unlikely as imported mustard oil (Canola) does not have the pungent taste and smell of Indian mustard oil that is preferred by the Indian consumer
- As a result the entire mustard oil demand is met through domestic production
- Palm oil has the highest consumption (~43%) in India and is almost entirely imported while groundnut and mustard are traditional, domestically produced oils with negligible imports

Domestic Production and Consumption Comparison for Major Oils



■ Production ('000 MT) ■ Consumption ('000 MT)

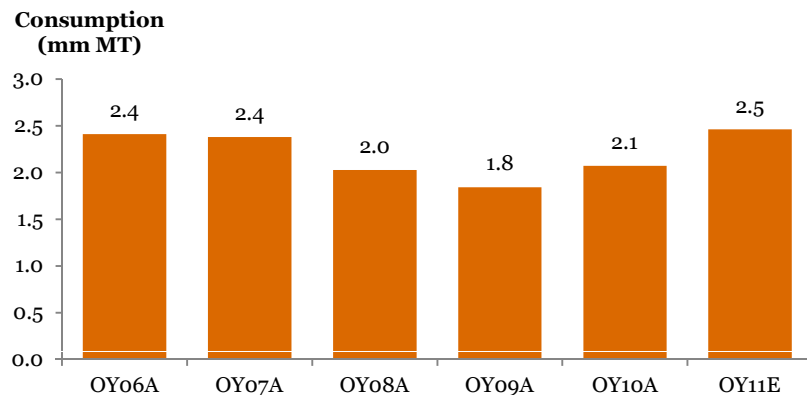
Source: Oilworld 2010

Industry Overview

Mustard oil segment overview

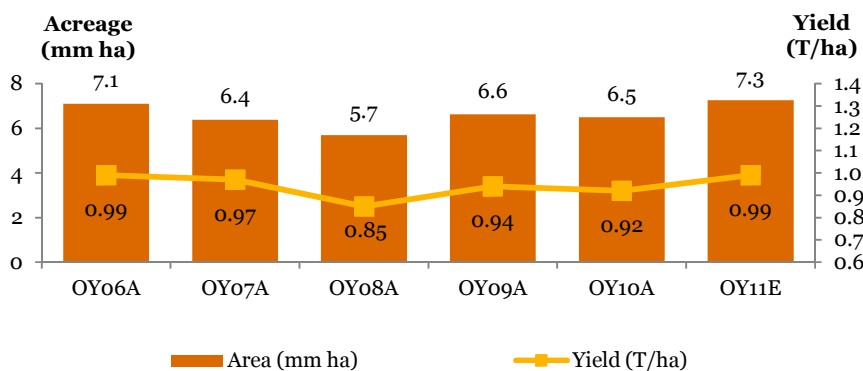


Consumption of Mustard Oil⁽¹⁾



- Mustard oil is mostly used for cooking and seasoning in Northern and North Eastern India
- Consumption of mustard oil has remained largely stagnant, with increased edible oil demand being met by other refined oils
- Key mustard growing regions in India are: Rajasthan, Punjab, Uttar Pradesh and Madhya Pradesh
- Growth in consumption may continue to be low due to limited crop availability and nearly nil imports
- Domestic production of mustard oil has remained largely stagnant due to muted growth in the acreage and yield of mustard seed
- Imports and exports of mustard oil have been minimal with total production of mustard oil being consumed domestically
 - Further, imports are unlikely as imported mustard oil (Canola) does not have the pungent taste and smell of mustard that is preferred by the Indian consumer

Acreage and Yield of Mustard Production⁽¹⁾



(1) Source: Oilworld

Industry Overview

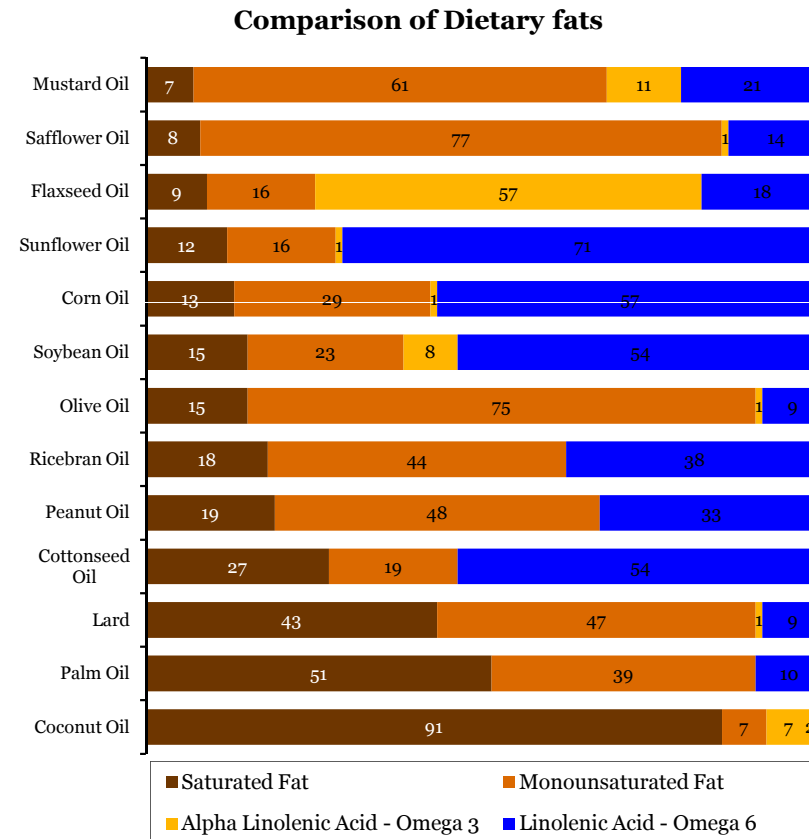
Health benefits of mustard oil to drive demand



New Study on the benefits of mustard oil

- A study was conducted among 350 cases of heart attack in eight hospitals and 700 normal people in Delhi and Bangalore by a team comprising experts from Harvard School of Public Health, All India Institute of Medical Sciences, New Delhi and St. John's Medical College Bangalore
- According to the results of the study, the use of mustard oil was associated with a two-fold lower risk than was use of sunflower or other oils,
 - Also those who use mustard oil for frying foods lower their risk for heart attack by 71%
- The reason for the protective effect of mustard oil is that it is rich in Alpha Linolenic acid which is a source of Omega-3 polyunsaturated fatty acids, known for giving protection to heart.
- Alpha Linolenic acid reduces the adhesion-aggregation tendency of blood platelet which should decrease the risk of heart attack

