

# EXAMINING THE IMPACT OF IMPORT DUTY CHANGES ON SELECT SECTORS

---

How business model differences  
affect profitability: Edible oil refiners  
versus gold jewellery retailers

JUNE 2025





## Click to Provide Feedback

**Crude edible oil and gold** are two commodities that have seen a sharp reduction in import duties over the past 12 months. Such changes have two kinds of impact on the profitability of associated industry participants—purchase/ sale cost and potential for inventory loss. While food processing and edible oil refiners will see an expansion in margins because of these developments, gold jewellery retailers, who bore large inventory losses, could nevertheless weather the profitability impact because of certain other factors such as rising gold prices.



- India imports over \$700 billion of merchandise annually with several product categories exposed to the risk of import duty changes. The policy objectives of imposing or changing import duties could be varied—controlling price inflation, protecting the interests of domestic producers, or influencing manufacturing investments.
- Over the past 12 months, there have been two commodities—crude edible oil and gold—that have seen material changes in import duty. While duty changes by a few basis points do not cause much flutter in the operating choices or earnings of industry participants, sharp changes to the extent of, say 1,000 basis points or thereabouts, could have a more noticeable impact on profitability.
- Through a notification dated May 30, 2025, the Government of India (GoI) reduced the Basic Customs Duty (BCD) on key crude edible oils—palm, sunflower, and soyabean—to 10% from 20%. As a result, the effective import duty declined to 16.5% from 27.5%.
- The sharp reduction in import duty on key crude edible oils is expected to support the profitability of entities in food processing, fast-moving consumer goods (FMCG), and the hotel, restaurant, and catering (HoReCa) sectors—the largest consumers of imported edible oils.
- While the GoI has reduced import duties on key crude edible oils, there has been no change in duties on refined edible oils such as palm, sunflower, and soyabean. The maintenance of the higher duty of 19.25%, an increase from 11% earlier (September 2024), on refined oils will support the margins and earnings of domestic edible oil refiners, despite some immediate, although minor, inventory loss.
- Likewise, the customs duty on the import of gold was reduced by 900 bps (to 6% from 15%) w.e.f. July 24, 2024, which had eased the domestic gold prices during the period. The retailers, manufacturers, and bullion dealers, however, had to suffer an inventory loss. It is another matter that this was mostly offset by the continued upward march of gold prices thereafter, which supported the margins of gold jewellery retailers.
- This note examines why sharp changes in import duties in recent periods—on crude edible oil and gold—has had a differentiated impact on the profitability of entities in three sectors viz., food processing, edible oil refining, and gold jewellery retailing.

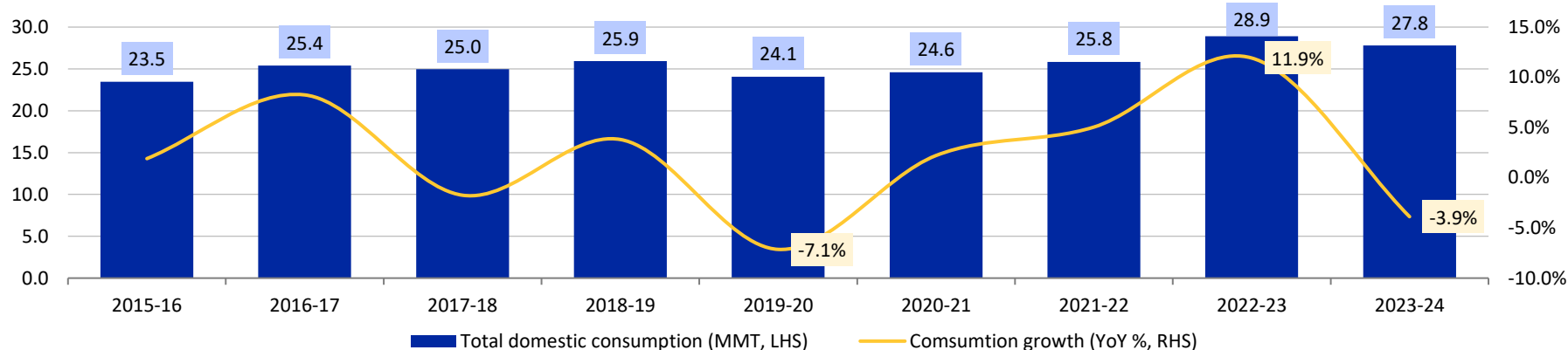


## EDIBLE OIL: SECTORAL TRENDS

---

# Moderate growth in domestic edible oil consumption

Exhibit: Domestic edible oil consumption trend in million metric tonne (MMT)



