

Plantation

India's Duty Cut: Palm To Rebound Amid The Festive Window

Highlights

- India cut the all-in import duty on crude palm oil and crude soyoil to 11% from 16.5% on 24 September, and on crude sunflower oil to 5.5%. At August's prices, palm oil's duty-paid discount to sunflower oil narrowed by US\$95 per tonne, while its discount to soyoil barely changed.
- Sunflower oil cannot make full use of its new advantage this quarter. India's sunflower oil imports fell to 103,000 tonnes in September, the lowest since Apr 22, while palm oil imports rose to a seven-month high of 810,000 tonnes.
- We estimate India's port and pipeline stocks at 2.0m tonnes on 1 October, or 40 days of offtake, and Malaysian palm oil stocks at a record 3.3m tonnes at end-September. Maintain OVERWEIGHT.

Analysis

- The duty cut favours sunflower oil on paper.** Including the agriculture infrastructure cess and social welfare surcharge, the all-in duty is now 11% on crude palm oil and soyoil and 5.5% on crude sunflower oil. Based on the August average cost, insurance and freight (CIF) prices from the Solvent Extractors' Association of India (SEA), the duty-paid cost of crude sunflower oil falls by US\$165 per tonne, against US\$69 for crude palm. In August, crude palm oil landed only US\$30 per tonne below crude soyoil, and soyoil imports reached a record 628,736 tonnes.
- Ports remain the bottleneck for sunflower oil.** Ukraine shipped 131,000 tonnes of sunflower oil in 1-15 September, 62% of its normal pace, mostly by Danube barge, rail and road. Port access remains an issue, with Ukraine's daily agricultural shipments down to about 48,000 tonnes in late-September from 144,000 tonnes earlier in the month. Exporters at the Globoil conference in Mumbai expect Ukraine to ship about 300,000 tonnes of sunflower oil a month from October to March, half the usual pace, and Russian exports to fall 25-38% after Russia nearly doubled its export duty in September.
- Palm oil is filling the gap through the festive season.** Dealers estimate India's September palm oil imports rose 3.5% mom to 810,000 tonnes, while soyoil eased 4.6% to 600,000 tonnes and sunflower oil fell 36% to 103,000 tonnes. Palm oil's share of edible oil imports rose to 54% from 47% in July, for a 3Q26 average of 50%. According to Patanjali Foods, refiners bought over 200,000 tonnes of crude palm oil in the week after the duty cut, with distributor inventories running low. Diwali falls on 8 November, against 20 October last year, which extends festive buying into early-November. We expect palm oil to hold above 50% of India's edible oil imports through November.

Peer Comparison

Company	Ticker	Rec*	Price 7 Oct 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	----- PE ----- 2025 (x) 2026F (x) 2027F (x)			Yield 2026F (%)	ROE 2026F (%)	Market Cap. (RM)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.67	3.05	14.2	Dec-26	16.0	11.6	9.8	4.0	6.3	1,991.2	0.9
Genting Plantations	GENP MK	BUY	5.73	7.42	29.5	Dec-26	14.2	12.8	11.4	4.4	6.1	5,427.2	1.1
IOI Corporation	IOI MK	BUY	4.62	5.50	19.0	Jun-27	19.7	17.2	16.5	2.7	13.2	29,980.4	2.3
KL Kepong	KLK MK	BUY	21.10	28.50	35.1	Sep-26	29.8	16.2	13.8	2.9	-4.3	25,101.9	2.0
SD Guthrie	SDG MK	BUY	6.03	8.30	37.6	Dec-26	17.3	15.7	14.3	3.2	15.4	43,223.2	2.3

Source: Bloomberg, UOB Kay Hian

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OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Share Rec	Price (RM)	Target Price (RM)
SD Guthrie	SDG MK	BUY	6.03	8.30
Genting Plant.	GENP MK	BUY	5.73	7.42
KL Kepong	KLK MK	BUY	21.10	28.50

Source: Bloomberg, UOB Kay Hian

CPO Price Assumptions (RM/tonne)

Calendar year	Previous	New	Change
2026F	4,500	4,500	Unchanged
2027F	4,700	4,700	Unchanged

Source: UOB Kay Hian

India Duty-Paid Costs (US\$/tonne)