Mustard Oil - Least Amount of Saturated Fat



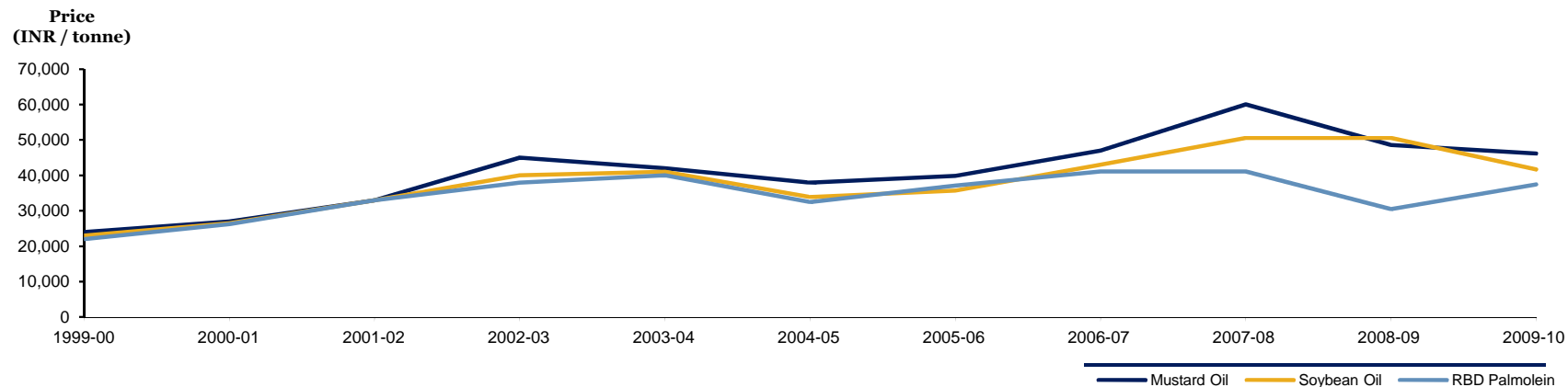
Industry Overview

Price of mustard oil moves in tandem with refined oils



- The price of mustard oil is a function of the supply of mustard seeds and prevailing price of palm and soybean oil
- A deficit in supply of mustard tends to increase its price, however if the price differential between mustard and soybean or palm increases significantly, then people tend to shift towards palm or soybean oil resulting in a decreased demand for mustard and thus bringing the mustard price down
- Thus mustard price, in addition to its supply – demand scenario is also significantly impacted by the soybean or palm oil prices and the differential it maintains over them
- This price differential between mustard and other refined oil has steadily increased over last few years due to popularizing and branding efforts of mustard oil industry, led by KSO and mustard oil's positioning as a heart friendly oil

Price Trends⁽¹⁾



Mustard oil has historically sold at a premium over Soyabean and Palm oil

(1) Source: SEA of India

Industry Overview

Recent trends in mustard oil industry



Increasing Consumption of Branded Oil

- Currently sales of branded mustard oil constitute 35% of total mustard oil sales in India
- With increasing quality and health consciousness coupled with increasing per capita disposable income, the share of branded mustard oil is set to increase
 - Only ~16% of Indian households consume branded edible oils – Branded edible oils have penetrated 31% of households in urban areas and only 9% in rural areas
 - Among branded oils, refined oil accounts for 60% of consumption and crude oil (only filtered) accounts for the balance
 - Branded mustard oil segment is expected to grow at ~40% p.a. and will outpace the overall branded edible oil growth of ~25 - 30%⁽¹⁾

Increasing Share of Organized Sector

- Owing to recent financial crisis, several poor harvests and reduction in import duties a number of small scale players have become unviable and have either closed down or been taken over by larger players
- Given the limited supply of mustard seeds, overall capacity utilization is low for the mustard oil industry; however, organized players enjoy significantly higher capacity utilization on account of better sourcing capabilities
- Organized sector is well positioned to capture incremental growth
 - Larger players have key advantages like access to cheaper credit, ability to sustain price wars and low marginal cost of production

Increasing Usage of Mustard Oil for Non-Edible Purposes





- Owing to better absorption of mustard oil by the skin, usage of mustard oil for non-edible purposes (such as hair and skin applications) is significantly increasing
- This could result in growth in the demand for mustard oil and also improve margins for the players given the higher premium which non-edible branded oils command e.g. 'Parachute' brand of coconut oil (used for hair and skin applications) sells at over 100% premium to the ordinary coconut oil




(1) Source: Source: Broker Research

Industry Overview

Key global players with significant branded operations in the Indian edible oil industry



Key Global Players		
Company	Key Brands	Description
 Adani Wilmar	Fortune, King's, Bullet, Raag Gold	<ul style="list-style-type: none"> JV between Adani Group and Wilmar International formed in 1999 Crushing capacity (Soyabean) – 6,000+tpd; refining capacity – 5,000+tpd Consistently invested in greenfield refining capacity expansion; rumoured to be looking at acquisitions
 Bunge	Dalda	<ul style="list-style-type: none"> Acquired Amrit Banaspati's edible oil and fats business & Gagan Brand Acquired Unilever India's edible oils and fats business in 2003 Seeking multiple acquisitions of brands, assets /complete businesses in the edible oil
 Cargill	Nature Fresh, Gemini, Sweekar, Rath	<ul style="list-style-type: none"> Commenced operations in India in 2005; operates 3 vegetable oil refineries Acquired Sweekar (Sunflower oil) brand from Marico in Mar'11 and Rath (Vanaspati) brand from Agrotech in Nov'10
 Agrotech	Sundrop, Crystal	<ul style="list-style-type: none"> ConAgra Foods Inc. has a 48% stake in Agro tech which it acquired from ITC Looking to sell its Sundrop brand in order to focus on high margin products







Key National Players			
Company	Key Brands	Capacity (tpd)	Description
 K S Oils	Kalash, KS Gold, Double Sher	Crushing – 4,400 Extraction – 4,250 Refining – 1,600	<ul style="list-style-type: none"> Leading integrated rapeseed/ mustard oil company in India 5 plants Network caters to 200,000+ retailers
 Ruchi Soya	Nutrela, Mandap, Ruchi Gold, Sunrich	Crushing- 13,450 (Largely for Soya) Refining – 7,570	<ul style="list-style-type: none"> Largest producer and supplier of edible oils and soya foods in India 21 plants Network caters to over 510,000 retailers
 Gokul Refoils	Gokul, Zaika	Seed processing & extraction – 2,380 Refining – 2,900	<ul style="list-style-type: none"> Engaged in crushing extraction and refining of edible oil 4 plants Network caters to over 100,000 retailers across India

Palm and Soyabean oil segment is dominated by global and national level players....