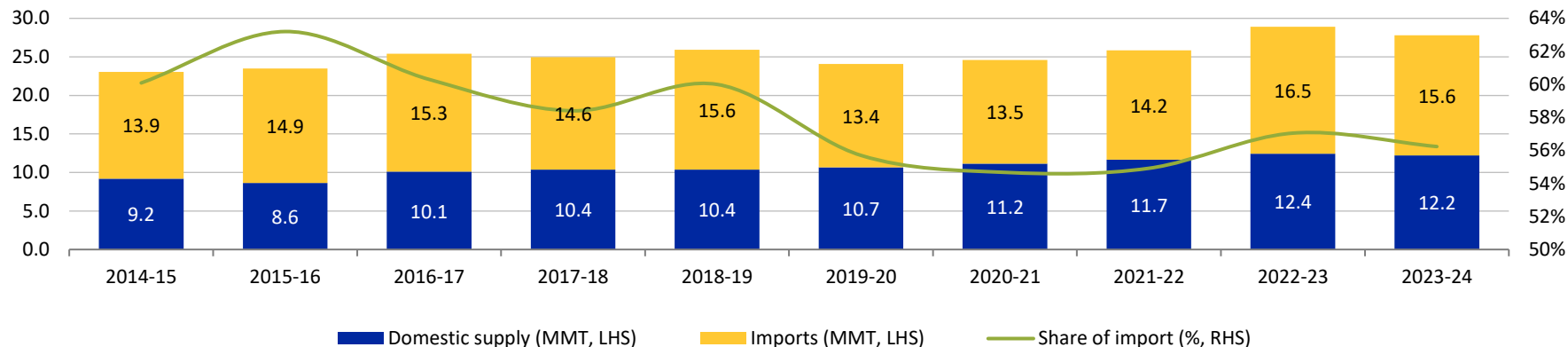
Source: ICRA Research, Department of food and public distribution annual report; Note: Calendar years are for November-October, and denotes the oil marketing year

- Domestic consumption of edible oils in India has grown at a moderate compounded annual growth rate (CAGR) of approximately 2.1% over the 10-year period ending 2023–24 (November – October). While imports increased at a slower pace of around 1.4%, the domestic availability expanded more rapidly at about 3.4% in 2023–24.
- However, over the 5-year period ending 2023–24, domestic consumption of edible oil grew at a CAGR of approximately 3.7%, reflecting a post-Covid 19 recovery supported by lower import duties. During this period, imports rose at a CAGR of around 3.9%, while domestic availability increased at a slightly lower CAGR of about 3.4%.
- India's per capita edible oil consumption rose from 19.8 kg in 2019–20 to 23.5 kg in 2022–23, driven by increased availability and demand. However, due to a rise in domestic edible oil prices, per capita consumption declined to 21.8 kg in 2023–24.



# Import dependence remains high; domestic supply improves gradually

Exhibit: Trend of domestic and import contribution in domestic edible oil consumption

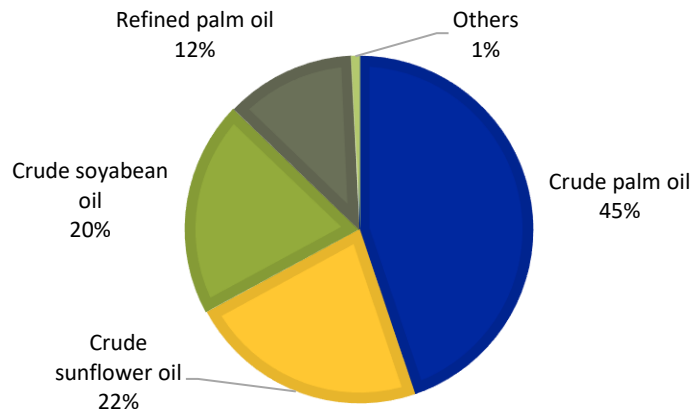


Source: ICRA Research, Department of food and public distribution annual report

- Over 2019-20 to 2023-24, imports have met 55–57% of India's total edible oil requirement, showing an improvement from 60% in 2018–19. While domestic supply has been increasing, this growth is primarily driven by mustard oil, whose domestic production rose to 4.1 million metric tonnes (MMT) in 2023–24 from 2.8 MMT in 2020–21.
- Palm oil (crude and refined), sunflower oil, and soyabean oil make up the bulk of India's edible oil imports. To reduce import dependence, the GoI launched the National Mission on Edible Oils – Oil Palm (NMEO-OP) in August 2021, aiming to boost domestic palm oil production. However, due to the long gestation period of oil palm cultivation, results will take time. The mission focuses on expanding oil palm cultivation, especially in the north-eastern region and other suitable states. Both the Central and state governments are offering financial and operational support to the farmers to increase both their area under cultivation and crop yield.
- India's domestic palm oil production increased from 0.28 MMT in 2020–21 to 0.39 MMT in 2023–24, currently meeting only 3–4% of the country's total palm oil requirement. Despite this growth, the pace of increase remains very slow, indicating that reducing import dependence will take time.

# Imports fulfill more than 95% of domestic palm and sunflower oil requirements

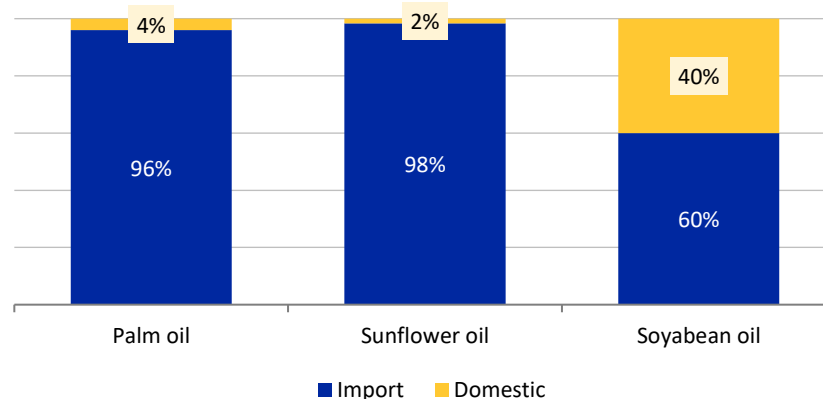
Exhibit: Composition of edible oil imports in 2023-24 (%)



Source: ICRA Research, Department of food and public distribution annual report

- India imported around 15.6 MMT of edible oils in 2023–24, marking a decline of 5.2% over 2022–23, primarily driven by a sharp increase in import duties. Notably, this was the first year of decline in imports since 2019–20, during Covid-19 1.0.
- Approximately 9.0 MMT of this was palm oil (crude/refined), followed by sunflower oil (3.5 MMT) and soyabean oil (3.1 MMT) making up more than 99% of total edible oil imports. The composition of imports has been largely stable since.

