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Gemini Edibles and Fats India: In Pursuit of Growth

Ira Acharya and Neera Jain wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was mid-June 2017 and Akshay Chowdhry, general manager of Gemini Edibles & Fats India Private Limited (GEF India), was sitting in his plush Hyderabad[[1]](#footnote-1) office, reminiscing about the journey of his company. He looked back with pride on how the alacrity and mindfulness of his father, Pradeep Chowdhry, managing director of GEF India, had made way for such rapid growth by the company. The investments made by him, the alliances established, and the effective marketing had all paid off. His style of conducting the business and his empathic relationship with his staff had earned him staunch loyalists who stayed with him through thick and thin, and guided the company to successive heights. From no presence to garnering a market share of 40 per cent of the sunflower oil market across the states of Andhra Pradesh (AP), Telangana, and Odisha in a seven-year period was no easy feat to have achieved.

The quantum opportunity in the country was massive. Edible oil consumption was on the increase, reflective of the continuously improving standards of living. At the same time, domestic production continued to fall significantly short of the demand in the country. Akshay knew that GEF India had to act fast, as before, and jump on the opportunity. But he could not help but wonder whether the same formula of growth would work. They were looking at doubling their current revenues of ₹35 billion[[2]](#footnote-2) to ₹70 billion by 2021, which was no ordinary increase. What should their growth strategy be? Was there a need to revisit their marketing communication strategy in order to strengthen their brand amid competition from established players? From an organizational perspective, did the growth challenge require a shift in their culture or their internal communication strategy?

Gemini Edibles & Fats India Private Limited

GEF India, a Hyderabad-based company, was in the business of trading, manufacturing, and marketing edible oils and fats. With an investment of ₹1.42 billion, the company built a plant at Krishnapatnam with a refining capacity of 900 tonnes per day, and for another ₹250 million, the company acquired an existing refinery with a capacity of 250 tonnes per day at another strategic location, Kakinada. Both were port-based refineries in AP on the east coast of India. The Krishnapatnam plant gave access to the states of AP, Telangana, Tamil Nadu, and Karnataka, whereas the Kakinada plant gave access to the states of AP, Odisha, and Chattisgarh. The company was further exploring the possibility of expanding its oil refining capacity by setting up a greenfield mega-refinery in Telangana with an initial refining capacity of 300–500 tonnes per day—an investment of ₹1 to 1.25 billion.

GEF India imported crude sunflower oil primarily from Ukraine, and soybean crude oil from Argentina. The company processed approximately 10,000 tonnes of sunflower oil monthly. Refined palm oil was imported from Indonesia, and rice bran was procured from domestic sources. As of March 31, 2016, the company had 700 distributors and traders and 146,000 retail outlets selling Freedom-branded edible oil. GEF India was directly serving 398 towns in the states of AP, Telangana, Odisha, and Karnataka.

The company was promoted and headed by Pradeep, the managing director, who had over three decades of experience and had worked in leadership positions with ICI India Limited,[[3]](#footnote-3) Britannia Industries Limited, and Agro Tech Foods Limited. Pradeep was endowed with entrepreneurial abilities from the start. When the Government of India announced the Open General Licence (the removal of import restrictions for many products) as part of the amendments to the export–import policy in 1998, Pradeep sensed an opportunity and decided to start his own venture. He set up his own company, Secunderabad Oils Ltd., in 1996 and entered successive joint ventures in the initial years.

In 2000, Pradeep’s company entered a joint venture with Singapore-based Acalpo Private Limited, which was in the business of buying and selling farm products. Acalpo merged with a division of the leading agribusiness Wilmar International Limited in the same year, resulting in the creation of Acalpo Wilmar Private Limited as a subsidiary of Wilmar International. Around the same time, Wilmar International entered a joint venture with the multinational Adani Group in the edible oil sector. After a few years in that setup, Pradeep decided he no longer wanted to be one in a large pool of leaders in the company, so he sold his entire stake to the Adani Group in order to start fresh. He took with him, however, a strong network with many of the distributors in South India and a proven creditworthiness in the banking sector.

