

THE SWOT ANALYSIS

THE PROFILE OF COMPANIES
UNDER STUDY

CHAPTER – IV

THE PROFILE OF COMPANIES UNDER STUDY

Company History (Cadbury India)¹

1948 - The Company was Incorporated on 19th July, as a private limited company under the name of Cadbury-Fry (India) Private Limited and commence business soon thereafter. Manufacturing facilities were set up gradually.

1964 - The Company undertook at its own cost and responsibility the development of cocoa growing in the country. A specialist cocoa advisory service was created. A cocoa research centre was also created together with seeding nurseries and distribution centers.

- Through its subsidiary, Induri Farm Ltd., the Company had set up facilities near Pune to breed cattle that would give improved yield of milk at economic feeding costs.

1967 - Cadbury introduced the 'Five Star and Gems' chocolates in 1967 and 1968 respectively.

1977 - The name of the Company was changed from Cadbury-Fry (India) Pvt. Ltd., to Cadbury India Pvt. Ltd., on 7th June. It was converted into a public limited company on 11th June. An agreement

was entered into with Cadbury Overseas Ltd., (COL) U.K., on 3rd May, for technical services concerning new products and processes.

- The Company entered into an agreement with CSOL for the grant of a licence for continued use of the word 'Cadbury' as part of the Company's corporate name.

- The Company was granted a letter of intent for the manufacture of 6,000 tones per annum of processed vegetable oils/fats (cocoa butter substitute) wholly for export.

- The Company also received a letter of intent for setting up manufacturing facilities in Jammu & Kashmir for the production of apple juice concentrate. Approval of Government was received for technical collaboration with Bulmer's of the U.K.

- Shares subdivided on 22.03.1976, 13,60,905 bonus shares issued in prop. 10.50:1 on 28.04.1977. 9,93,677 shares issued (prem. Re.1 per shares) 1,43,677 shares reserved for allotment to resident Indian directors their friends and employees and 8,50,000 shares offered to the public in July.

1978 - In December, CSOL disinvested out of their holdings in the Company, 2,90,515 equity shares of Rs 10 each through an offer for sale at a premium of Rs 3.50 per share as follows (i) 1,30,515 shares to

V. Mallya and M.L. Apte and (ii) 1,60,000 shares to resident Indian shareholders as rights in proportion 1:10 out of which about 60,000 shares were reserved for Indian directors and employees of the Company.

- After the offer for sale in December and new issue of capital in May 1979, the non-resident holding in the Company was reduced to 40%.

- With a view to upgrading the present technology, improve quality of the products, the Company proposed to acquire technology and process know-how from Cadbury Schweppes plc. (CSP), who offer the said services only to their wholly owned subsidiary companies.

- The Company allotted during Jan.-Feb. 1993, along with its Rights Issue, 22,92,000 equity shares of Rs 10 each at a premium of Rs 90 per share to CSOL.

1979 - Industrial licence for the apple juice project was received and the project was commissioned on 16th September, 1980.

- 5,15,808 shares issues (prem. Rs 2.50 per share) in May 1979: 70,000 shares to UTI and 40,000 shares each to LIC and GIC; 44,760 shares to Indian directors and employees of the Company and 3,21,048 shares as rights to resident Indian shareholders in prop. 1:4.

1981 - The Company received a certificate to manufacture 2,200 tonnes of chocolates at Indori.

1982 - On 17th December, the name of the Company was changed from Cadbury India Ltd., to Hindustan Cocoa Products Ltd., consequent to 60% of its shares being held by the Indian public.

1984 - 12,00,000 bonus shares issued in prop. 2:5.

- The company launched its dairy milk chocolate, which has now become the flagship brand of the company. A diversification into the ice-cream market in 1989 by introducing Dollops was undertaken in a strategic alliance with Brooke Bond India (a subsidiary of Unilever), which was sold off to the latter in 1992.

1985 - The Company explored the possibilities of entering into the business of software export.

1986 - The Company received approval of the Company Law Board for undertaking software business and efforts were taken to explore the opportunities both at home and export markets.