Exhibit: Import share of domestic requirement of key imported edible oils in 2023-24 (%)

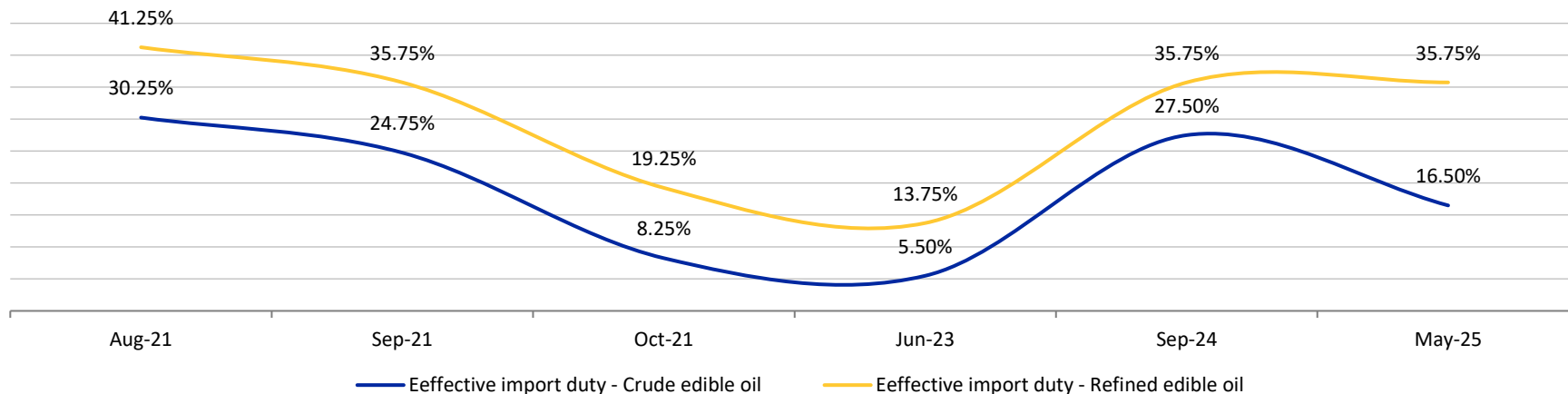


Source: ICRA Research, Department of food and public distribution annual report

- India continues to rely heavily on imports to meet most of its palm oil and sunflower oil requirements. The largest producers of palm oil are Indonesia and Malaysia, while Ukraine and Russia lead in sunflower oil production. For soyabean oil, the top global producers are Argentina and Brazil.
- Madhya Pradesh, Maharashtra, Rajasthan, Karnataka, and Telangana are key soyabean producing states, generating most of India's domestic requirement.

# Reduction in import duty on key crude edible oils to ease domestic prices

Exhibit: Effective import duty on key crude edible oils and refined edible oil



Source: ICRA Research, Department of food and public distribution annual report

- On May 30, 2025, the GoI reduced the BCD on key crude edible oils, lowering the effective import duty from 27.5% to 16.5%. This policy move was aimed at supporting the interests of domestic edible oil refiners by expanding the duty differential between crude and refined oils, enabling the refiners to capture greater value addition through the refining process.
- That said, the price and duty movements in major exporting countries will also be an important factor to monitor in the near term to assess the actual benefit of India's import duty reduction on domestic prices of refined edible oils. There have been instances where exporting countries adjusted their policies in response to India's demand trends and import policy, potentially offsetting the intended impact of such measures.



## IMPACT OF IMPORT DUTY CHANGE ON FOOD PROCESSORS

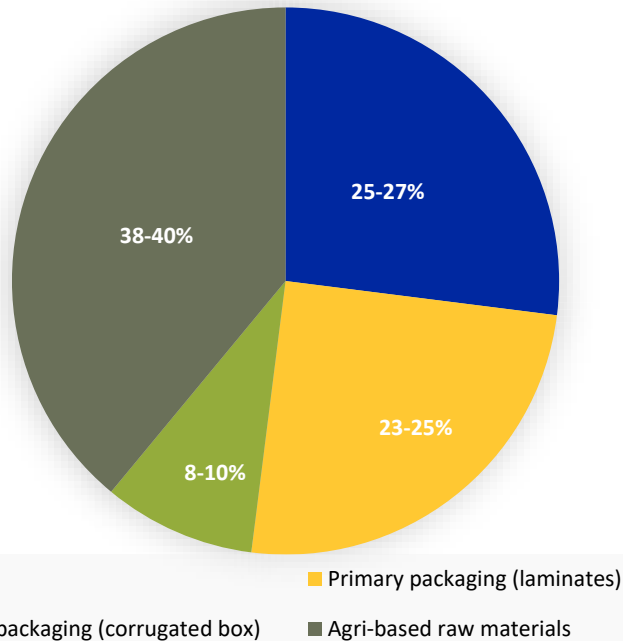
---

*Crispy punch: Reduction in import duty on edible oils to drive margin expansion for food processors*