Pradeep registered his new company, GEF India, in August 2009 with a working capital of ₹2 billion. His partner was Indore-headquartered Ruchi Soya Industries Ltd., which held a majority share of GEF India. In 2014, Ruchi Soya sold its entire 50.001 per cent stake for US$17.88 million[[4]](#footnote-4) to Singapore-based Golden Agri-Resources, the world’s second-largest palm oil plantation company. An edible oil analyst commented at the time, “There is a direct business synergy between the two companies. Both are engaged in the production of palm-based oils and fats. Nothing could have been better than the current selling.”[[5]](#footnote-5) Thereafter, GEF India operated as a subsidiary of Golden Agri-Resources, which had a turnover of $7.2 billion in 2016.

The brands of GEF India were launched in February 2010. The product portfolio comprised a host of edible oils and fats catering to both the business-to-consumer and the business-to-business segments of the food and retail industries. The company operated through its four business verticals: branded oils (such as sunflower and rice bran), specialty fats and vanaspati[[6]](#footnote-6) (bakery fats, lauric fats, margarine, and vanaspati), institutions (palm oil, palmolein), and bulk oils (palmolein and sunflower). The sunflower oil, rice bran oil, and mustard oil products were sold under the brand “Freedom.” The palm oil and vanaspati products were sold under the brand “First Klass.” The portfolio also included specialty fats for bakery products, biscuits, chocolates, and ice creams.

The Indian Edible Oil Industry

The Indian edible oil industry was the world’s fourth-largest oil industry after the United States, China, and Brazil, and accounted for around 9 per cent of the world’s oil seed production.[[7]](#footnote-7) The consumption of edible oil in India had seen an increasing rate of growth. This was attributable to a variety of factors such as increasing household income levels, improved standards of living, a booming retail sector, and a growing population.

Domestic production had been unable to meet the total demand in the country (see Exhibit 1). The demand/supply gap had been widening due to factors such as limited availability of oil seeds, use of land for alternate crops, and rising demand. The deficit in supply with respect to demand was being managed through imports, which were monitored and organized by the Department of Food and Public Administration, Ministry of Consumer Affairs, Government of India.[[8]](#footnote-8) In fact, the import of vegetable oil in India had increased by 18 per cent between November 2015 and October 2016 to meet the rising demand from consumer sectors.[[9]](#footnote-9) The total availability of edible oil in the country in Fiscal Year (FY) 2016–17 was 21.86 million tonnes, of which 35 per cent was through domestic production and the remainder through imports.

India’s largest imports of edible oils were from Indonesia, Malaysia, Argentina, and Ukraine, in that order. Import duties for refined oils were comparatively higher than crude oil to protect domestic refiners against competition from imported refined oils. To counter fluctuations in the export duties of the countries from where India imported crude or refined oils, the Indian government made adjustments in the import duties so that the profitability margins of the domestic refining industries were not adversely impacted.

Oil consumption in India was expected to grow at a compound annual growth rate (CAGR) of 7.2 per cent between 2015 and 2020. The average per capita consumption was also expected to rise from the 2016 levels of 15 kilograms per year to 20 kilograms per year by 2025. With the government initiatives toward encouragement of domestic production as opposed to imports, there was the likelihood of import duties being increased, which made domestic production more lucrative for the edible oil producers in the country.

GEF India: Vision and Values

Under Pradeep’s leadership, GEF India upheld values of fairness and honesty. The company strived to exceed the expectations of its customers and stakeholders, both internal and external.[[10]](#footnote-10) It was committed to spreading the message of healthy living, and organized health events such as Freedom Health Camps and runs to reinforce this commitment. “Eat healthy, live healthy,” was its motto. In the same vein, the company focused on quality and processes. Its quality objective of making every drop of oil as pure as it could be reinforced its commitment to quality. This was strengthened by the company’s focus on research and development and product innovation to meet the ever-changing needs of the market.

