JAWAR'S DAL DILEMMA

1. Background

Amit Jawar, the CEO of ADAL Ltd. along with the Product Management team was deep into the discussions of formulating the strategy for entering the packed pulses market. AVL was planning to invest Rs 100 crore for the processing unit with a capacity to mill 600 tonnes per day at either Kharagpur or Lucknow. The company wanted to launch the brand in north India. Moong, masoor, arhar, urad, chana and rajma pulses that cumulatively comprise over 80% of the market would be initially launched.

Amit, needed to find the right entry points to compete in the market. Foraying into the pulses market was his next big idea for ADAL, which was taken skeptically by the board. MKS Foods, another leading brand had expanded its range of branded retail foods business with its launch of pulses under the name 'Bhakti Dals'. Establishing a new product category was anyway a herculean task, the complexity of which was further increased by the entry of MKS Foods, a company backed by the mammoth MK Group.

Mulling over their entry strategies, Amit wanted to analyze Bhakti's progress.

2. The Company

ADAL Ltd. a Rs. 2600 crore company; is a 50:50 joint venture incorporated in January 1999 between two global corporations:

- AD Enterprises Ltd. - the leaders in international trading & private infrastructure, and
- The US $ 6 billion AL Group of Singapore - one of the World's largest traders and refiner of edible oils.

AL Group is one of the world's largest edible oil refiners and one of Asia's largest oilseed crushers, with consolidated sales of US $ 6 billion in 2006. Through AL International, it has a sizeable operation in Indonesia, which makes it one of Asia's largest palm oil refiners and merchandisers, as well as crushers of copra and palm kernel. In China, the Group is the largest soyabean crusher, a leading processor of oilseeds and edible oils and a leading distributor of branded edible oils. It is also a leading importer of edible oils into East and South Africa and Eastern Europe.

The AL Group actively supports ADAL's operations, with 90% of ADAL's imports of crude vegetable oil being procured through the AL Group. The Registered office of ADAL is at Ahmedabad, with the manufacturing facilities situated at Mundra (Dist. Kutch, Gujarat).

Together AD Group and AL Group have set up India's first port based refinery in 1999, at Mundra, Gujarat. Today the Mundra refinery is one of India's largest and most sophisticated oil refineries. DESTINY, SUR, ORGANEEC, SWACH DHANI and PLATINA are the brands under which ADAL sells its range of edible oil, vanaspati and bakery shortening. As per AC Nielsen ORG MARG 'Destiny' has emerged as the highest selling consumer pack brand in India and stood at number one with **17% market share** in refined edible oil market with leader in Soya bean category – the fastest growing segment in the edible oil market.

Since its launch in 2000, Destiny took just 20 months to become India's No.1 edible oil brand. Following the success in India, ADAL introduced branded Soyabean oil to Middle-East and is now exporting its products to more than 19 countries in the Middle-East, South East Asia & East Africa.

Today ADAL has its distribution foot prints all across the country with various stock-points catering to more than 5000 distributors, 600 Super Stockists and numerous brokers and other trade associates. ADAL's retail reach is more than 1 million outlets and its consumer reach is more than 80 million Indians.

3. Branded Pulses in India – Markets and Competition

Pulses consumption in India is currently about 17.5 million tonne annually, of which, negligible quantity of pulses are sold in branded form. Further, small quantity is sold by Kirana stores and modern trade as their in-store brands. Established regional players charge Rs 6 to Rs 10 a kg as a premium. With no major value addition apart from cleaning and polishing (leather polishing or water based polishing) to bring the shine in the pulse, more investment is coming in the sector.

The reasons for entering the pulses market are many. Pulses are in short supply in India, hence a significant part is met through imports, which affect the prices of the commodity and prompts many consumers to compromise on quality. A large consumer base and an annual demand growth of about 15 per cent is prompting industrial conglomerates to expand their agricultural products portfolio with branded pulses.

In northern India the major pulses brand were Rambani, Bhagat Ram Dal Mills. In Eastern India Raj agro International and Daily were popular, whereas Dhanlakshmi, Bangur and Kranti were popular varieties of Western India. Bandi brand and Shree Silver brand of the Menasuwari Refinery Pvt Ltd were household name in South India. Central Indian pulse brand included Lasty, Krunch and Dhani. Processing over 65 tpd pulses, Gujarat based Desai Uchitbhai Co, is the market leader in pigeon peas (tur dal/arhar dal) in the state selling under the brand name of Bangur. The companies are selling the branded pulse in retail outlets of Reliance, Big Bazaar, Star Bazaar, D-Mart and others. Meanwhile, international agro commodities majors are also exploring options of entering the fray.