1987 - In chocolate group, the Company launched new products such as 'Crackle', 'Orange', 'Strawberry Krisp', 'Mello', and 'Wildlife bar'. For every 'Wildlife bar' sold, the Company makes a contribution to the

Wildlife fund, as per an agreement entered into with the fund. In the foods drinks, the Company launched 'Choc O Cheer.

- 42,00,000 bonus shares issued in prop. 1:1.

1988 - The Chocolate division introduced some more new products to upper and lower ends of the market. In the food drinks area, a higher protein drink under the brand name 'Enriche' was successfully introduced. The Company diversified into ice-cream market and a product under the brand name 'Dollops' was test marketed in Hyderabad on New year's day.

- In order to meet the growing demand for the Company's food drink products, it was decided to establish a new factory at Malanpur, Bhind District in the State of Madhya Pradesh.

1989 - The product of the food drinks was marketed under the brand name 'Enriche'.

- Effective 1st December, the name of the Company was changed from Hindustan Cocoa Products, Ltd. to Cadbury India, Ltd. to reflect the wider range of products manufactured/marketed by the Company.

1993 - With effect from 18th July, the Company's Ice Cream business comprising manufacturing arrangements with two well known brands

Dollops & Lopstop was transferred to Brooke Bond India Ltd. for a consideration of Rs 1062.65 lakhs and an assurance from the company to Brooke Bond that they would not make or sell Ice creams for a period of 8 years.

- During January-February, the Company issued 16,80,000 equity shares of Rs 10 each for cash at a premium of Rs 90 per share on Rights basis in the proportion 1:5 (all were taken up). Allotment of 105 shares of these were kept in abeyance based on Court orders.

- 16,80,000 rights shares allotted (prem. Rs 90 per share prop. 1:5). Another 28,000 shares allotted to employees, etc. (prem. Rs 90 per share) in 1992-93. 22,92,000 shares allotted to CSOL (prem. Rs 90 per share). 105 shares kept in abeyance were allotted.

1994 - The Company undertook a modernization and rationalization programme at its Malanpur factory at a cost of Rs 40 crores.

1995 - 'Perk' was launched from its Malanpur plant. Towards the end of 1996, the Company has launched a new range of sugar confectionery, 'Googly', a trangy, fizzy fruit flavoured candy in Chennai under the brand name 'Trebor'.

- 74,40,000 bonus shares issued in prop. 3:5.

1997 - Cadbury India Ltd has announced rights issue of equity shares at a price of Rs.150 each in the ratio of one equity share for every five shares held. The company has fixed book closure for the purpose of determining rights entitlement between May 6 and June 2.

- Cadbury India Ltd has launched Truffle - flavoured soft centre moulded chocolate bar. The product was launched in Calcutta, Mumbai and New Delhi during October with subsequent launches planned in Bangalore, Chennai, Hyderabad and other mini-metros in a phased-manner in November.

- Cadbury India is launching its well-known beverage Bournvita in sachets.

- 39,61,473 No. of equity shares of Rs 10 each at a premium of Rs 140 per share allotted on rights basis in prop. 1:5.

- 32 shares kept in abeyance issued.

1998 - Cadbury's launches Picnic: Cadbury India Ltd on March 23, announced the launch of Picnic in Karnataka. It is being made at a specially imported new line in the state-of-the-art factory near Gwalior.

- Cadbury India is celebrating its golden jubilee in India. To commemorate the occasion, the company has organised a series of

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events for the employees and business associates in Mumbai, the branch offices and plant sites.

- The Board of directors of Campco have approved the proposal to enter into an agreement with Cadbury.

- Cadbury India is exploring the possibility of generating revenue from Cadbury House, its corporate headquarters at Pedder Road in south Mumbai.

1999 - Cadbury India Ltd has launched a new product, 'Nice Crem', under its sugar confectioner business. The sugar candy has been launched only in Mumbai.

- During 1994-95, Cadbury's entire range of products were introduced in Bangladesh. Its new wafer product, Perk, was launched in Sep.'95, in Mumbai, Delhi, Calcutta, Pune and Goa. The company launched a new range of sugar confectionery, Googly a tangy, fizzy, fruit flavoured candy in Tamil Nadu under the Trebor umbrella brand name.

2000 - Cadbury's has introduced Perk Slims, a slimmer version of the wafer.