Strategy and Positioning

GEF India had become the top selling edible oil company in the states of Telangana, AP, and Odisha with a 40 per cent share of the combined market in those states.[[11]](#footnote-11) The company had launched its Freedom brand in Karnataka in early 2016 and had a 2 per cent market share by the end of the year. The company aspired for a 10 per cent market share in the state by the end of 2017 (see Exhibit 2), and was targeting sales of ₹70 billion by 2021 with a competitive ranking among the key players (see Exhibits 3 and 4).

GEF India consciously chose homemakers as its target consumers because it believed that trust built at that level tended to stay. The company had strategically positioned its Freedom sunflower and vegetable oil products as healthy options with the brand promise “Freedom to eat, freedom to enjoy,” and the tagline “guilt free eating.” This positioning, with the oils’ cholesterol-free and vitamin rich content, created an emotional appeal that built a strong connection with consumers. Freedom Refined Sunflower Oil was clear, light, and low absorbing, and fortified with vitamins A and D. It was also rich in naturally occurring vitamin E.

With its strategic planning and focus on innovation, GEF India also intended to invest significantly in manufacturing and refining rice bran oil. According to Pradeep, rice bran oil had multiple value propositions. Not only would it be among the cheapest of the edible oils, but it also had been recommended by none other than the World Health Organization (WHO) as the healthiest edible oil.[[12]](#footnote-12) Rice bran oil’s high oryzanol content made the oil heart-friendly. This was particularly relevant to Indians, as Pradeep explained: “According to studies, Indians are more prone to heart ailments. Oils such as Freedom rice bran oil are aimed at the health-conscious customer base—not only consumers with medical conditions, but also the health-conscious segment who believe in eating right to prevent ailments.”[[13]](#footnote-13)

Product innovation extended to packaging as well. The packaging of Freedom Refined Sunflower Oil was redesigned to align with the socio-demographic profile of Indian consumers. The two-litre package was convenient for nuclear families while still meeting their consumption requirements. The sleek and convenient design made the bottle easy to handle and gave it a contemporary look. It was an ideal choice for modern consumers who were looking for intelligent options that saved time and avoided spills and storage complexities. Pradeep was proud of these changes: “We are passionate about bringing innovation to the market that benefits our consumers. This zeal has helped us establish GEF India as a leading edible oils company within a short span of time.”[[14]](#footnote-14)

Marketing Strategy

In the initial years, the brand promise of the Freedom products and their perceived quality led to word-of-mouth publicity for the brand. This played a significant role in creating awareness and a liking for the brand. Nonetheless, GEF India considered the dual angles of competition and opportunity, and invested significantly in marketing its products. The company decided to spend ₹180 million on mass media communications and brand building, of which ₹60 million was earmarked for Karnataka alone.

To accelerate its growth of market share in Karnataka, GEF India endorsed a southern celebrity, Pranitha Subhash from Karnataka, to launch the two-litre package of Freedom Refined Sunflower Oil.[[15]](#footnote-15) The company also organized health events such as the Freedom 10K Run to encourage running as a primary form of fitness. The events were used to promote the message “Eat healthy. Live healthy.” Pradeep celebrated these initiatives: “We are proud and happy to organize [the] Freedom 10K Run 2016. This is a wonderful initiative to promote sports, wellness, and health for the citizens of Hyderabad. We want our consumers to live a healthy and happy life with the freedom to eat and be happy.”[[16]](#footnote-16)

GEF India had also organized other promotional events in the past, such as cookery contests and story writing contests (“My Freedom Story”). The company used these various events to reinforce its commitment to healthy living.

Organizational Culture

The senior members of GEF India believed in Pradeep’s ability and empathic leadership, and were instrumental in engineering the growth of the company to its current levels. The entire staff (including the security guards) had bonded deeply with the company’s owner and managing director. They had started with him from the early days of his entrepreneurship and were with him at GEF India even now. They relished the familiarity of working with this company and its leadership team, creating a level of ease that helped the staff meet expectations in the manner they had come to understand over the years.

