



Tokyo Revengers

Arbitrage Case

Competition:

IIFT Delhi,

in association with

NCDEX

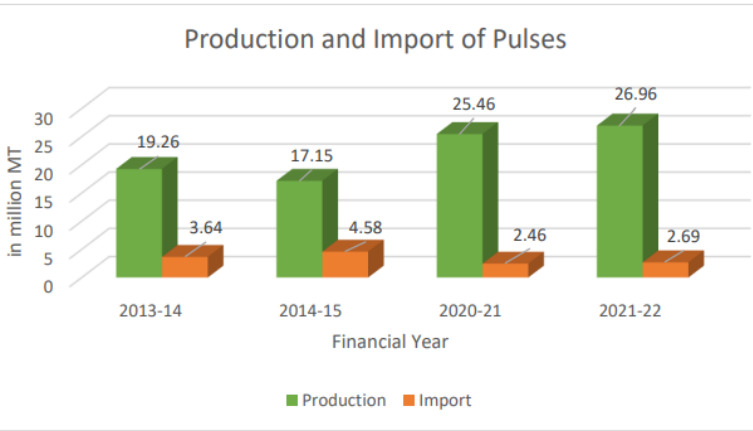


Current Situation

- Pulses have been one of the most essential constituents of the Indian cropping and consumption patterns.
- Pulse crops form a unique feature of our farming system, particularly in dry-land agriculture.
- Pulses are packed with nutrients and have high protein content, making them an ideal source of protein, particularly in regions where meat and dairy are not physically or economically accessible.
- It is estimated that the pulse requirement in the country is projected to grow to 32 million MT by 2030.
- India has exported 2.36 lakh MTs during 2019-20.

HS Code	Pulses/Year	2017-18	% Share in Total Pulses Export	2018-19	% Share in Total Pulses Export
7131000	Peas (Matar)	4.44	2.47	2.06	0.72
7132000	Chickpeas (Chana)	127.2	70.92	228.72	80.02
7133100	Moong/Urad	16.75	9.33	18.77	6.56
7134000	Lentils (Masur)	11.20	6.24	13.96	4.88
7136000	Pigeon Peas (Tur)	10.54	5.87	9.34	3.26
Total Pulses Exports		179.36		285.83	

Export of Pulses (in MT)



The share of imports has declined over the years and currently stands at around 9%

Challenges

- An unorganized domestic retail market dominated by small family-owned shops in rural and semi-urban areas.
- Organized retail is still somewhat limited to urban areas dominated by big players like DMart and Reliance.
- For farmers, accessing markets and getting a reasonable price for their produce is a big challenge.
- Pulses are highly prone to damage by insects, pests, diseases, nematodes, and weeds.
- Procuring good quality pulses throughout the season.
- Uncertainty in production and low yield per hectare.
- This, in turn, leads to high fluctuation in supply and pricing.


Opportunities

- India is the largest consumer market for pulses in the world.
- Rising demand in the e-commerce market.
- Growth of rural consumption.
- Government incentives for increasing the production of pulses.
- Markets are not only influenced by prices but also by socio-cultural factors.

Yield Gap Analysis


Pulses	Field Level Demonstration	2019-20*	% Yield Gap over 2019-20
Pigeon Pea	1394.00	701.50	49.68
Black Gram	813.00	538.11	33.81
Green Gram	781.00	428.83	45.09
Chickpea	1502.00	1032.99	31.23
Lentil	1289.00	795.32	38.30

Porter's Five Force Framework




Threat of new entrants: The population of India is increasing over time and the threat of new entrants in the pulses market can be high due to low barriers to entry, which can lead to increased competition and pressure on prices.

Level of Severity: **Severely High**




Threat of substitutes: Pulses are a staple food in many cultures and are considered an essential source of protein. Hence the threat of its substitution is relatively low.

Level of Severity: **Relatively Low**




Bargaining power of buyers: The bargaining power of buyers in the pulses market can be moderate to high, depending on the size of the customer (individual or supermarkets)

Level of Severity: **Moderate to High**



Bargaining Power of Suppliers: The bargaining power of suppliers in the pulse trading business in India is moderate. The pulse suppliers are small farmers with limited bargaining power due to their fragmented nature and lack of market knowledge.

Level of Severity: **Relatively Low**



Competitive rivalry: The competitive rivalry in the pulses market can be intense, as many players compete for market share, leading to pressure on prices and margins.