- The Company has relaunched Perk, its chocolate-coated wafer, it has four new layers covered in Cadbury Dairy Milk Chocolate.

- Cadbury India Ltd. has launched a range of gift packs for Diwali.
- The Company had entered into a Memorandum of understanding on July 5th, to sell its immovable property at Colaba, Mumbai.

2001 - Mathew Cadbury will take over as the new managing Director of the Rs 511-crore Chocolate confectionery major, Cadbury India Ltd. With effect from February 5.

- The Company has launched Sweet Nothings range of gift packs for Valentine Day.

2002 -Cadbury SchweppesPlc acquires 39.34% stake in its Indian subsidiary Cadbury India Ltd.

- Cadbury Schewepes Pcl developed a new phenomenon allowing its consumers to define its brand profile.

- Cadbury India has executed an agreement with Kalpataru Properties Pvt Ltd for sale of land at Thane.

- Cadbury's market share has dipped to 70.7% due to competition.

- Cadbury India tapping unconventional marketing channels like non-retail chains to drive their market expansion.

-The Maharashtra Food and Drugs Administration seizes stocks and charges cadbury with mis-branding.

-Cadbury's buy out of pfizer's confectionary brand is expected to set a strong base in the oral gratification category

2003 -Cadbury India launches Cadbury's Heroes, which is a blend of company's leading brands.

-Adams will now be a part of the mass markets division of Cadbury India.

-Cadbury has roped in advertising firm called Lemon to handle creative for its products temptation and milt treat.

-Cadbury India has dropped Carat India and roped in Madison Media for the media planning and buying.

-Cadbury India relaunched its flagship brand 'Cadbury Dairy Milk'.

-Cadbury to tie up with BPL Mobile for SMS vending services.

-Cadbury India has been identified as 'innovation centre' by its overseas parent.

2004 -Amitabh Bachchan new brand ambassdor for Cadbury Dairy Milk

2005 - Cadbury Schweppes Asia-Pacific has announced that Mr Bharat Puri, Managing Director of the Indian sub-continent, has been appointed Commercial Strategy Director for Asia-Pacific and will be based in Singapore

2007 - Cadbury India has rolled out a wafer-based chocolate called 'Ulta Perk' nationally. 'Ulta Perk' has been test marketed in southern states like Tamil Nadu and Karnataka for over 6 months and is now being launched in other parts of India. The product is targeted towards teenagers and youth. 'Ulta Perk' will be the second product offering from Cadbury in the chocolate-wafer segment, after the 'Perk' brand.

Recognition for Madison Media's Cadbury ad

Our Bureau

Chennai April 30 The recently concluded Venice Festival of Media, organised by Publishers of Media & Marketing, Europe and *Cream* Magazine, has chosen Madison Media's work for Cadbury on the mobile phone medium as one of the five outstanding pieces of work from around the world.

Cadbury used the mobile phone to convey exam results direct to students' mobile phones. A press release says Cadbury took its message of celebration into that most tense of moments, when students

discover how well they did in their exams and gave the chocolate prompt at a time when Indian *mithai* would come to their mind.

Sam Balsara, Chairman & Managing Director, Madison World, acknowledged the help of Reliance Telecom in the effort.

The basis for selection and entry into the shortlist were entries that had featured in the last four issues of the *Cream*, a quarterly magazine devoted exclusively to innovation and creativity in media. From about 145 entries, 34 were short-listed. The other four that were chosen were Dashboard's Mindi desktop avatar for Axe (Canada), MPG for Cepita orange juice in Argentina (where a street in Buenos Aires was turned into an orange grove by suspending orange balloons from trees), Agencia Click for Fiat in Brazil, where mobile phone votes from cinegoers determined what happened to the star of the ad at each screening, and Clemenger BBDO for Land Transport New Zealand, an anti-drink & drive campaign.

The Rs 1,300-crore Madison Media handles a select number of clients including P&G, Gillette, Coca-Cola, Godrej Consumer Products, Airtel and General Motors.

MUMBAI (Reuters) - Cadbury Schweppes Plc will consider acquisitions to expand its share of the Indian confectionery market in the face of increasing competition, a senior company official said on Wednesday.