Pradeep was like a father figure for the employees, who unquestionably trusted his leadership. The environment was highly personalized, with those who bore the greatest responsibility sharing a closeness with Pradeep. The loyalty of the workforce was reflected in the retention of the core team, which had stayed with the company since its inception. As a result, the core management team had an average work experience of over 20 years in the edible oil business. Employee reviews on an independent employment review website, Glassdoor, identified GEF India as “a recommended company to join,” with a positive outlook and a high approval rating for the managing director.[[17]](#footnote-17) In view of the emerging competition and its own ambitious targets, the company increasingly focused on competence building and striving for even higher standards of professionalism.

Competitive Landscape

Almost two-thirds of the edible oils market in South India used sunflower oil. In the initial years, GEF India’s Freedom brand faced strong competition from other regional brands such as *Gold Drop* from the Lohia Group, *Naturalle* from Saraiwala Agro Refineries Limited, and *Sunsolite* from 3F Industries Limited.[[18]](#footnote-18) These competing firms were established long before GEF India. Gold Drop sunflower oil was the undisputed market leader before GEF India was established. But with time, Gold Drop was a victim of complacency, which is when Pradeep saw the opportunity for a new player and established GEF India. To entice consumers, the company set its initial prices slightly lower than Gold Drop’s.

GEF India kept pushing forward; however, the regional competitors worked equally as hard to increase their footprint. Saraiwala Agro earmarked ₹250 million for a marketing and brand-building exercise in 2014 alone, and 3F Industries was aggressively expanding their dealer network in Tamil Nadu, Kerala, and Karnataka. But over time, GEF India steadily overtook its regional competitors (see Exhibits 2–4). In 2011, Kaleesuwari Refinery Private Limited, one of GEF India’s close competitors, held a countrywide market share of 0.87 per cent compared to GEF India’s share of 0.68 per cent. However, by 2016, GEF India had taken the lead with a market share of 1.53 per cent compared to Kaleesuwari’s share of 1.48 per cent.

With its rapid growth, GEF India entered a different league of competition: they now had to compete with pan-Indian players in the edible oils segment, such as Marico Limited, Cargill India Private Limited, Ruchi Soya Industries Limited, and Adani Wilmar Limited. The leading edible oil brands in the country—*Fortune* from Adani Wilmar, *Nutrela* from Ruchi Soya, and *Nature Fresh* from Cargill—also had an international presence. The market share of industry heavyweight Cargill was 2.45 per cent in FY 2015–16 with sales of ₹39.7 billion. The market share of the other giant, Adani Wilmar Limited, was 7.78 per cent with sales of ₹126.37 billion. The industry leader, Ruchi Soya, had the highest market share of 12.4 per cent with sales of ₹201.35 billion (see Exhibits 3 and 4).

The Road Ahead

GEF India had exhibited rapid growth from the start and currently enjoyed a dominant presence in South India. The domestic markets were still offering huge potential. The vice-president of sales and marketing, P. Chandra Shekhara Reddy, maintained, “[If] there is supply deficit in meeting demand within the country, then why export?”[[19]](#footnote-19)

However, while GEF India and the Freedom product line were household names in the south, they were not yet names that consumers in other parts of India could identify with. Akshay considered the company’s next steps. If they were going to double the company’s revenues by 2021, they needed creative thinking and radical moves in growth strategy or marketing and intra-organizational communication strategy, or they needed a cultural shift in the organization.

Exhibit 1: Demand Supply Gap of Edible Oil in India

Source: Created by the authors using data from Centre for Monitoring Indian Economy (CMIE), “Vegetable Oils & Products: Demand & Supply,” Industry Outlook, accessed November 22, 2017.