Industry Overview

Key players in the Indian mustard oil industry



Company	Key Brands	Description
 BL Agro Oils B.L. Agro Oils Ltd.	Bail Kolhu, Mohan Dhara, Balance Lite, Nourish Delite, Aviral Dhara	<ul style="list-style-type: none"> Manufacturer of mustard and other blended edible oils with a strong presence in most parts of Uttar Pradesh and Uttaranchal Single manufacturing facility with a production capacity of 125tpd and a storage capacity of 2,500 tonnes Distribution network spread in over 200 cities across 6 states of North India
 Emami Biotech	Healthy and Tasty	<ul style="list-style-type: none"> New entrant in the refined edible oils market with a 1,000tpd refinery in Haldia and plans to develop 2 more refineries with a capacity of 1,400tpd
 Hari Oil and General Mills	Engine	<ul style="list-style-type: none"> Manufacturer of mustard oil and food products with a strong presence in East India
 Kaleesuwari	Gold Winner, Sree Gold, Orysa,	<ul style="list-style-type: none"> Strong presence in South India and the company is a leader in refined sunflower oil Also manufactures rice bran, soyabean and palm oil and packaged/ branded food products
 Liberty Oils	Amber, Sunday, Anchor	<ul style="list-style-type: none"> Importer and processor of Edible Oil with a significant presence in West and South India <ul style="list-style-type: none"> Products include edible oils, blended oils, edible fats and specialty fats Also engaged in commodity trading, export of frozen marine foods and wind power generation
 Mahesh Edible Oil Industries	Saloni	<ul style="list-style-type: none"> Manufacturer of mustard oil with recognized presence in Uttar Pradesh and West Bengal Revenue of ~US\$ 55mm (INR2,500mm); 38 depots across India

...While the Mustard Oil segment continues to be a regional play

Business Overview

Business Overview

Company Overview



Overview

- KSO is one of the established players with a strong position in mustard oil
 - One of the largest crushing capacities of mustard in India and also has presence in the refined oil market (soyabean / palm)
 - One of the largest exporters of mustard meal from India; Other products include vanaspati, bakery shortening, soya meal, solvent oils, fatty acids and other oils
- Owns and operates integrated manufacturing facilities, located at strategic raw materials and consumer belts across India
 - Plants specifically designed to manufacture pungent variety (Kachchi Ghani) of mustard oil which is a premium edible oil in India due its pungency, color and taste. This variety of mustard oil is an integral part of Indian cuisine
- The company had established presence in the branded mustard segment, with reputable brands like Kalash, Double Sher, etc.

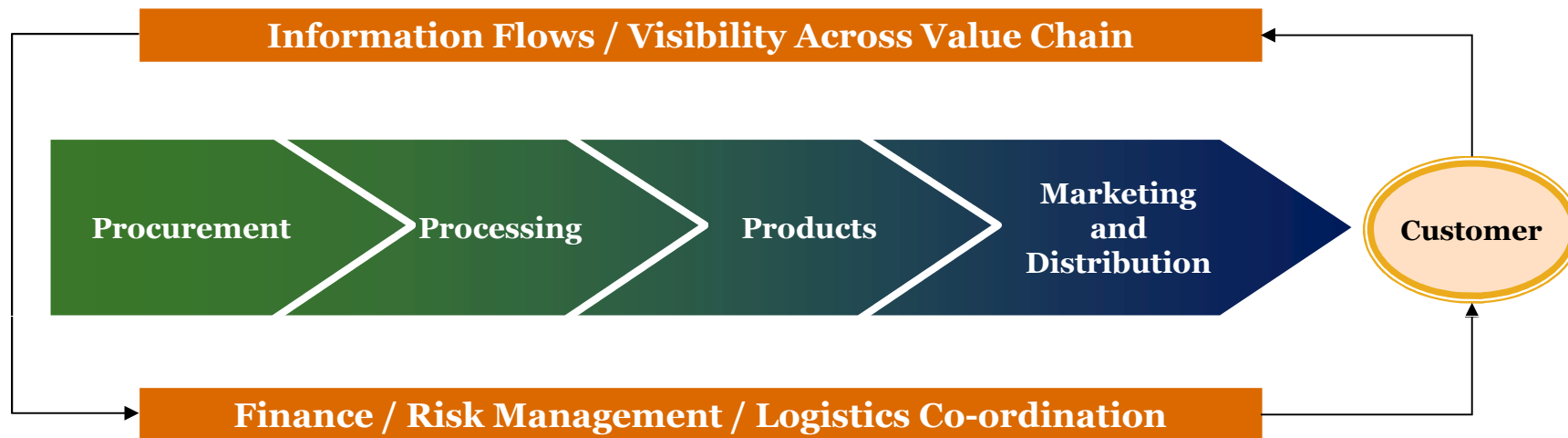
Overview of Operations

Overview of Operations

Overview of Operations	
Manufacturing	<ul style="list-style-type: none"> ■ Facilities located in Madhya Pradesh, Rajasthan & West Bengal ■ Total installed capacity <ul style="list-style-type: none"> – Crushing Capacity – 4,400 MT/ day – Solvent Extraction – 4,200 MT/ day – Refinery – 1,600 MT/ day ■ Vanaspati – 150 MT/ day
Sourcing	<ul style="list-style-type: none"> ■ Seeds sourced from Rajasthan, Madhya Pradesh and Uttar Pradesh along with bulk sourcing from Government Agencies ■ Bulk crude oil either imported or sourced from Madhya Pradesh and Rajasthan
Distribution	<ul style="list-style-type: none"> ■ Sales were conducted through C&F Agents and Company Depots ■ The company had developed a Pan-India distribution network via distributors and retailers
Products and Brands	<ul style="list-style-type: none"> ■ Mustard oil (Double Sher & Kalash brands) ■ Refined oils (Kalash, KS Refined & KS Gold brands) ■ Vanaspati (KS Gold & KS Gold Plus brands)