# Food processors' profit margins to expand following the easing of edible oil prices

**Exhibit: Typical composition of raw material consumption of food processing companies (%)**

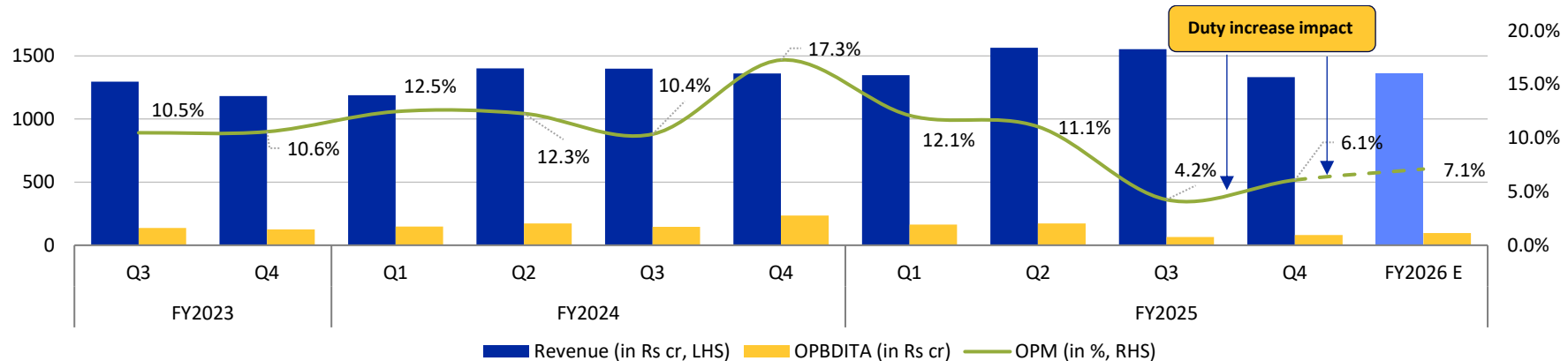


Source: ICRA Research

- Food processing companies operating in traditional and global snack segments are likely to be the primary and immediate beneficiaries of the recent reduction of custom duty.
- Apart from the food processing industry, the FMCG and HoReCa sectors are also expected to benefit, as they consume most of imported edible oils.
- Due to its inherent properties, palm oil is the preferred edible oil across the food processing, FMCG, and HoReCa sectors.
- Palm oil is among the most affordable edible oils, making it a popular choice for food manufacturers aiming to lower production costs.
- Palm oil's high smoke point and thermal stability make it ideal for deep frying and other high-temperature cooking processes, in addition to being cost-effective.
- For food processing companies, edible oils (mainly palm oil) represent the highest raw material costs—accounting for approximately 25–27% of total input value—making them particularly vulnerable to margin volatility.
- Food processing companies manage edible oil price volatility through a combination of forward contracts and spot purchases, depending on market conditions.

# Food processors' margins most impacted by the duty increase in Sep 2024; to revive sequentially in FY2026

Exhibit: Quarterly revenue, operating profit (OPBDITA) and operating profit margin (OPM) trend of ICRA's sample set



Source: ICRA Research, [www.bse.com](http://www.bse.com); Note: ICRA's sample set – Prataap Snacks Limited, Gopal Snacks Ltd and Bikaji Foods International Ltd, E – Estimated

- ICRA's sample set reported healthy operating profit margins (OPM) during FY2023, FY2024, and H1 FY2025, when import duties on edible oils and domestic prices were relatively lower. However, following the increase in effective import duties on both crude and refined edible oils in September 2024 to 27.5% from 5.5% and 35.75% from 13.75%, respectively, domestic retail prices of edible oil surged up. Consequently, the OPM of the sample set of food processing sector entities declined sharply—from 11% in Q2 FY2025 to 4% in Q3 FY2025. To support their profitability, companies implemented measures such as grammage reduction and price hikes, which along with some moderation in domestic edible oil prices later, enabled the recovery in OPM to 6% in Q4 FY2025.
- With the recent reduction in import duties (in May 2025), ICRA forecasts the OPM of food processing companies to expand by 100–200 basis points, as domestic retail prices decline by Rs. 5–10 per kg.



## IMPACT OF IMPORT DUTY CHANGE ON EDIBLE OIL REFINERS

---

*High duty differential to support domestic refining industry, provide level playing field coupled with release of working capital*