Exhibit 2: Market Share of competing Sunflower Oil brands, By State

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Sunflower Oil | | Market Share (by volume, in percentages\*) | | | | | |
| Brands | | **Q4-2015** | **Q1-2016** | **Q2-2016** | **Q3-2016** | **Q4-2016** | **Q1-2017** |
| Andhra Pradesh | |  |  |  |  |  |  |
| 1 | Freedom | 45.0 | 45.2 | 47.3 | 50.1 | 50.3 | 49.5 |
| 2 | Crystal | 9.5 | 8.0 | 8.6 | 7.5 | 8.8 | 7.6 |
| 3 | Gold Drop | 7.3 | 7.1 | 6.5 | 6.0 | 5.2 | 4.5 |
| 4 | Fortune | 2.2 | 2.4 | 2.7 | 3.4 | 2.7 | 4.1 |
| 5 | Naturalle | 6.3 | 5.7 | 3.9 | 3.4 | 3.6 | 3.7 |
| Telangana | |  |  |  |  |  |  |
| 1 | Freedom | 26.8 | 26.1 | 25.0 | 26.1 | 27.2 | 27.5 |
| 2 | Gold Drop | 26.0 | 25.5 | 26.1 | 27.0 | 27.2 | 28.2 |
| 3 | Naturalle | 13.7 | 12.2 | 9.7 | 9.7 | 10.9 | 9.8 |
| 4 | Healthy Heart | 3.2 | 3.4 | 4.0 | 4.4 | 4.5 | 4.0 |
| 5 | Fortune | 2.8 | 2.7 | 3.1 | 3.1 | 3.7 | 3.7 |
| Odisha | |  |  |  |  |  |  |
| 1 | Freedom | 38.5 | 40.1 | 41.1 | 42.4 | 44.6 | 43.4 |
| 2 | Fortune | 22.1 | 22.5 | 21.8 | 18.1 | 17.8 | 17.0 |
| 3 | Aadhaar | 3.3 | 2.5 | 3.1 | 4.3 | 5.9 | 9.3 |
| 4 | Gold Winner | 3.1 | 3.7 | 4.3 | 3.7 | 3.0 | 5.8 |
| 5 | Dalda | 9.1 | 11.6 | 7.5 | 9.4 | 7.6 | 4.6 |
| Karnataka | |  |  |  |  |  |  |
| 1 | Sunpure | 40.8 | 38.7 | 42.0 | 43.6 | 41.3 | 42.1 |
| 2 | Gold Winner | 18.8 | 19.4 | 19.4 | 18.2 | 20.8 | 20.7 |
| 3 | Sunrich | 5.0 | 5.2 | 5.2 | 5.7 | 5.4 | 5.0 |
| 4 | Fortune | 4.9 | 5.1 | 4.6 | 4.8 | 4.0 | 4.6 |
| 5 | Gemini | 5.3 | 5.1 | 4.7 | 4.9 | 4.4 | 3.8 |
| 6 | Emami | 1.9 | 3.0 | 3.1 | 3.1 | 2.8 | 2.4 |
| 7 | Freedom | 1.1 | 1.4 | 1.3 | 1.2 | 1.8 | 2.3 |
| 8 | Sun Taste | 2.7 | 2.7 | 2.2 | 2.1 | 1.7 | 1.7 |
| 9 | Dhara | 1.8 | 2.0 | 2.2 | 2.1 | 1.9 | 1.7 |

Note: \* Total market shares do not add up to 100 because not all brands are represented in the table; Q = quarter.

Source: Company documents.

Exhibit 3: SHARE OF INDIAN Market of Major Companies

Source: Created by the authors using data from Centre for Monitoring Indian Economy (CMIE), “Vegetable Oils & Products: Market Share,” Industry Outlook, accessed May 25, 2017.

Exhibit 4: Sales And Rank of Major Companies

Note: Only companies with over 0.5 per cent market share and with sales figures available for FY 2015–16 are included.

Source: Created by the authors using data from Centre for Monitoring Indian Economy (CMIE), “Vegetable Oils & Products: Market Share,” Industry Outlook, accessed May 25, 2017.