Cadbury, which has a presence in chocolate confectionery, candy and milk drinks in India, competes with Nestle and Hershey, which recently bought a majority stake in an Indian confectionery firm.

Cadbury, maker of Dairy Milk chocolate and Halls cough lozenges, would look at acquiring a confectionery brand, possibly after the sale of its North American drinks business, said its India head.

"Once the drinks business goes, confectionery will be our whole focus globally, and we want to be the lead player here," said Anand Kripalu, managing director of Cadbury India Ltd.

Cadbury is preparing to sell its drinks arm, which it has said will give it a war chest of up to \$2 billion for acquisitions.

"If we can get our hands on a good confectionery brand here we would certainly be open to buying it," Kripalu said after the launch of Cadbury's first chewing gum brand in India, Bubbaloo.

The target firm would be of "a reasonable size" that can make a difference to its business, Kripalu said, but added that they were not "actively pursuing" anything yet.

Cadbury, which began operations in India in 1948 by importing chocolates and repacking them for sale, expects the Bubbalo brand will contribute at least 5 percent of its overall Indian revenue in the next two to three years, Kripalu said.

Chocolates make up half India's confectionery market, with hard-boiled candies and toffees making up nearly 40 percent. Cadbury estimates chewing gum makes up 11 percent of the market and is worth about 1.8 billion rupees (\$45 million).

The segment is dominated by Wm. Wrigley Jr. Co. and Perfetti van Melle, but Cadbury is aiming at a "high double-digit share" in the next 18-24 months, Kripalu said.

Cadbury India has five manufacturing plants and had estimated sales of 10.6 billion rupees in 2006, up by a fifth from a year ago, with net profit of 825 million rupees, up 38 percent.

In April, Hershey bought 51 percent in an Indian confectionery maker, a unit of Godrej Industries Ltd., for about \$55 million. The venture, Godrej Hershey Foods & Beverages Ltd., is setting up a plant to make hard-boiled candy.

Company History (Nestle India)²

1959 - On 28th March, the Company was incorporated at New Delhi. The company was promoted by Nestle Alimentana S.A. through a wholly owned subsidiary, Nestle Holdings Ltd., Nassau, Bahama Islands.

1968 - 1,37,785 Bonus shares issued in proportion 1:10 on 12.9.1968.

- On November company issued 3,00,000 shares at par. 22,000 shares reserved for directors, etc. and 2,78,000 shares offered to the Public.

1970 - 34,251 shares issued against machinery to collaborators.

1978 - During the period 4,00,114 equity shares and 382,751 existing equity shares held by Nestle's Holdings, Ltd., Nassau, Bahama Islands Nestle) were offered to the resident Indian nationals at a premium of Rs. 2.50 per share.

1980 - 22,50,000 bonus shares issued in proportion 1:1 on 30.7.1980.

1983 - 27,00,000 bonus shares equity shares issued in prop. 3:5.

1985 - 18,00,000 Rights equity shares issued (Prem. Rs 30 per shares; prop. 1:4). 4,50,000 additional shares allotted to retain oversubscription.

90,000 No. of equity shares allotted (prem. Rs 30 per share) to employees of the Company on an equitable basis. 60,000 No. of equity shares allotted (prem. Rs 30 per share) to Nestle's Holdings Ltd. To maintain their shareholding.

1986 - The Shareholders approved the issue of non-Convertible debentures (IInd series) for an aggregate value of Rs 11.52 crores.

- 96,00,000 bonus shares issued in prop. 1:1.

1987 - During the year installation of a new factory at Nanjangud (Karnataka), for the manufacture of instant coffee was in progress.

1988 - During Jan/Feb, the Company offered 19,35,360-12% secured redeemable convertible debentures of Rs 160 each of which 92,160 debentures were reserved for allotment to Indian working directors and employees of the company. The remaining 18,43,200 debentures were offered to the shareholders (except Nestle) of the company on right basis in the ratio of 4 debentures for every 25 shares of Rs.10 each of the company held. Additional 2,76,480 debentures were allotted to shareholders to retain over-subscription.