# Import duty changes would affect inventory valuation

## Exhibit: Illustration demonstrating inventory holding and impact of duty cut on crude edible oil for refiners

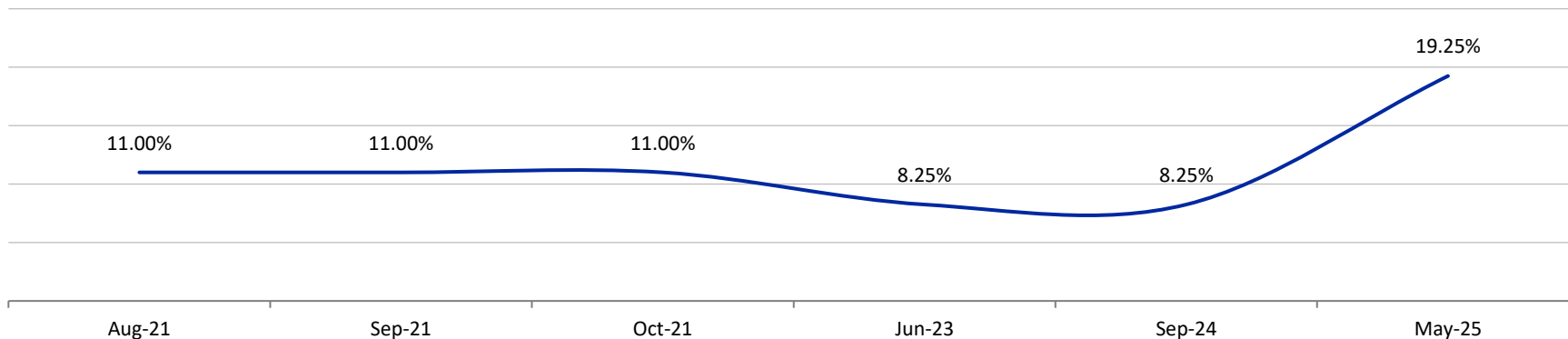
Volumes (metric tonne or MT)	Edible oil		
	Crude	Refined	Total
<b>Inventory</b>	30,000	25,000	<b>55,000</b>
<b>Forward sales</b>	0	36,000	<b>36,000</b>
<b>Open position</b>	30,000	(11,000)	<b>19,000</b>
<b>Duty-paid inventory (risky inventory)</b>	12,000	(11,000)	<b>1,000</b>
<b>Duty unpaid-inventory (not risky inventory)</b>	18,000	0	<b>18,000</b>

Source: ICRA Research

- A refiner may hold both duty-paid as well as duty-unpaid inventory of crude edible oil. Duty-unpaid inventory pertains to the imported crude that is physically stocked in bonded warehouses but is accounted for in the refiner's books of accounts. As and when the refiner draws the inventory from the bonded warehouse, it needs to pay the import duty at the prevailing rate.
- Once duty is paid on inventory, it becomes exposed to the risk of duty changes.
- In the illustration provided alongside, the refiner holds 30,000 MT of crude edible oil, of which 12,000 MT is the duty-paid inventory. The remaining 18,000 MT is not exposed to duty-related price volatility since no duty has been paid on it (as it is stocked in a bonded warehouse). Additionally, the company has 25,000 MT of refined palm oil in stock, while forward sales total 36,000 MT—exceeding the physical inventory by 11,000 MT. Therefore, the net exposure on duty-paid oil is limited to just 1,000 MT.
- If refiners do not have a back-to-back sales arrangement or forward sales, and domestic prices decline due to a duty cut, they may be forced to sell at (lower) market rates—resulting in lower-than-expected profits or even losses. In this example, the refiner had forward sold more volumes than it held as inventory on its books. Accordingly, it had locked-in its price realisations for refined edible oil at a higher rate, as applicable prior to the import duty cut.

# Working capital requirement to ease for edible refiners; high duty differential to support domestic refining industry

Exhibit: Trend of higher duty of refined edible oil over crude edible oil (%)



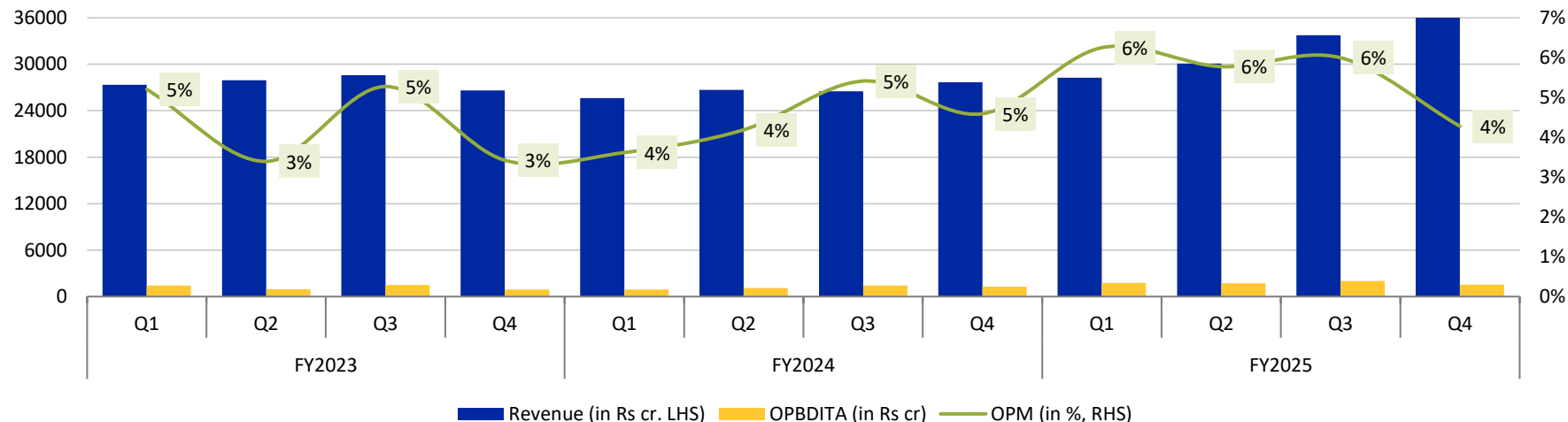
Source: Source: ICRA Research, Department of food and public distribution annual report

- Domestic edible refiners' working capital requirement is expected to ease with the recent reduction of import duty on crude edible oils to 16.5% from 27.5%.
- However, the GoI has kept the import duty unchanged on refined oil at 35.75% compared to 16.5% on crude oils, a duty differential of 19.25%. The current duty differential of 19.25% is one of the highest in recent years.
- The higher duty differential is likely to provide a level competitive field to domestic refiners against cheaper imported refined oil. The capacity utilisation of domestic refiners should therefore increase, in ICRA's assessment.