Business Overview

Fully integrated operations



Procurement

- KSO's manufacturing scale provide significant cost economies in procurement

Processing

- Presence across the manufacturing value chain
- 5 manufacturing plants strategically located across North, East and Central India with a combined capacity of
 - Crushing – 4,400 tpd
 - Extraction – 4,200 tpd
 - Refining – 1,600 tpd

Products

- Multi-product offering basket, including mustard oil, soyabean oil, palm oil and vanaspati
- Exports soya meal and mustard de-oiled cakes

Marketing & Distribution

- Owns brands like Kalash, Double Sher and KS Gold
- The company had Strong and widespread distribution network

Sourcing Capabilities



Sourcing Capabilities

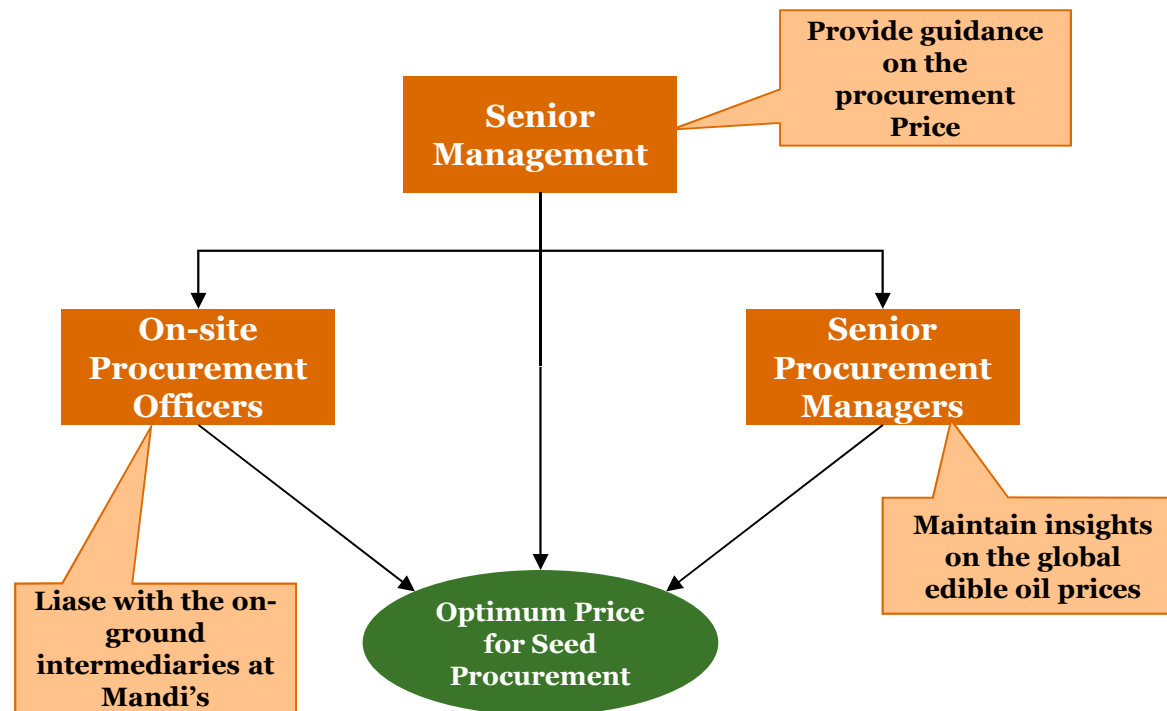
Strong in-house procurement team



Mustard seed is a supply deficit commodity in India

Most of the mustard seeds are directly procured from the "Mandi" through a middleman by way of a competitive bidding

Having on-ground knowledge / expertise about alternate sources of procurement and about the expected price significantly helps the procurement process



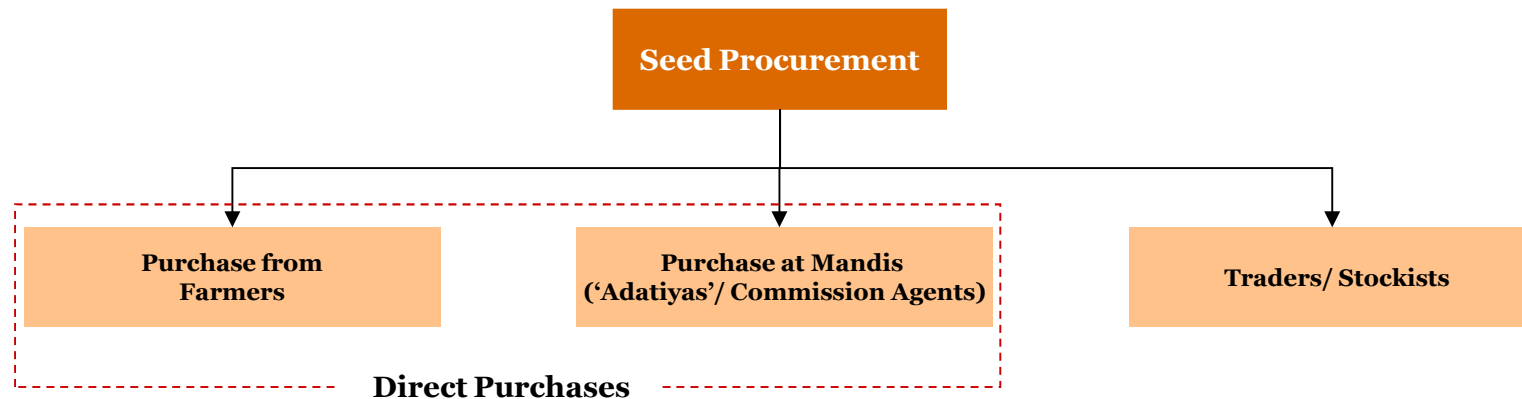
- *KSO has strong procurement expertise*
- *It has a well - balanced approach to arriving at an optimum price for seed procurement*