- As per the terms of issue, the convertible part of Rs 60 out of the total face value of each debentures of Rs 160 will be Automatically converted into one equity share of Rs 10 each as fully paid up at a premium of Rs 50 per share on 31.3.1989. The non-convertible part of Rs 100 of each debenture will be redeemed after a period of seven years from the date of allotment of debentures.

1989 - 22,11,840 No. of equity shares allotted (prem. Rs 50 per share) in part conversion of 12% debentures. 14,74,560 No. of equity shares of allotted to retain oversubscription. 90,000 No. of equity shares allotted (prem. Rs 30 per share) to employees of the Company on an equitable basis. 60,000 No. of equity shares allotted (prem. Rs 30 per share) to Nestle's Holdings Ltd. to maintain their equity shareholding.

- The name of the company was changed from 'Food Specialities Ltd.' to 'Nestle India Ltd.' on 24th March.

1990 - During the year company entered into chocolate business by introducing Nestle premium chocolates.

1991 - During the year company issued 10,00,000-14% secured redeemable non-convertible debentures (series PP-1) of Rs. 100 each to Infrastructure Leasing and Financial Services Ltd., on private placement basis.

1992 - As per the term of Amalgamation scheme 100,51,850 No. of equity shares of Rs.10 each of the company were issued to the NFPIL share holders in the proportion of two equity shares of Rs. 10 each of the company for every thirteen equity shares of Rs.10 each held in the NFPIL.

1993 - Samalkha factory was commissioned during the year and underwent expansion for cereal based products.

- 196,07,054 shares 47,51,625 No. of Equity shares of Rs 10 each allotted to M/s. Nestle SA Switzerland to raise the stake to 51%.
128,55,429 bonus shares issued in prop. 1:4.

1994 - During the year company launched a number of new products viz., Cerelac Soya, Milk maid, Dessert Mixes, Maggo Tonit's Special Cooking Bases, Maggi 1-2-3 noodles, Contodina snack dressing and the chocolate items, milky base marbles and bar one peanut. And also launched, Bonus and Polo.

1995 - During the year company commenced construction of a new factory at Bicholim, Goa. At the same year, instant noodles factory was installed and commissioned at Samalkha factory.

- During the year company launched Kit Kat manufactures at the new factory at Ponda, Goa.

- During the same year the Nanjangud factory was commissioned and the unit was to manufacture MILO - the World's Largest Selling Chocolate energy food drink.

- During 95-96, the company issued secured redeemable non-convertible debentures of Rs. 100 each on private placement basis. i.e. 3,000,000

- 16.5 % (series PP-2) debentures and 2,500-17.5% debentures (series pp-2) and 2,500-17.5% debentures (series PP-3).

- 32,138,572 bonus shares allotted in prop. 1:2.

- The Chennai-based Indian Food Fermentations tied up with Nestle India Ltd., to market its dosa and vada batter in consumer pack, in the country. The company has signed an agreement to this effect recently.

Nestle would sell the ready-to-use dosa, vada, sambhar and unique masala dosa batter in consumer packs, under its own brand name in the country.

1996 - During the year company launched MILO-Chocolate energy food drink in South India and a range of culinary products like, Dosa and Sampar mixes, pickles and new varieties of soups under the brand Maggi.

1997- Nestle India (NIL) is raising Rs.50 crore through a non convertible debenture issue. The issue has been rated AAA by Credit Rating and Information Services of India (Crisil), indicating the highest safety with respect to timely payment of interest and principal.

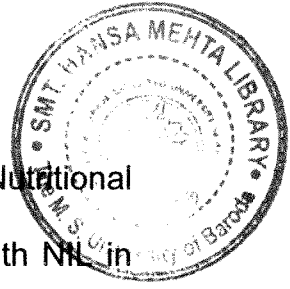
- NIL is one of the top players in the processed food & beverages industry and the largest producer of instant coffee with a 49 percent market share.

- After the success of KitKat and Polo, Nestle India has launched its first product in the hard boiled sugar confectionery market, Allen's Splash.

- Nestle's wafer chocolate brand, Kit Kat, which created a major dent in the market with its launch, its international milk drink brand Milo has garnered a mere three per cent share (value terms) in the Rs 500 crore market, a year after its launch in India.