# Domestic refiners' capacity utilisation set to improve in FY2026

Exhibit: Quarterly revenue, operating profit (OPBDITA) and OPM trend of ICRA's sample set



Source: ICRA Research, [www.bse.com](http://www.bse.com); Note: ICRA's sample set – AWL Agri Business Ltd, Gokul Agro Resources Ltd, Marico Ltd and Patanjali Foods Ltd,

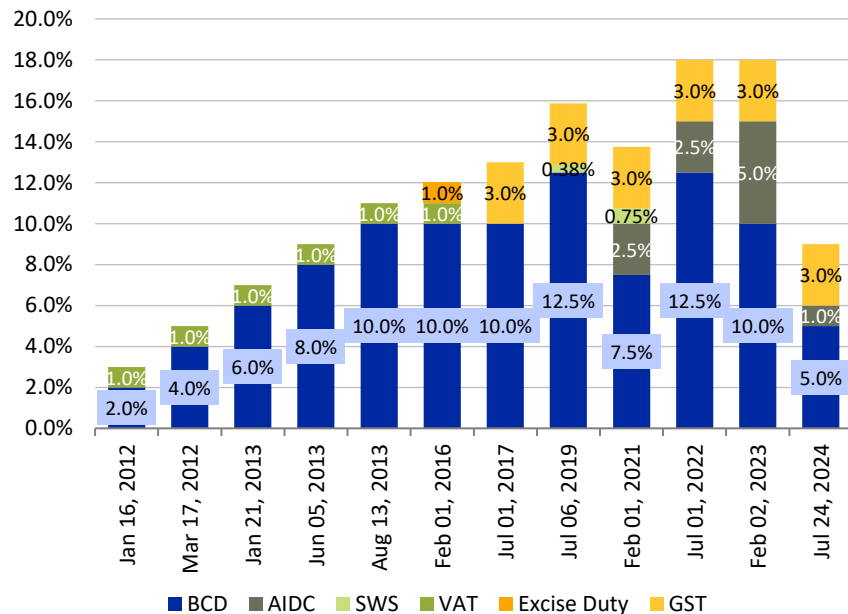
- ICRA's sample set of companies engaged in oil trading and refining had faced severe margin pressures in FY2023 and FY2024 because of the sharp decline in the prices of edible oils globally. However, with the recent sharp import duty cut on crude edible oil, the margin profile is expected to improve in FY2026 because of higher capacity utilisation of the refining capacity and the large duty differential between crude edible oils and refined edible oils.



## IMPACT OF IMPORT DUTY CHANGE ON GOLD JEWELLERY COMPANIES

---

**Exhibit: Trend in various duty rates and taxes applicable on gold in the last decade**



Source: ICRA Research; BCD – Basic Customs Duty, AIDC – Agriculture Infrastructure and Development Cess, SWS – Social Welfare Surcharge, VAT – Value Added Tax

- Duty action on gold has a considerable influence on the country's current account position. Increasing import duties on gold can reduce gold imports and help lower the current account deficit and vice versa. The actions in the past largely involved revision in import duty rates. With the introduction of the Goods and Services Tax (GST) in 2017, the overall duty/tax rate increased to 13% from 12%. Major action was undertaken in the Union Budget 2023 wherein the total customs duty was increased by 425 basis points.
- In the Union Budget 2025, total customs duty on import of gold was reduced by 900 basis points (6% from 15%) with effect from July 24, 2024. For gold ore, the revised rate was 5.35% (down from 14.35%). The revised duty rates are the lowest in the past decade. Platinum and silver bars also witnessed a similar duty cut of 900 basis points to 6.4% and 6.0%, respectively.
- The sharp reduction in import duty rates resulted in a decline in gold prices in the domestic market and, consequently, the landed cost. The demand of gold jewellery improved to some extent immediately after the duty cut due to reduced gold prices. However, gold prices continued to rise subsequently on the back of geo-political tensions and apprehension of tariff imposition by the US, partially offsetting the impact of duty cut on gold prices.
- The import duty rate cut has seemingly brought down unofficial gold imports, as evident from an increase in official gold bullion imports by ~8% in FY2025 despite the overall demand remaining flat (sales of 782 MT of gold jewellery/ bullion/ bars in FY2025 vs 774 MT in FY2024). On the flip side, the sharp correction in prices after the duty cut resulted in short-term inventory loss.