Sourcing Capabilities

Typical Sourcing Cycle



Procurement Avenues



- During harvest seasons KSO purchases directly from farmers on an immediate basis. In India mustard crop is harvested during summer and soyabean crop is harvested in winter, resulting in high capacity utilization levels for KSO throughout the year
- Purchase at Mandis is through an auction process and payment is on immediate basis. KSO has licenses to participate in the auction in every mustard producing state
- KSO also procures seeds through agents / sub-agents who charge commission ranging from 50 -100 basis points
 - For purchases made from agents, the quality risk lies with the agents
 - For purchases made from sub agents, payment is made on delivery
 - KSO also accepts sale at its facilities, wherein small traders sell seeds directly to KSO

Manufacturing Facilities

Manufacturing Facilities

Facilities located across strategic locations



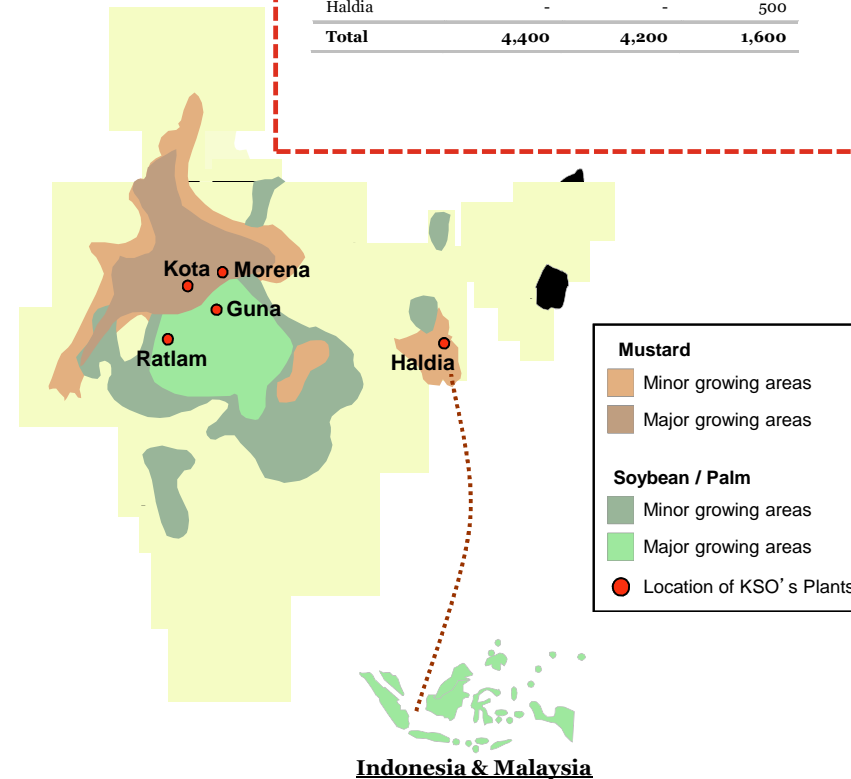
Overview

- The manufacturing units are located in Morena, Ratlam, Guna in Madhya Pradesh, Kota in Rajasthan and a port based refinery in Haldia, West Bengal
 - Kota, Guna and Ratlam plants are 3 new state-of-the-art plants well positioned to cater to the large soyabean and mustard growing regions of Madhya Pradesh, Rajasthan and Uttar Pradesh
 - Haldia refinery, being port based is ideal for processing imported crude oils (palm and soya)
- The facilities are well equipped to switch to crushing between mustard and soya seeds and refining of other crude edible oils like palm, soya, sunflower, mustard, etc.
- The plants are specifically designed to manufacture pungent variety of mustard oil, which is a premium edible oil in India
- KSO's operations are fully integrated with in-house packaging department which completely meets the Company's requirements of tin, HDPE jars, pouches and PET bottles
- KSO has the largest mustard crushing capacity in India at 4,400 MT / day which is c. four times the nearest competitor
- KSO enjoys significant cost savings on account of plant technology and integration
 - Plants use an indigenously developed seed preparation technology which allows the pungency to be retained in the oil during the crushing/ expeller process [Patent applied]
 - Solvent plant and refinery have been sourced from reputed third party fabricators like Alfa Laval and Desmat

Source: Company Filings

Location

MT/day	Crushing	Extraction	Refining
Morena	1,000	600	450
Guna	1,200	1,600	200
Ratlam	1,200	1,000	250
Kota	1,000	1,000	200
Haldia	-	-	500
Total	4,400	4,200	1,600