- Nestle India Ltd. (NIL) leads the list of the country's top 15 coffee exporters for the ongoing calendar year in terms of both quantum and value for the period January 1 - October 23.

1998 - Swiss multinational Nestle SA has ordered an international auditing of its Indian subsidiary, which has been mired in a controversy of alleged financial irregularities and insider trading.



- Nestle SA and the BM Khaitan group set up a joint venture, Nutritional Food Products India Ltd, in 1990 which was amalgamated with NPL in 1993.

- Nestle has set up a parallel distribution network across the country.

1999 - The company has also set up a special cold chain for product distribution in select retail outlets.

- Nestle India has entered into a 10-year agreement with Campco in February, 1990 for manufacture and supply of bulk quantity of chocolates and cocoa products.

2000 - Nestle is set to enter the domestic bottled water business and will launch the product under the brand name 'Pure Life'.

- The Company has launched its ultra heat treated liquid milk, 'Nestle Pure Milk', in Bangalore, Chennai, Hyderabad and Kochi.

- The Company has launched Perrier and will celebrate Perrier Invitation Golf-2000.

- Nestle India Ltd. to launch Nescafe Gold and Nescafe Gold Decaffeinated.

- Nestle India has launched a range of gift packs under the Fox confectionery brand name for the festival seasons.

- The Company launched its second premium mineral water brand San Pellegrino in India.

2001 - Nestle India Ltd. has launched 'Pure Life', its mass-market bottled water, adding one more premium brand to the already saturated Rs 600-crore bottledwater segment.

- The board of directors of Nestle India on July 27, nominated the Chairman and Managing Director of NIIT Ltd, Mr Rajendra S. Pawar, on the company board with effect from October this year.

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2002 - Nestle Group increases holding in Nestle India to 53.27%

- Ties up with Nilgiris to co-brand various dairy products like dahi, paneer, ghee and possibly milk

- Launches a throat lozenge branded Acti-V to compete against Procter & Gamble's Vicks cough drops

-Regains top coffee exporter position in India

-Parson Nutritional Pvt. Ltd. buys the assets of Excelsia Foods, including its manufacturing unit at Ghaziabad, from Nestle S.A

2003 -Rolls out Nestle Development Nutrition Plan for infant weaning and launches its infant food CERELAC 123 as a range of products graded to the needs of infants in each stage of the plan

-Nestle India's executive director Ranjit Raj re-elected to be the Coffee Board member representing instant-coffee manufacturers

-Nestle SA, Switzerland, buys 1.01 million shares in its Indian arm 'Nestle India'. With this purchase, the parent holding in its Indian arm goes up to 59.8 per cent from 58.7 per cent

-Consumer Body files case against Nestle India in National Consumer Dispute Redressal Commission (NCDRC) regarding the non-compliance in weight in its 50-gm Nescafe packs

-Signs a 100 per cent buyback pact with Bengal Nestor's India Ltd (BNIL) for its ultra heat treated milk and other dairy products

-Ed Marra, the head of Nestle's Canadian business, will succeed Frank Cella as head of strategic business units and marketing at the turn of the year, the Swiss group said in a statement.

-Paul Bulcke, now head of German operations, will replace Carlos Eduardo Represas as top executive in the Americas zone from July 1, '04.

2004 - Nestle India bags Tetra Pak's annual dairy and beverage industry award

-Nestle India has signed on Bollywood actress Preity Zinta to feature in its latest commercial brand maggi

-Nestle introduces 'Sweet Lassi' in Delhi, Punjab and Haryana

-Nestle India said on June 24, 2004, it has signed Rani Mukherjee as brand ambassador for its chocolate brand Nestle Munch and the advertising campaign will be released on June 25

2005 - Nestle India launches new variant of Maggi

-Delists securities from the Delhi Stock Exchange Association Ltd (DSE) w.e.f. July 15, 2005.

2007 - Nestle India Ltd has informed that the Board of Directors of the Company at its meeting held on July 31, 2007, inter alia, has appointed Mr. Pradip Baijal as a Non-Executive Director of the Company.

Nestle India increasing focus on dairy biz

Our Bureau

New Delhi, July 23 Amidst reports of Nestle India exiting its dairy business in the country, the company is, on the contrary, upbeat on the segment and has tied up with several regional dairies to extend its national footprint.