## Positive impact on gold demand

Correction in gold prices pushed up demand for gold in the domestic market; albeit for a brief period, as the price correction did not sustain because of other factors

## Benefit for the organised sector

Accelerated shift of business from unorganised to organised jewellers

## Reduction in unofficial imports

Seemingly curbed illegal import and smuggling of gold to India

Positive



Negative



## Inventory loss

Retailers, manufacturers and bullion dealers suffered short-term inventory loss. This impacted the OPM of some of the large retailers by 50-100 basis points in FY2025

# Impact of duty cut for various routes of gold procurement

## Purchase without hedging

Jewellers experienced a temporary loss as gold prices dropped immediately after the duty cut. However, jewellers who do not hedge their gold inventory, benefitted considerably from the subsequent rise in gold prices, which outweighed the temporary inventory losses inflicted by the duty cut.

## Purchase backed by gold metal loan (GML)\*

GML is a popular form of working capital borrowing among gold jewellery retailers, offering the added advantage of hedging. Jewellers using GML for gold procurement are protected from gold price fluctuation, as GML is denominated by the weight of gold and the equivalent value of this gold-weight needs to be repaid to the lender anytime within a period of 180 days. Jewellers align GML repayment dates (may be done in tranches) with the sale of jewellery from the gold bullion procured through GML. Hence, the movement in gold prices between the bullion purchase date and jewellery sale date does not impact the jewellers' profits. However, GML does not cover import duty on gold, which needs to be paid upfront at the time of import. Hence, the duty cut resulted in temporary losses on gold inventory procured through GML prior to the duty cut. Jewellers using GML reported such losses mostly in Q2 and Q3 FY2025, till exhaustion of the inventory on which a higher duty had been paid.

## Spot purchase and hedging through MCX

The future rates on MCX are quoted in INR and include customs duty. Hence, spot gold purchases hedged through MCX was fully protected from the customs duty cut on gold. However, only a few large retailers opt to hedge a relatively small portion of their gold procurement through MCX.

## Spot purchase and hedging through IIBX

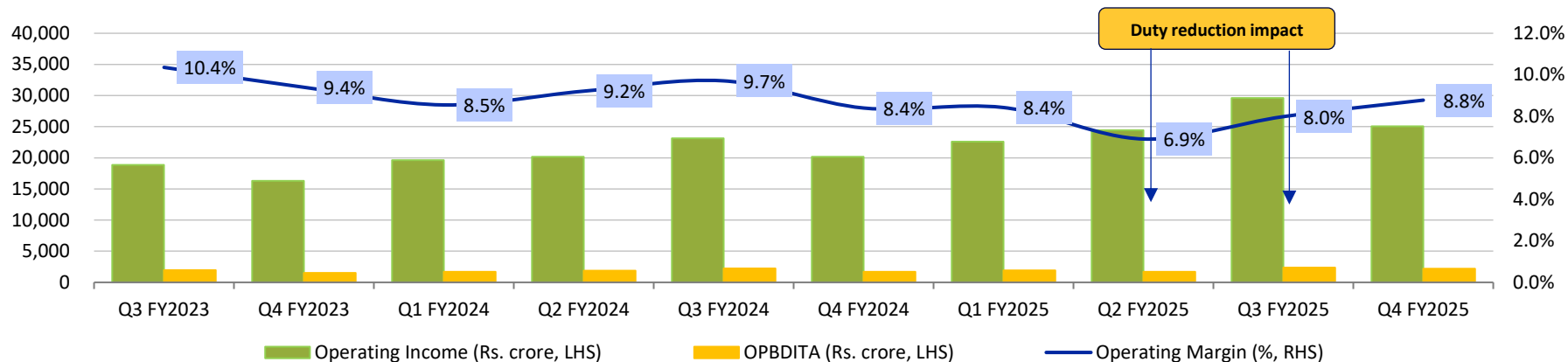
Jewellers using the International Bullion Exchange (IIBX, GIFT City, Gujarat) for hedging, need separate forward contracts for hedging Gold/USD and USD/INR rates. IIBX provides customers with an option to hedge the customs duty. However, only a small portion of the large jewellers' gold procurement is hedged through IIBX. Jewellers get a 1% duty concession for importing gold through the India-UAE Comprehensive Economic Partnership Agreement (CEPA), up to a pre-specified quota, and such imports are usually hedged through IIBX.

Source: ICRA Research; Note: \*Of the total working capital loans in FY2024, a major portion (around 75% of working capital loans and around 30% of inventory value) was in the form of GML for ICRA's sample set