1. Hyderabad was the capital of the south Indian state Telangana. [↑](#footnote-ref-1)
2. ₹ = INR = Indian rupee; US$1 = ₹64.58 and ₹1 = US$0.0155 on June 15, 2017. [↑](#footnote-ref-2)
3. ICI India Limited became Akzo Nobel India Limited in 2010. [↑](#footnote-ref-3)
4. All dollar amounts are in US$ unless otherwise specified. [↑](#footnote-ref-4)
5. “Ruchi Soya Sells Subsidiary to Singapore’s Golden Agri for Rs 110 Cr,” *Business Standard*, November 12, 2014, accessed May 19, 2017, www.business-standard.com/article/companies/ruchi-soya-sells-subsidiary-to-singapore-s-golden-agri-for-rs-110-cr-114111200872\_1.html. [↑](#footnote-ref-5)
6. Vanaspati was a fully or partially hydrogenated vegetable cooking oil, usually made from palm oil. [↑](#footnote-ref-6)
7. “Edible Oil Industry Report,” Livemint Markets, accessed January 5, 2017, https://money.livemint.com/news/sector/outlook/domestic-demand-to-drive-growth-in-edible-oil-industry-429903.aspx. [↑](#footnote-ref-7)
8. “Sugar and Vegetable Oils,” Department of Food and Public Distribution, Government of India, accessed January 5, 2017, www.dfpd.nic.in/oil-division.htm. [↑](#footnote-ref-8)
9. “India’s Veg Oil Import Jumps 18% in Five Months,” *Business Standard*, April 15, 2016, accessed January 5, 2017, www.business-standard.com/article/markets/india-s-veg-oil-import-jumps-18-in-five-months-116041500589\_1.html. [↑](#footnote-ref-9)
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11. Pradeep Chowdhry (Managing Director, GEF India), interview by TV5 News Trendsetters, “Freedom Oil MD Mr. Pradeep Chowdhry,” January 21, 2017, YouTube video, 20:44, posted by TV5 Money, January 22, 2017, accessed January 24, 2017, https://youtu.be/XhzZxR3rLY4. [↑](#footnote-ref-11)
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13. “Can Rice Bran Oil Bust Cholesterol in Heart Patients?” *Indian Express*, April 27, 2017, accessed May 19, 2017, www.newindianexpress.com/cities/hyderabad/2017/apr/27/can-rice-bran-oil-bust-cholesterol-in-heart-patients-1598117.html. [↑](#footnote-ref-13)
14. GEF India, *Gemini Edibles & Fats India Private Limited Launches 2-Liter SKU of Freedom Refined Sunflower Oil,* press release, December 15, 2016, accessed January 5, 2017, www.gefindia.com/pdf/Press-Release-Gemini-Edibles-&-Fats-India-Pvt-Ltd-launches-2liter-SKU-of-Freedom-refined-sunflower-Oil-dec-16.pdf. [↑](#footnote-ref-14)
15. “Gemini Edibles & Fats India Private Limited Launches 2-Liter SKU of Freedom Refined Sunflower Oil,” YouTube video, 2:46, posted by Thrilling News India, December 15, 2016, accessed January 25, 2017, https://youtu.be/HVGt-taTFE0. [↑](#footnote-ref-15)
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17. “Gemini Edibles & Fats India,” Glassdoor, June 2, 2016, accessed January 25, 2017, www.glassdoor.co.in/Overview/Working-at-Gemini-Edibles-and-Fats-India-EI\_IE551052.11,40.htm. [↑](#footnote-ref-17)
18. “Hyderabad-Based Edible Oil Companies Eye Sunflower Oil Market to Benefit from Fall in Prices,” *Economic Times*, December 2, 2014, accessed February 15, 2017, economictimes.indiatimes.com/markets/commodities/hyderabad-based-edible-oil-companies-eye-sunflower-oil-market-to-benefit-from-fall-in-prices/articleshow/45342440.cms. [↑](#footnote-ref-18)
19. “Gemini Edibles and Fats India,” Agriculture Information, February 24, 2016, accessed January 5, 2017, www.agricultureinformation.com/postings/gemini-edibles-fats-india. [↑](#footnote-ref-19)