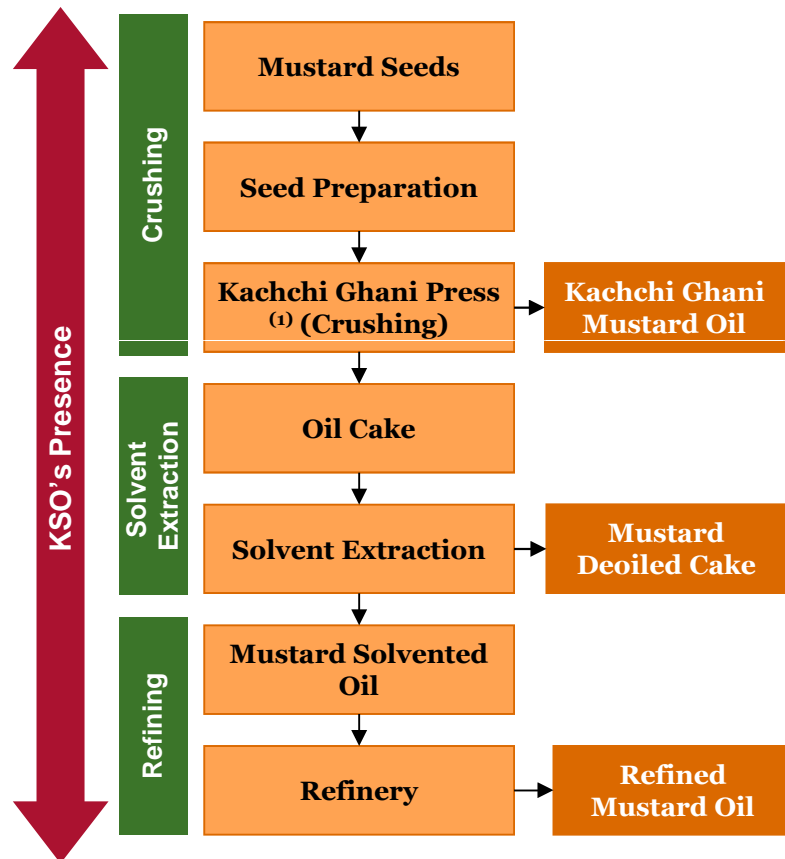


Manufacturing Facilities

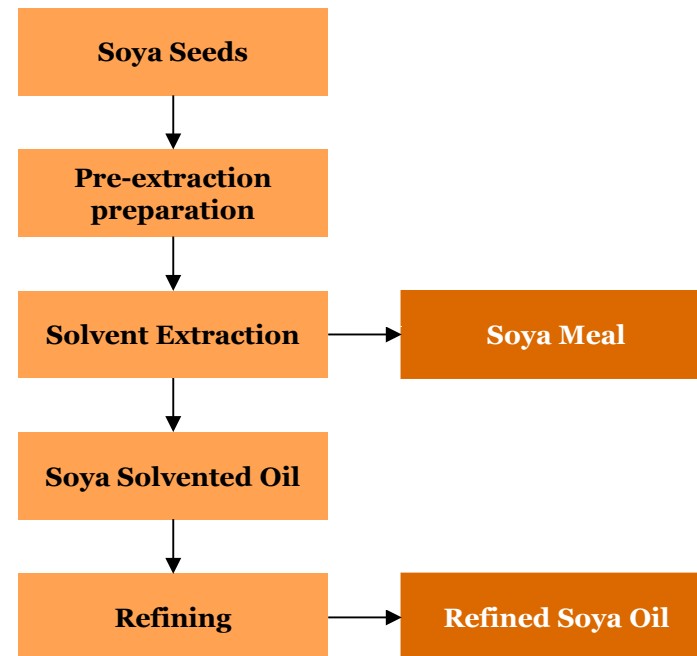
Technologically sophisticated facilities across strategic locations



Mustard Process Flow Chart



Soya Process Flow Chart



KSO is one of the very few fully integrated player with presence across the entire value-chain at a single location

(1) Indigenously developed seed preparation technology which allows the pungency to be retained in the oil during the crushing/ expeller process

Manufacturing Facilities

Technologically sophisticated facilities across strategic locations



Overview

- Kachchi Ghani is the pungent mustard oil which is characteristic to the Indian market and is largely consumed in northern and eastern states of India
- Traditional extraction of mustard oil using only Kohllu process resulted in loss of pungency
 - Kohllu process being relatively less scalable creates significant entry barriers for new players
- KSO has perfected the process for manufacture of the Kachchi Ghani mustard oil using its indigenously developed seed preparation technology (patent applied for)
- KSO's production process entails
 - Seed conditioning done prior to crushing using an indigenously developed technology which allows the pungency to be retained in the oil
 - Crushing of seeds in a cold press expeller which results in the production of 32% to 35% oil with pungency of ~0.32
 - Mustard oil cakes are further fed into the solvent extractor via conveyors to extract the remaining oil

Process Flow



KSO has replaced the traditional Kohllu process with its indigenously developed seed preparation technology which is a more efficient and scalable process for the manufacture of pungent Kachchi Ghani mustard oil

Manufacturing Facilities

Morena Plant



Key Parameters

Date of Establishment	<ul style="list-style-type: none"> 1986
Land	<ul style="list-style-type: none"> 99 year lease from DIC Diverted Land: 14.69 acres Non-Diverted Land: 142.64 acres
Types of Oil	<ul style="list-style-type: none"> Soybean, Mustard & Palm
Capacity MT/day	<ul style="list-style-type: none"> Crushing – 1,000 Solvent Extraction – 600 Refinery – 450
Storage Capacity	<ul style="list-style-type: none"> Oil – 6,300 MT Seed/Cake/DOC – 6,550MT

Facility Overview

- Engaged in crushing, extraction and refining of mustard, soyabean and palm oil
- Ideally located in the production belt for mustard and soya

Sourcing and End Markets

- Sourcing of seeds is largely from Madhya Pradesh and Rajasthan
 - Soyabean and mustard seeds are available within a 200km radius
- Plant caters to the markets of North East, Bihar, Uttar Pradesh, West Bengal, Chhattisgarh, Jharkhand, Orissa, Uttaranchal and Rajasthan

Plant Infrastructure

- In-house storage capacities include tanks, silos, godowns, FG storage and cold storage
- Continuous supply of water through on-site borewell facilities as well as rain-water harvesting facilities and water recycling plants

Logistics and Connectivity

- Access to both rail and road connectivity
 - 4km from Morena railway station
 - Located off NH-3 2km west of Morena city; 290km South of Delhi and 300km East of Jaipur
- Convenient warehousing facilities within close proximity of the plant

Manufacturing Facilities

Guna Plant



Key Parameters

Date of Establishment	<ul style="list-style-type: none"> 2010
Land	<ul style="list-style-type: none"> Diverted land: 74.61 acres Non Diverted Land: 58.50 acres
Types of Oil	<ul style="list-style-type: none"> Mustard and Soyabean
Capacity MT/day	<ul style="list-style-type: none"> Crushing – 1,200 Solvent Extraction – 1,600 Refinery – 200
Storage Capacity	<ul style="list-style-type: none"> Oil – 10,000 MT Seed/Cake/DOC – 35,100MT

Facility Overview

- Engaged in crushing, extraction and refining of mustard and soyabean
- It is the largest integrated edible oil plant in India ideally located in the production belt for soya and mustard

Sourcing and End Markets

- Seeds are sourced from Mandi's located within a 200km radius of the plant
- Proximity to oilseed farms benefits KSO as well as 10,000+ farmers due to its initiative of 'Krishi Upaj' promoting direct purchase
- Caters largely to the markets of Central and North Eastern India