# Gold jewellery retailers' margins dipped due to import duty cut; revival witnessed from Q4 FY2025

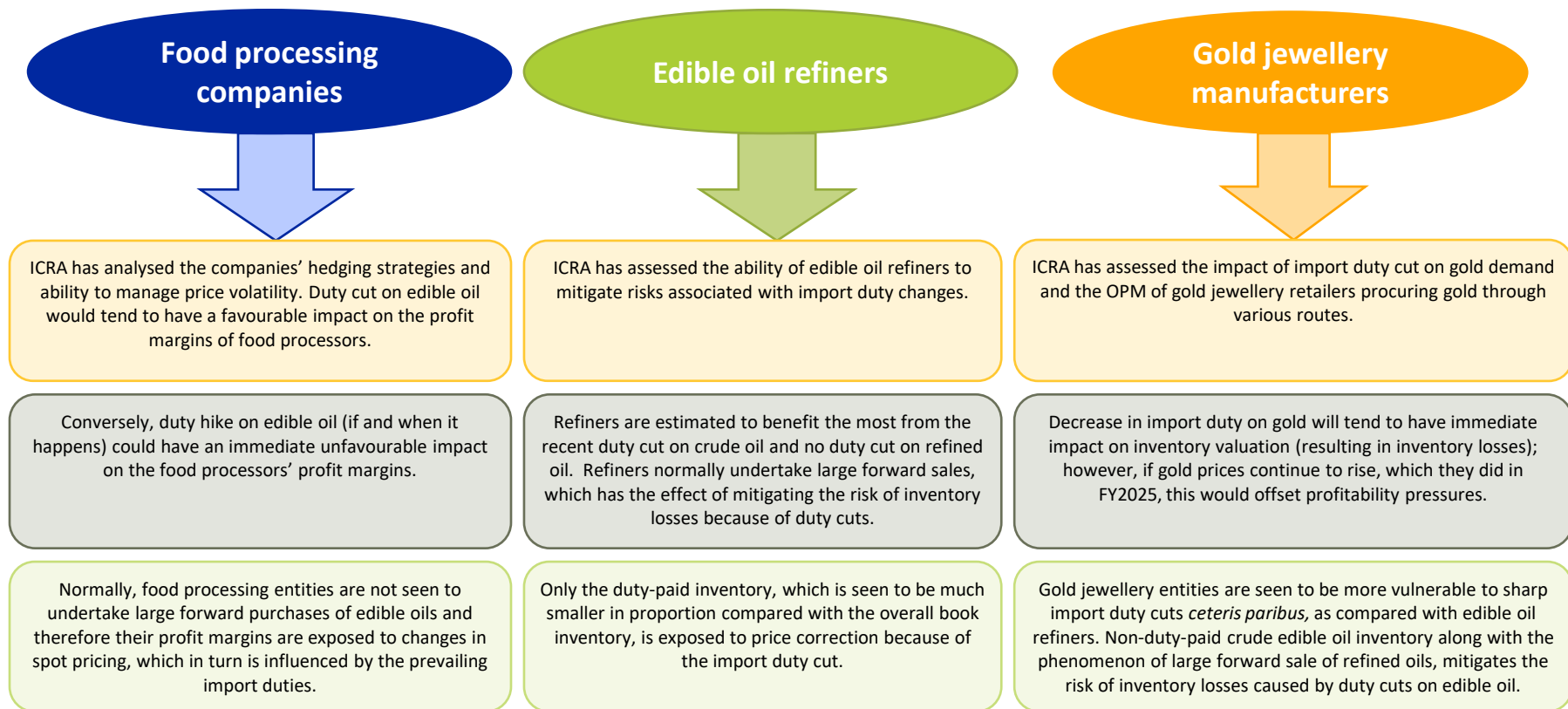
Exhibit: Quarterly revenue, operating profit (OPBDITA) and OPM trend of ICRA's sample set



Source: ICRA Research, ICRA's sample set of six listed gold jewellery retailers - Kalyan Jewellers Limited, Manoj Vaibhav Gems 'N' Jewellers Limited, Senco Gold Limited, Thangamayil Jewellery Limited, Titan Company Limited and Tribhovandas Bhimji Zaveri Limited

- OPM of ICRA's sample set of gold jewellery retailers remained healthy in the range of 8.4 to 10.4% over the past seven quarters till Q1 FY2025.
- The import duty cut on gold w.e.f. July 24, 2024, adversely impacted the OPM of the jewellery retailers, who opted for GML as a source of finance, resulting in around 230 bps and 170 bps reduction in OPM in Q2 and Q3 FY2025, respectively, on a YoY basis.
- The impact of the duty cut, was however, lower in Q3 FY2025 than Q2 FY2025, as there was lower volume of high duty paid stock available. The unabated rise in gold prices also benefited jewellers in their margin recovery by 110 bps sequentially to 8.0% in Q3 FY2025, though it remained much lower than 9.7% OPM in Q3 FY2024.
- The OPM of gold jewellery retailers revived to around 8.8% in Q4 FY2025 vis-a-vis 8.4% in Q4 FY2024.

# Business model determines the impact of import duty cuts





**Click to Provide Feedback**



ICRA

# Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice-President and Group Head	<a href="mailto:jitinm@icraindia.com">jitinm@icraindia.com</a>	0124 – 4545 368
Kinjal Shah	Senior Vice-President and Co-Group Head	<a href="mailto:kinjal.shah@icraindia.com">kinjal.shah@icraindia.com</a>	022 – 6114 3442
Deepak Jotwani	Sector Head and Vice-President	<a href="mailto:deepak.jotwani@icraindia.com">deepak.jotwani@icraindia.com</a>	0124 – 4545 870
Sujoy Saha	Sector Head and Vice-President	<a href="mailto:sujoy.saha@icraindia.com">sujoy.saha@icraindia.com</a>	033 – 7150 1184
Uday Kumar	Assistant Vice President	<a href="mailto:uday.kumar@icraindia.com">uday.kumar@icraindia.com</a>	0124– 4545 867
Sovanlal Biswas	Assistant Vice President	<a href="mailto:sovanlal.biswas@icraindia.com">sovanlal.biswas@icraindia.com</a>	033 – 7150 1181
Sandipan Kumar Das	Assistant Vice President	<a href="mailto:Sandipan.das@icraindia.com">Sandipan.das@icraindia.com</a>	033 – 7150 1190





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	<a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a>	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860







***© Copyright, 2025 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

# Thank You!