For instance, the FMCG giant has tied up with Andhra Pradesh-based Heritage Foods India Ltd in the South, Bengal Nester in the East and Dynamix Dairy Industries Ltd in the West not only for sourcing milk but also processing, packaging and supplying in the areas concerned. It has already built Moga in Punjab into a procurement haven, from where the company sources the bulk of its milk requirement, about ten lakh litres per day.

Health and wellness

“At Nestle India we clearly recognise the need to step up the gas on our dairy business, considering the current consumer inclination towards health and wellness,” said Mr Mayank Trivedi, General Manager, Dairy Division, Nestle India.” In fact, several changes have been brought about in the dairy division since 2006 in terms of both packaging and product variations. We are experiencing an over 20 per cent growth in the division and hope to do even better in the future,” he added.

Focus on health

Mr Trivedi said that dairy products such as ice-cream and cheese were not being considered by the company due to 'not so healthy' reputation, despite contributing a fair share of revenues to the dairy business worldwide. "The focus will be on healthy products such as liquid milk and its variants as well as yoghurt. We think that both these categories hold immense opportunities that are still untapped," he said. The firm's portfolio already consists of products like milk in cartons and slim milk in the liquid milk category, while its yoghurt segment consists of Fresh 'n Natural Dahi, Slim Dahi, Jeera Raita and fruit-flavoured yoghurts.

On the company's marketing strategy, Mr Trivedi said, "We have not been aggressively marketing our dairy products so far. Besides the television campaign for our Fresh 'n Natural Dahi, there really has not been anything else. Though we now intend to increase our focus on marketing."

New Delhi, Nov. 20 FMCG major Nestle India, having catapulted its business with the launch of its probiotic range of frozen dairy products, is now all set to grow its coffee business.

While coffee chains such as Café Coffee Day and Barista target the upper middle class youth segment, Nestle India through its 'Cafés' is going all out to woo the masses.

Mr Martial Rolland, CEO, Nestle India, said, "The idea is to create a sustainable model that is scalable through these cafes.

"In fact, we use these outlets as our laboratories to try out new products and gauge the reaction of consumers to the newer variants of coffee."

Not deterred by the competition the coffee chains could present, he added, "We are pleased that there are more players in the competition as it will expose more consumers to coffee.

"The difference between the coffee chains and us is affordability. No one knows coffee the way we do."

Nestle, however, plans to continue its cafes pan-India under the franchisee model. "We are focusing more on product delivery vis-À-vis the ambience," said Mr Rolland, refusing to divulge the size of the company's café business.

However, he said it was far larger than some of the others who claim to have the maximum number of outlets in the country.

Nestle has cafés across schools, colleges and offices.

Perfect blend

Affordability, in fact, is a major criterion for Nestle India as far as products are concerned. The company's motto to target the lowest denominator is clear through the pricing of its brands in the category as well as the blends used in the products.

"India is predominantly a tea drinking country.

"Therefore, the harsh and strong flavour of coffee is not preferred by most people.

"So, the blends we use in our brands here are also very specific to consumer tastes," said Mr Rolland.

New product

Based on consumer insight, the company has just launched its new product 'Nescafe Mild', targeted specifically at the mass market of tea drinkers.

“Our long heritage in the country helps us understand people better.

“Also with the understanding of coffee that we have acquired globally, we want to leverage our expertise here as well,” he said.

Cold coffee category

The company is also examining several possible segment forays under coffee, however, moving away from hot to the cold category.

“Though the market for products such as cold coffee is still very small in India, experiences from our Café outlets have made us realise the growing demand for it.

“We are examining possibilities of launching such products in India,” Mr Rolland said.

“In fact, the coffee market in India in itself is rather small with great opportunity for growth. And, as a company, we will focus more to grow our coffee business here,” he added.

Nestle's low-price domestic focusnews

The move by Nestle India to reduce the price of its flagship coffee brand, Nescafe, by 15 per cent, and to introduce special low-priced packs, is seen as an effort to increase focus on the domestic market and enlarge the brand's consumer base. Price and affordability are critical factors to a large segment of coffee consumers in India. Alongwith the price cut, the company has also launched a new ad campaign.

