

'India is a good sourcing point for ConAgra'

INTERVIEW

Utpal Sengupta,
President, Agro Tech Food Ltd

Agro Tech Foods Ltd (expected 2006-07 turnover: about Rs 1,100 crore) a leader in the brand edible oil market with its Sundrop cooking oil with a market share of about 9% of the Rs 3,000 crore market, and Rath vanaspati also launched Act II brand of popcorn in the Indian market. While consolidating its leadership position, it is looking at launching brands in the Indian market from its majority stakeholder ConAgra Foods of the US. The company is also looking at exporting its Act II to other markets and realising sourcing opportunities from India for ConAgra.. Utpal Sengupta, Agro Tech's president shares the company's strategy in these areas with FE's Satya Naagesh Ayyagary. Excerpts

Even today Sundrop seems to account for a major portion of your revenues. Is it a good strategy to be overdependent on one brand?

"It's a conscious strategy to develop our other businesses without reducing the emphasis on Sundrop"

Sundrop accounts for about 30-35% of our sales. Which is why we are in the process of developing our other brands. For example, this year we expect Sundrop to grow at about 5-6%, which is reasonable growth in its own segment. But in our foods business Act II as

a brand would have grown at about 95%.

Obviously, that would be from a smaller base?

Of course, from a smaller



base. But the profitability of the other businesses is higher. While they may contribute a smaller percentage in sales terms, we hope they will rapidly catch up in profitability contribution. It's a very conscious strategy that without reducing the emphasis on Sundrop, to develop other businesses which will then add to the basket. It will also end up derisking but it is also going to give us more opportunities to participate in a wider basket of products and industries.

As part of that strategy you already have Act II. Which are the products then?

Act II has grown from Rs 15 crore to about Rs 30 crore. Popcorn is a relatively small market. Act II contributes about 75% to the organised, branded popcorn market. But in effect, it is actually a snack. In that sense, it is operating in a much bigger market. We think that we can still get a huge amount of growth from Act II.

If you are going to ask what is going to be our priority for next year, its going to be in three areas. One, to push Sundrop. Two, to get Act II to get to its full potential which is going to take a couple of years and we have several plans for doing that. The third is to find what I call the Act III, which is going to be the growth engine for the company.

There we are looking at three different distinct areas for growth. One is ConAgra that has a very successful food service across business the world. For example Lamb Western french fries which you get when you go to a McDonald's. We import that and sell to the HORECA (hotels, restaurants and caterers) segment. Our objective is to get that as a business which will make a significant contribution going forward. We think that the hospitality and food service industry is going to grow at about 15%. But for us it will grow much faster. The second is that we are

actively looking at things that we take from the ConAgra portfolio that makes sense to the Indian perspective and push them. The third is what else we can do through local research.

What is ConAgra's position in Agro Tech and how do you see the Indian market?

They hold 48.1% and ITC, the original promoter 17%. The rest is held by the public. They treat Agro Tech and India as they treat any other part of their international business. There is full exchange of information, policies, strategies as well as brands between us. Now, we started exchange of people as well.

We got four people working at ConAgra at various levels. ConAgra is looking at India as a sourcing point for some of their products. For this, there is a senior sourcing person from ConAgra for emerging markets. He not only looks at India but also at China, Thailand, Indonesia and Malaysia.