After the brand war in packaged cereals such as wheat, rice and maize, it's the turn of pulses. While players like Future Group retail chains, Reliance Retail and ITC are already in the fray with their branded pulses products, late entrants like the MKS Foods are making the competition fiercer.

4. **MKS Foods – Bhakti Dals**

MK Group is a global company with interests in businesses that focus on LIFE: Living, Industry and Farm Essentials. The story of the company is about harnessing the fruits of science for goals that go beyond business. Their latest venture, Bhakti Dals are all-natural, farm-fresh produce which are sourced from reputed, MKS-supported Indian farms, unlike most packaged dals available in retail outlets, which are imported. MKS Bhakti Dals promise to be different from all other dals. Bhakti differentiates itself based on the following factors:

- **Healthier dals**
  Bhakti Dals are unpolished and have not been damaged by artificial stone powder, colour or oil that are used by others to polish dals. While processing Bhakti Dals no marble powder (very harmful for intestines), oil polish (added fat), water polish (source of water is unknown) or leather belt polish (animal skin touch) are added. The inherent quality of pulses and the nutrient values of dals are not compromised in Bhakti Dals. Their test reports indicate that the time taken for cooking unpolished dals is the same as that for polished ones.

- **Goodbye to impurities**

  Every grain of Bhakti Dal is 100% laser-sorted and graded using modern technology to ensure that consumers get no impurities, damaged, or weevilled grains - the dals are ready-to-cook. It does away with the time-consuming process of cleaning grains at home.

- **Quality control**
  The pulses are directly procured from reputed Indian farms – supported with MKS's Good Agricultural Practices, or from NCDEX-associated farmers. Testing is done for seed quality, packaging and post-packaging. The dals are processed and packed in the shortest possible time and are farm-fresh. Care is taken right from procurement of seeds or sourcing to retailing at the neighbourhood store. Bhakti have also tied-up with National Collateral Management Services Ltd (NCSML) an ISO 9001-2008 accredited agency, for testing of their dals.

The key benefits of Bhakti Dals as promoted by the company are:

- ✓ All-natural, farm-fresh
- ✓ No added chemicals, polish or colours

- ✓ 100% laser-sorted, machine-cleaned and graded
- ✓ Premium-quality grain
- ✓ Packed with natural flavour and taste

Bhakti Dals are being launched in four basic popular varieties— toor, moong and urad and chana. The Bhakti brand has priced the pulses at between Rs 85 and Rs 100 for a one-kg pack. It will also sell 250 gm and 500 gm packets. Two items — salt and cooking soda — are already sold under the Bhakti brand. The dals are launched in an attractive 'Farm Story' pack, with a free recipe booklet

The company currently markets all the four varieties from existing retail outlets including food malls and large retail chains. It also uses MKS rural retail outlets and its existing salt distribution network to penetrate further in the Indian market.

Analyze the case facts on the basis of the following points:

- **Evaluate the strategy of Bhakti dals**
- **What are the learnings from Bhakti Dals ?**
- **Propose a comprehensive entry strategy to Amit to enter the packed/branded pulses market with Pan-India operations.**

Limited data has been provided in the case. Data from the public space can be used for analysis. Along with the analysis, provide the data sources and assumptions.

Limit your solutions to a maximum of 5 pages. (+2 pages for annexure if any). Any solution beyond this limit will not be considered for evaluation.

**** (Disclaimer: The case has been written solely for academic discussion. The authors do not intend to illustrate either effective or ineffective handling of managerial situation. The names and certain identifying information have been disguised to protect confidentiality.)*

Month/Selected Commodity-wise Retail Prices of Essential Items in Metros (Delhi, Mumbai, Kolkata and Chennai) of India

(January, 2010 to June, 2011)