Plant Infrastructure

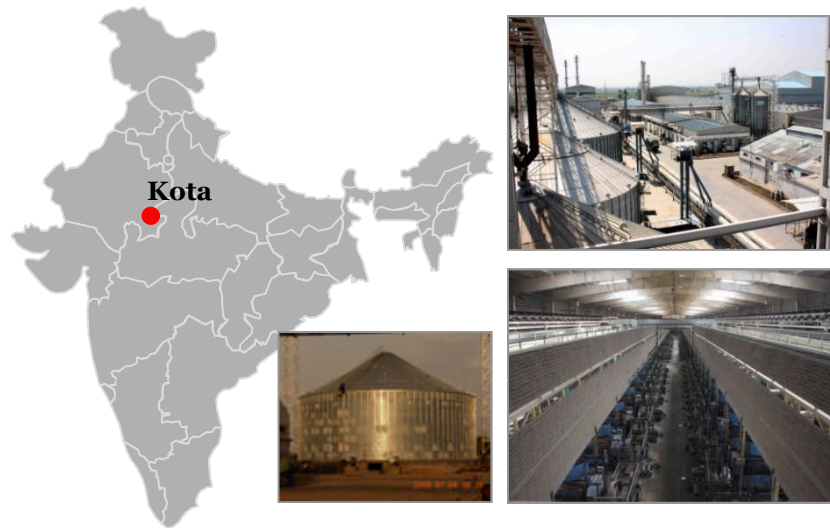
- 2 Solvent Extraction Plants as well as a completely automated DOC section with filling, packaging, conveying and stacking unit – a first in the industry
- Technologies and designs used are environment friendly, cost effective and process optimized
- Continuous water and power supply

Logistics and Connectivity

- Road access both within and outside the plant
 - Located off NH-3, it is 10km north of Guna city, 285kms North East of Indore and 220km North of Bhopal
- Dedicated company owned railway siding designed for movement of 300+ rakes annually consisting seed, coal, tin plate, packed oil and DOC

Manufacturing Facilities

Kota Plant



Key Parameters

Date of Establishment	<ul style="list-style-type: none"> 2009
Land	<ul style="list-style-type: none"> Diverted Land: 22.1 acres leased from Kothari Soya Ltd. Diverted Land: 8.3 acres freehold
Types of Oil	<ul style="list-style-type: none"> Mustard and Soyabean
Capacity MT/day	<ul style="list-style-type: none"> Crushing – 1,200 Solvent Extraction – 1,000 Refinery – 250
Storage Capacity	<ul style="list-style-type: none"> Oil – 6,200 MT Seed/Cake/DOC – 26,200MT

Facility Overview

- Engaged in crushing, extraction and refining of mustard and soyabean and is located in Kota, Rajasthan

Sourcing and End Markets

- Seeds are sourced from Mandi's located within a 150km radius of the plant
- Caters largely to the markets of Northern India including Rajasthan, Punjab, Haryana, Delhi, J&K and Maharashtra

Plant Infrastructure

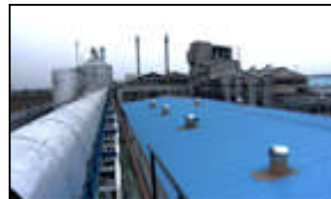
- Excellent in-house storage capacities including tanks, silos, godowns, FG Storage and cold storage
- High level of integration with automation, thus minimizing the overall need of large manpower
- One of the very first plants to use indigenously developed seed preparation technology which allows the pungency to be retained in the oil during the crushing/ expeller process in India
- 24 hour power facilities with sufficient power back-up for continuous running
- Water availability ensured through on-site borewells as well as proximity of plant to flowing river

Logistics and Connectivity

- Located on Expressway NH-76 with good road & rail access; 22km east of Kota, 350km north of Indore and 240km south of Jaipur
- Nearest railway rake point at a distance of 19km

Manufacturing Facilities

Ratlam Plant



Key Parameters

Date of Establishment	<ul style="list-style-type: none"> 2009
Land	<ul style="list-style-type: none"> Diverted Land: 21.85 acres on lease from Raj Solvex Diverted Land: 5.4 acres freehold by KSO
Types of Oil	<ul style="list-style-type: none"> Mustard and Soyabean
Capacity MT/day	<ul style="list-style-type: none"> Crushing – 1,000 Solvent Extraction – 1,000 Refinery – 200
Storage Capacity	<ul style="list-style-type: none"> Oil – 5,500 MT Seed/Cake/DOC – 15,900MT

Facility Overview

- Engaged in crushing, extraction and refining of mustard and soyabean

Sourcing and End Markets

- Ideally situated in the seed production belt and seeds are procured within a 150km radius of the plant
- Caters largely to the markets of Central and Western India

Plant Infrastructure

- Good land development with excellent condition of access roads within and outside the plant
- Continuous water and power supply

Logistics and Connectivity

- Located on Expressway NH-79 with good road & rail access.
 - 7 km North from the Ratlam city and 145 km North West from Indore
 - Nearest railway rake point at a distance of 9km from the plant
- Convenient warehousing facilities available in nearby areas

Manufacturing Facilities

Haldia Plant



Key Parameters

Date of Establishment	■ 2006
Land	■ Diverted Land: 20.86 acres
Types of Oil	■ Soyabean and Mustard
Capacity MT/day	■ Refinery – 500
Storage Capacity	■ Oil – 36,750 MT
	■ Seed/Cake/DOC – 1,000MT

Facility Overview

- Refinery located at a distance of 22km from the Haldia port with a direct oil pipeline from the port to the refinery

Sourcing and End Markets

- Proximity to port provides direct access to crude oil
- Plant caters to the palm oil and Soyabean oil markets of North East India, Bihar, Uttar Pradesh, West Bengal, Jharkhand and Orissa

Plant Infrastructure

- In-house storage capacities include tanks, FG storage and cold storage
- Continuous water supply of water through on-site borewell facilities
 - Rain-water harvesting facilities have also been proposed
- High level of automation in the plant minimizes overall need for large manpower

Logistics and Connectivity

- Rail and road access; 120km from Kolkata
 - Nearest railway rake point at a distance of 8km and nearest railway station is 15-20km
- Plant location facilitates logistics efficiencies and significantly collapses the time to market in Eastern India
- Warehousing facilities within close proximity of the plant

Manufacturing Facilities

Additional features



In-house packaging

- Plants have an in-house packaging department, which completely meets the Company's requirements of tin, HDPE jars, pouches and PET bottles. The equipment includes offset printers, pouch filling machines, tin automatic filling machine and automatic bottle filling plant

