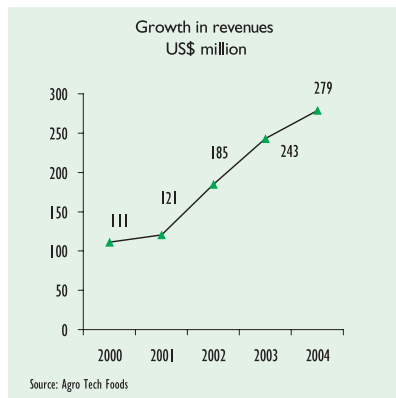


AGRO TECH FOODS LIMITED

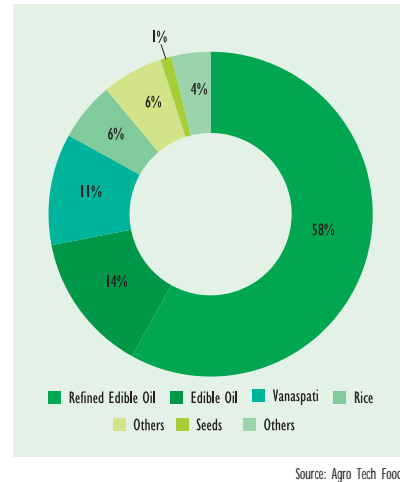
Background

ConAgra Foods, Inc., a US\$ 14.5 billion company, is one of the leading packaged food companies in the world with a diversified portfolio of value-added and branded food products. ConAgra Foods serves consumer grocery retailers, as well as restaurants and other food service establishments.



In 1997, CAG Tech (Mauritius), a joint venture between ConAgra Foods and Tiger Brands, South Africa, acquired a 51.3 per cent stake in ITC Agro-Tech, which was renamed as Agro Tech Foods Limited (ATFL) in July 2000. **Presently, ConAgra Foods has a 34.3 per cent stake, Tiger Brands has 17.1 per cent, ITC has 16.8 per cent, and the balance is with the public.** The company has a wide distribution network and its products are available at over 150,000 outlets across India.

Agro Tech's key businesses include branded foods and bulk and processed commodities. The branded foods business includes products sold under the brands Sundrop, Crystal, Rath, Sudham, Healthy World and ACT II. The bulk and processed



commodities business includes procurement, processing and distribution of oils and grains for its crushing operations and exports.

Major player in edible oils and branded foods sector

- ATFL has well-known brands like Sundrop, Healthy World, ACT II and Rath as part of its portfolio
- Sundrop is one of the top-selling brands in the premium segment of the refined vegetable oil market in India
- ATFL has a market share of 13.8 per cent in the refined oil market in India
- ATFL launched the world's largest selling microwave popcorn brand, ACT II in India in 1999. The brand has been extended to instant popcorn (can be made in a pan or pressure cooker) and vending popcorn



- The acquisition of Rath Vanaspati, a major brand in the edible oils segment, has enabled ATFL leverage its distribution network in Northern India and widen its reach

Factors for success

Leveraging popular brands

ATFL plans to leverage the strengths of its flagship edible oil brand 'Sundrop' with variants like Sundrop Heart, recently launched in the markets. The company's other brands are Crystal, Rath, Sudham, Healthy World and ACT II. Sundrop is its premium edible oil while Crystal is a medium-priced edible oil. The emphasis is on leveraging its brands to enter value-added products and categories.

Market testing

ATFL has conducted extensive test marketing in Karnataka and Pune prior to nationally rolling out a range of differentiated ready-to-eat snacks under the ACT II brand umbrella. ACT II was a popcorn brand prior to this move. Apart from ACT II popcorn products, it has introduced new products such as Corn Chips, Potato Starz and Potato Heartz.

Product and brand differentiation

ATFL believes that vending operations provide an opportunity to deliver brand experience and add to brand salience. Agro Tech will be selling french fries and popcorn to movie and mall-goers at metro locations across the country. Agro Tech has entered into an agreement with ConAgra Foods to vend its range of potato-based snacks through a new brand just for vends, called Just Fries.



Holding the price line and reducing costs

ATFL is countering the threat of low-priced competition through two strategies. One, by launching lower-priced blended oils under the Sundrop umbrella, it has tried to prevent consumers from down-trading into cheaper substitutes. It has also acquired a fairly strong presence in the mass market for edible oils through its low-priced brand, Crystal. Two, it has optimised efficiencies in its operations and reduced costs.

Outsourcing manufacturing operations

ATFL has discontinued manufacturing operations at the Mantralayam unit and instead relies on refining of edible oils at strategically located co-packer facilities. This has enabled the Company to lower the fixed cost structure and provided it greater operational flexibility to ramp up or scale down volumes. ATFL has outsourced production of its ready-to-eat snacks to manufacturers in Nizamabad and Lucknow.



Leveraging the India Advantage

Research and Development (R&D)

The R&D facility, operational since 1998, has been instrumental in translating new product ideas into reality. It provides support to all the business groups within the company by understanding the needs of the Indian consumer and delivering preferred products ready for launch. The R&D team at ATFL has expertise in multiple disciplines - chemistry, biochemistry, nutrition, microbiology, packaging and processing. The key task of the team is to provide ATFL a competitive edge by developing new products that are preferred by the consumer and by constantly adding value to the existing range of the products through product, process or packaging innovations. In addition to tapping into technical expertise available at ConAgra Foods, ATFL has established contacts with various Indian research institutes and organisations.

Market potential

India consumes approximately 10 million tonnes of oil a year. It has the world's fourth largest edible oil economy. Yet, about 43 per cent of edible oil available in India is imported. Displacing China, India has been ranked as the world's largest importer of edible oils since 1999.



The packaged food market in India is still at a very nascent stage. Less than 5 per cent of food in the country is packaged and branded which means there is a huge market available for penetration and growth. As disposable incomes go up, standard of living improves and consumers become more discerning in terms of quality, they will start looking for high-quality and flavourful packaged food.

Future Plans

- ATFL plans to further develop a strong presence in cooking oils. Besides, it intends to be in other forms of value-added processed foods in India
- ATFL has entered the growing salted snacks category. As a part of this initiative, besides selling packaged snacks through retail outlets, the Company also plans to sell popcorn and french fries to mall visitors at trendy metro locations across India
- ATFL's focus is on improving its bottom line

ATFL: AT A GLANCE

- Joint Venture between ConAgra, USA, Tiger Brands, South Africa and ITC Agro Tech, India
- Major Brands: Sundrop, Healthy World, Act 11, Rath, Crystal, Sudham
- Factors for success: Leveraging popular brands to enter value-added products and categories; Extensive market research; Holding price-line, reducing costs; outsourcing manufacturing
- For ATFL, India is: Multiple discipline source of R&D; Source of procuring sunflower oil; a market with tremendous potential
- Future Plans, India: Develop strong presence in cooking oils; Foray into value-added processed foods; Venture into the salted snacks category; Improve bottom line