Crude oils	CIF	Before cut	After cut	Change
Crude palm oil	1,259	1,467	1,397	-69
Crude soyoil	1,289	1,502	1,431	-71
Crude sunflower oil	1,496	1,743	1,578	-165
Palm discount vs soyoil	30	35	33	-2
Palm discount vs sunflower oil	237	276	181	-95

Source: SEA, Indian Ministry of Finance, UOB Kay Hian

- **India's stocks are ample and Malaysia's are at a record.** From SEA's 2.04m tonnes on 1 September, we estimate India's port and pipeline stocks at 2.0m tonnes on 1 October and 1.9m tonnes on 1 November, 9% above a year earlier. In Malaysia, stocks stood at 2.82m tonnes at end-August, according to the Malaysian Palm Oil Board (MPOB). According to the Malaysian Palm Oil Association, September output rose about 19% mom, while cargo surveyors estimate that exports fell 17-29%. We estimate end-September stocks at 3.3m tonnes, above the Dec 18 record of 3.22m tonnes but slightly below the 3.45m-tonne median of a Bloomberg survey.
- **SEA expects sunflower oil to win back share in 2026/27.** SEA's president anticipates India's sunflower oil imports rising 30% to 3.5m tonnes in the November-October 2026/27 year, with palm oil steady at about 8m tonnes. That forecast depends on Black Sea logistics recovering, and exporters' guidance at Globoil implies only 2.7m-3.2m tonnes for India: about 0.7m tonnes from Ukraine and 2.0m-2.5m tonnes from Russia. We expect palm oil's gains to be concentrated in October-November, before seasonal weakness from December, when palm oil solidifies in northern India's winter. India's palm oil imports fell about 20% to 507,204 tonnes in Dec 25.

Valuation/Recommendation

- **Maintain OVERWEIGHT.** Record Malaysian stocks are likely to cap prices into early-27. We keep our CPO price assumptions of RM4,500 per tonne for 2026 and RM4,700 per tonne for 2027, with the latter being below the RM4,883 average of 2027 futures contracts. We expect a strong El Niño to cut Malaysian output by 8% in 2027 and draw stocks down to 1.6m tonnes by end-27, which underpins our 2027 assumption. Our sector picks remain SD Guthrie, Genting Plantations and KL Kepong.

Sector Catalyst/Risk

- **Catalyst: MPOB's September data on 12 October.** A print near our 3.3m-tonne estimate would confirm a record. Cargo surveyor data on October shipments to India will show whether Malaysian origin captures India's restocking, after Malaysian exports fell 17-29% in September even as India's palm oil imports rose.
- **Risk: Black Sea shipments recover faster.** Ukraine's 2026 sunflower crop is projected at 13.5m-13.6m tonnes, up 26%, and the surplus is building as seed and oil at origin. A reopening of the Greater Odesa ports would let sunflower oil use its duty advantage and take share from palm oil earlier than we expect.
- **Risk: A weaker rupee.** The duty cut lowers the duty-paid cost of crude palm oil by 4.7%, which a 5% fall in the rupee would offset. The rupee trades at 96.4 to the US dollar, close to its May record low of 96.96. With all three oils priced in US dollars, the rupee moves India's total buying more than its mix.

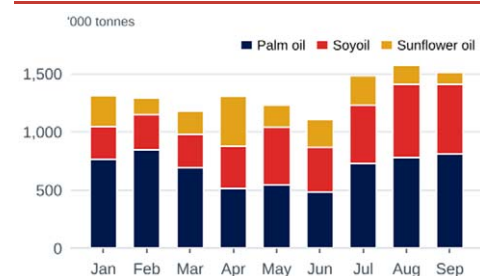
India Port And Pipeline Stocks

m tonnes	1 Sep 26	1 Oct 26F	1 Nov 26F
Imports	1.57	1.50*	1.50
Offtake	1.54	1.54	1.62
Closing stocks	2.04	2.00	1.88
Days of cover	41	40	38

Note: Imports and offtake are for the prior month. *Dealers' estimate.

Source: SEA, UOB Kay Hian estimates

India's Edible Oil Imports (2026)



Source: SEA, dealers' estimates (January soybean oil and sunflower oil, March, September)

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