Nestle, which is a large exporter of coffee to Russia and various other countries, has been facing rough weather because of the ongoing economic turmoil in that country and depressed market conditions in other parts of the world. This year has seen its exports to Russia crashing by 61 per cent. Russia accounts for 80 per cent of the company's coffee exports. Sources in the company say, the crash was partly due to a fall in the purchasing power of Russians as the country faces troubled economic times, and partly due the devaluation of the Brazilian currency which rendered Indian coffee exports less competitive.

Nestle also partly blames policies of the government of India to its poor showing on the exports front. The policies of the government resulted in packaging costs going up and products becoming uncompetitive in the export markets.

For instance, the company cannot import tinplate (packaging material for coffee) at a price less than the government-determined Rs 720 a tonne. If a company exports raw coffee beans in bags, it is not liable to pay tax. However, if it processes green coffee into instant coffee, packages and sells it, it pays a purchase tax. All this pushes up the price of packaged coffee.

Surprisingly, the Indian market has come to the company's rescue. In the first half of 1999, while Nestle's net sales plummeted to Rs 704 crore as against Rs 787.6 crore in the corresponding period the previous year, net profit jumped by over 40 per cent to Rs 49 crore from Rs 35 crore last year (corresponding). The fall in exports was more than offset by a nine per cent rise in domestic sales to Rs 618 crore in the first half of 1999, compared to Rs 565 crore in the corresponding '98 period. The company says it has retained profitability with this rise in sales, and in the supply chain innovations that were ushered in, in the third quarter of 1998. The company's warehouses are now better linked with new software.

Analysts say that the nine per cent increase in domestic sales is largely due to buoyant domestic market conditions and a favourable response to Maggi 2-minute noodles, which were relaunched towards the end of the first quarter of 1999. They add that other product launches have also added to the benefit.

Nestle is also planning to sell about 20 per cent of its instant tea, produced at Choladi, its Nilgiri-based 100 per cent export-oriented unit, in the domestic market. This has become possible because of the recently amended Exim Policy--it is possible to sell instant tea in the domestic market.

Nestle's Nescafe dominates the premium segment of the coffee market. Its other coffee brands are 'Sunrise Premium' and 'Sunrise Extra.' Exports contribute 23 per cent to the company's turnover. Nestle is the second largest coffee exporter in the country. Instant coffee export markets are Russia, Hungary, Poland and Taiwan. The company also exports instant coffee to USA and Japan.

Nestle has been slowly consolidating its position in the Indian market. It launched Milo, a chocolate flavoured drink, in 1996. The product is expected to record volume growth in the current year. In 1998, it launched two vitamin-fortified drinks--Nestle Growing Up Milk and Nestle Cereal Milk Drink--for children in the one-three year age group.

The company is relaunching its sugar confectionery products under the umbrella brand Allen's. Polo has been extended to Polo Paan, Polo Spearmint and Polo Saunf. New confectionery products launched during the year were Allen's Soothers, Frootos and Milkybar Eclairs. The company has been test marketing imported brands like Quality Street, Lions and After Eight as well.

Nestle introduced its brands of chocolates and confectionery in India in 1990 and since then has introduced products catering to all price segments of the market. KitKat is the largest selling chocolate brand in the world. Other brands include Milky Bar, Nestle Marbles, Nestle Crunch, Nestle Rich Dark, and Nestle Bar-One. The company introduced two new brands, Charge and Crunch, in 1998.

Culinary products contribute eight per cent to the turnover and comprise of ready-to-cook noodles, ketchup and other foods under the umbrella brand name of Maggie. Nestle has an 80 per cent share of the baby cereals market with Cerelac and Nestum. Baby food accounts for 10 per cent of turnover. Infant milk powder (75 per cent market share) sold under the Lactogen and Nestogen brands, contribute 16 per cent to turnover. Brand loyalties are very high in categories such as infant food and weaning cereals, enabling the company to command a price premium.

Other milk products include dairy whiteners Everyday and Tea Mate, sweetened condensed milk and ready-to-cook mixes for traditional Indian sweets under the Milkmaid brand and ghee under the Everyday brand.

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