Metros/	2010												2011				
Items	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	March	Apr.	May	June
Gram Dal																	
Delhi	38	36	33	33	34	34	34.5	35	35	35	35	35	35	39	38.64	37.52	37.39
Mumbai	37	37	34	33	32	34	34	34	38	38	38	38	40	38.86	38.06	38.86	39.27
Kolkata	38	34	34	32	32	32	32	32	32	32	35	38	38	37.5	37	36.14	35.82
Chennai	35	32	32	32	32	32	34	34	34	35	38	38	38	38	36.83	34.38	35.14
Tur Dal																	
Delhi	84	73	68	75	71	72	71	70	70	68.5	68.5	69	70	72.36	71.11	70.76	69.43
Mumbai	75	70	64	66	67	66	65	65	70	70	71	68	72	65.14	66.78	67.38	67.14
Kolkata	84	65	62	65	65	63	62	58	58	56	55	56	65	65.05	62.89	60	55.27
Chennai	80	68	70	72	72	72	68	66.5	65	65	60	60	75	67.45	68.89	66.43	64.86
Urad Dal																	
Delhi	73	67	62.5	68	68	73	74	72	72.5	72.5	73.5	69	68	73.23	73.78	72.67	71.3
Mumbai	75	73	68	68	71	78	76	73	81	80	78	75	76	75.73	75.78	75.33	75.09
Kolkata	62	58	60	60	62	68	68	68	72	65	62	58	60	62.36	60.89	61.05	60
Chennai	76	68	68	70	78	80	78	78	78	72	72	70	68	65.18	71.78	70	68.82
Moong Dal																	
Delhi	81	77	78	88	86	88	83.5	80	74	73	72	69	68	72.36	72.67	73.29	71.68
Mumbai	87	89	86	90	89	91	84	79	86	80	78	76	74	75.77	77.61	76.76	76.14
Kolkata	90	85	85	88	88	90	85	80	75	70	70	75	80	75.59	75.06	71.9	70
Chennai	85	80	85	90	94	90	78	77	72	65	65	68	72	69.23	70	70	69.86
Masoor Dal																	
Delhi	62	59	55	58	58	57	55	54	54	54	54	54	54	54.25	54	54	52.02
Mumbai	55	53	53	52	51	52	51	51	58	57	57	56	57	56.36	56.39	55.24	54.27

Kolkata	61	58	52	50	50	48	48	48	48	48	48	48	48	47.36	45.56	44.95	44
Chennai	-	-	50	50	52	50	48	45	46	48	46	46	50	49.91	48.33	47.38	45

(Source: Lok Sabha Unstarred Question No. 1138, dated on 07.03.2011 & Rajya Sabha Unstarred Question No. 20, dated on 01.08.2011. Indiastat)

Selected State-wise Consumption of Pulses in India (2007-2008 to 2010-2011)

(In ' 000 Tonne)

States	Total Consumption				Estimated Production			
	2007-8	2008-9	2009-10	2010-11	2007-8	2008-9	2009-10*	2010-11$
Haryana	191.4	194.7	197.9	200.5	101.8	178.1	100.8	48
Rajasthan	389.2	396	402.8	407	1552.8	1826.4	735.2	839.7
Uttar Pradesh	1898.7	1934	1969.4	1992.2	1576.9	1998.1	1999.3	494.1
Bihar	965.1	979.7	994	1001.7	497.1	469.1	513.8	88.1
Assam	264	267.4	270.7	272.8	63	64.5	61.7	0
West Bengal	529.3	534.4	539.5	542.6	147.6	128.5	158.2	33.9
Jharkhand	286.9	291	294.9	297.4	301.8	280.7	220.6	134.4
Orissa	317.2	320	322.8	324.6	383.5	387.3	393.9	231.7
Madhya Pradesh	684.2	695.8	707.3	714.9	2453.6	3683.1	3934	530.6
Gujarat	588.9	597.1	605.2	611.5	743	609	545	403
Maharashtra	1154.6	1171.5	1188.3	1202.6	3024	1656	2463.6	1967
Andhra Pradesh	761.7	769.2	776.6	781.2	1697	1448	1401	405
Karnataka	577.6	5837	589.8	594.7	1265	972	1100	511
Kerala	253.3	255.3	257.2	258.3	8.4	6.3	5.7	0
Tamil Nadu	681.4	684.8	688	693.9	185	164.5	272.5	75.9
Others	290.9	294.9	298.8	302.3	761	695.1	585.6	188.6
India	**10764.5**	**10913.7**	**11061.5**	**11166.2**	**14761.5**	**14566.7**	**14598.2**	**5996.7**

(Source: Source : Lok Sabha Unstarred Question No. 4488, dated on 07.12.2010.Indiastat)

Demand and Supply of Major Foodgrains in India (2007-2008 to 2011-2012)								
								(Million Tonne)
	2007-08		2008-09		2009-10		2010-11	2011-12
Item	Demand	Supply	Demand	Supply	Demand	Supply @	Demand	Demand
Rice	90.91	96.69	92.87	99.18	94.83	89.13	96.81	98.79
Wheat	71.19	78.57	72.72	80.68	74.26	80.71	75.8	77.36
Pulses	16.77	14.76	17.51	14.57	18.29	14.59	-	-
Coarse Cereals	35.14	40.76	35.9	40.03	36.65	33.77	-	-
Total Food-Grains	**214.02**	**230.78**	**219.01**	**234.47**	**224.04**	**218.2**	**172.61**	**176.15**

(Source: Lok Sabha Unstarred Question No. 4574, dated on 07.12.2010 &Lok Sabha Unstarred Question No. 4586, dated on 30.08.2011. Indiastat)