Quality Control

- The Quality Control laboratory does standardization as per AGMARK, V.Q.P and P.F.A. parameters
- The Company was awarded the ISO 9001:2000 certification for Quality Management Systems for Manufacturing and Supply of Edible Oils

Effluent Treatment

- Each plant has effluent treatment facilities with handle the entire effluents generated by the plants

Manufacturing Facilities

Facilities with significant tax advantages



Location	Fiscal Benefits
Guna Plant	<ul style="list-style-type: none"> ■ 75% rebate on VAT deposited in preceding year for a period of 10 years from date of commencement of commercial production with the total amount not exceeding the total capital expenditure incurred including the additional capital expenditure incurred for 3 years from date of commissioning (valid till May 2019) ■ Exempt from the payment of Entry Tax, in respect of raw materials and incidental goods consumed or used in the manufacture of other goods and the packing materials used in the packing of the manufactured goods (valid till 3rd May 2014)
Ratlam Plant	<ul style="list-style-type: none"> ■ 75% rebate on VAT deposited in preceding year for a period of 10 years from date of commencement of commercial production with the total amount not exceeding the total capital expenditure incurred including the additional capital expenditure incurred for 3 years from date of commissioning (valid till September 2019) ■ Exempt from the payment of Entry Tax, in respect of raw materials and incidental goods consumed or used in the manufacture of other goods and the packing materials used in the packing of the manufactured goods (valid till 18th September 2014)
Kota Plant	<ul style="list-style-type: none"> ■ Subsidies against VAT include <ul style="list-style-type: none"> ■ 5% interest subsidy on term loan ■ 50% Electricity duty exemption (valid till the unit sells refined edible oil only) ■ 50% exemption on Mandi Cess (valid till the unit sells refined edible oil only)





Source : Management

Marketing & Distribution Network

Marketing & Distribution Network

The company had established Brands with High Brand Recall



	Product & Brands	Description*	Key Competitors
Mustard Oils	Kalash 	<ul style="list-style-type: none"> ■ Flagship and premium brand for Kachchi Ghani mustard oil; well known for purity, pungency and colour ■ Pack sizes ranging from 50ml pouches to 15 litre / kg tins 	<ul style="list-style-type: none"> ■ National players include Fortune Kachchi Ghani, Nature Fresh Purita Kachchi Ghani, Bail Kolhu, Dalda ■ Regional players include Saloni Kachchi Ghani, Engine, Anupam, Veer Balak, Pmark
	Double Sher 	<ul style="list-style-type: none"> ■ Branded Kachchi Ghani Mustard oil <ul style="list-style-type: none"> ■ Launched as the Warrior Brand ■ Also has high penetration and acceptance in the rural areas ■ Pack sizes ranging from 50ml pouches to 15 litre / kg tins 	
Refined Oils	Kalash & KS Gold 	<ul style="list-style-type: none"> ■ Brand extensions for refined oil with high customer recall for purity ■ Kalash refined oils include soybean and sunflower oil available in PET bottles, pouches, jerry cans and tins ■ KS Gold refined palm oil is available in pack sizes ranging between 500ml pouches and 15 litre/kg tins 	<ul style="list-style-type: none"> ■ Fortune, Nature Fresh, Nutrela Soyumm, Dalda
Vanaspati	KS Gold 	<ul style="list-style-type: none"> ■ More than a decade old brand made by hydrogenation of excellent quality crude palm oil ■ Pack sizes range between 200ml pouches to 15 litre / kg tins 	<ul style="list-style-type: none"> ■ Gagan, Dalda, Rath, Raag Gold, Gemini

Marketing & Distribution Network *

Key Markets and Flexible Distribution Network



Markets

- Company's key markets included North India, East India and West India
 - East India – Markets of Uttar Pradesh, Uttarkhand, West Bengal, Bihar, Jharkhand, Orissa and Madhya Pradesh and North East states of India.
 - North India – Delhi, Rajasthan, Himachal, Haryana, Punjab and Jammu & Kashmir.
 - West India – Markets of Maharashtra, Chattisgarh and Gujarat.

Distribution Network

- For each market mentioned, the Company had a specific distribution network:
 - For the East and North East Region, goods were transported through railway rakes
 - Kolkata, Guwahati and Dimapur were the major railway arrival points for the Company's goods in this region. The Company had its own depots in these stations
 - For the rest of India, the Company had set up a network of C&Fs and Depots to cater to Distributors and Wholesalers

The company had developed a pan India distribution network covering North, East and Central India with brands like Kalash, Double Sher, etc, however the company could not focus on the same over the past two years due to various constraints. The same can be restored by a strategic player by reinitiating focus on the network.

* The Company is in the process of rebalancing its operations. The details available are prior to the realignment of the operations by the Company

Historical Financial Information

Historical Financial Information

Standalone Audited Profit and Loss Statement (including wind business)



USD Million	FY 2009	FY 2010	FY 2011*
Net Sales	572.1	732.2	1,019.2
Other Operating Income	3.8	5.4	3.5
Other Income	1.9	2.1	2.4
Increase in Inventory	43.7	3.1	12.2
Total Income	621.5	742.8	1,037.3
Less: Cost of Materials	509.6	611.3	975.3
Manufacturing, Administrative and Other Expenses	38.0	35.1	44.9
Advertisement, Selling & Distribution Expenses	4.5	4.5	1.8
Personnel Expenses	3.6	5.2	6.6
EBITDA	65.8	86.5	8.7
% Margin	11.5%	11.8%	0.9%
Less: Depreciation & Amortisation	4.9	9.6	14.6
EBIT	61.0	76.9	-5.8
% Margin	10.7%	10.5%	-0.6%
Interest Expense	13.5	28.4	56.7
PBT	47.4	48.5	-62.5
% Margin	8.3%	6.6%	-6.1%
Less: Provision for Tax	16.6	7.7	2.0
PAT	30.8	40.8	-64.5
% Margin	5.4%	5.6%	-6.3%

Note: Exchange rate used in US\$ 1 = INR 55

Source: Company Standalone Financials, includes the financials of wind business also (Annual Reports)

* FY 11 is for the 15 months period ended June 30, 2011

Thank You

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