Level of Severity: **Severely High**

Sourcing

- Develop partnerships with farmers and processors to ensure a steady supply of pulses.
- Implement quality control measures at the source to ensure that only the best quality pulses are purchased and traded.
- Explore opportunities to source pulses from markets in different states.
- Using data analytics to forecast demand so that the procurement of pulses is done beforehand.

Diversification of Business

- Diversify into exports by shipping Chickpeas at competitive prices.
- Explore opportunities in niche segments of the pulse market, such as organic or specialty pulses, to differentiate the business and increase profitability.
- Import pulses from countries which have revealed competitive advantage (RCA) in the respective pulse exports.

Risk Management: IEM Framework

Identify: Work on identifying the different bottlenecks present in the existing system. Starting from the fundamentals, first identifying the various risks present in the company related to finances, supply chains, HR, etc.

Evaluate: In the next step, the focus should be on evaluating the extent to which the risks identified in the previous step can affect the processes of the company. This is a crucial step as the findings of this step will help in selecting what steps should be taken in the future to minimize the risks.

Mitigate: Work on addressing the risks that can adversely affect the company's processes the most. Keep monitoring real-time data to seek feedback and make changes accordingly. Develop contingency plans that can be implemented to respond during any unforeseen crisis. Keep a tab on how competitors respond to the same risks and try to learn from their responses.

Also, we will look into:

- **Contract management**
- **Hedging**
- **Insurance**

Timeline

Stage 1

Establish partnerships with farmers and processors and implement quality control measures at the source.

Stage 2

Develop hedging and risk management strategies and implement contingency plans for disruptions in the supply chain.

Stage 3

Diversify into niche segments and related markets and explore opportunities in international markets.

Stage 4

Continuously monitor and evaluate the performance of the business and adapt the strategy as needed to remain competitive.



Required Resources

Financial

- Capital: For initial investment in partnerships and risk management strategies.
- Working capital: To finance daily operations.
- Credit facilities: To fund its investments.
- Insurance: To protect against unexpected losses.
- Human resources: To hire experts to manage its strategies.

Human Resource

- Sourcing Team: Managing the procurement.
- Risk Management Team: Assess and mitigate risk in its trading activities.
- Trader: To carry out market decisions.
- Supply Chain Team: Managing the logistics.
- Market Analyst Team: Analyzing market trends and providing market insights.
- Operations Team: Overseeing the day-to-day operations of the company.

Technological

- Quality Control Software: To monitor & control the quality of pulses.
- Risk Management System: To manage its financial risks, including price and market risk. Market Analysis Software: For real-time market data analysis. Supply Chain Management System: To manage its procurement, transportation, & storage operations. Accounting and Finance Software: To manage its financial operations, including invoicing, billing, & payment processing.
- Customer Relationship Management (CRM) System: To manage its interactions with customers and suppliers.
- Electronic Trading Platform: To trade pulses electronically and access real-time market data.

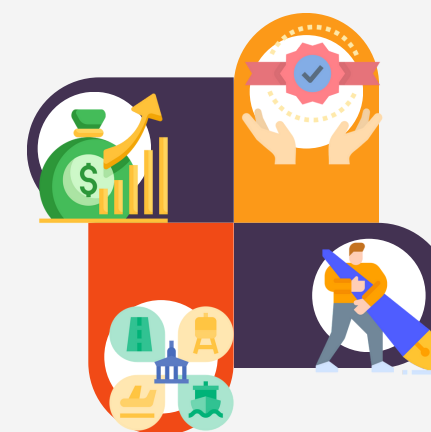
Anticipated Outcomes

Improved profitability and stability in the pulse market. Increased competitiveness and reduced dependence on imports. Improved quality and stability in pricing. Diversified revenue streams from related markets and niche segments.

Invest in research and development to improve pulse production and yields and to address pests and diseases that affect the crop.

Improve infrastructure and logistics, such as storage facilities, transport, and distribution networks, to reduce post-harvest losses and increase competitiveness in the global market.

Policy Initiatives of GOI



Promote standardization and quality control in the pulse market to increase transparency and stability in pricing.

Implement policies to promote the domestic production and consumption of pulses, such as incentives for farmers and subsidies for processors, to reduce dependence on imports and increase self-sufficiency.

Appendix

<http://www.ijmbs.com/13/yogesh.pdf>

<https://www.investindia.gov.in/sector/retail-e-commerce>

<https://www.nbhcindia.com/challenges-in-indian-pulses-industry>

https://apeda.gov.in/apedawebsite/SubHead_Products/Pulses.htm#:~:text=The%20country%20has%20exported%20410%2C375.89,%2C%20Nepal%2C%20Canada%20and%20Iran

[Back to Agenda Page](#)