

Corporate fails as India is a land of co-operatives: Sodhi

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GCMMF Managing Director R S Sodhi tweeted that there is no slowdown in our sector. Puncturing the Corporate model Sodhi said “we buy our raw material at high prices and sell our finished product at reasonable prices. Our model works on scale. Whereas corporates buy raw material at low price and sell finished products at high prices, rendering them unable to compete with cooperatives.

In an interview given to “live mint” R.S. Sodhi touched upon several issues. He said that in our sector, there is no slowdown. On the contrary, Indians are consuming more milk and milk products.

Explaining the failure of MNCs like Nestlé India Ltd and Danone Nutricia India to make inroads in the dairy sector so far Amul MD R S Sodhi said India is a land of cooperatives and every state has its own cooperative, which dominates in the state.

The cooperative business model is the opposite of MNCs. We buy our raw material at high prices and sell our finished product at reasonable prices. Our model works on scale. Whereas corporates buy raw material at low price and sell finished products at high prices, rendering them unable to compete with cooperatives. Nestlé is not even one-tenth of our size in terms of market share of milk. They had also tried marketing butter in India and exited from the segment, he added.

The way we are growing, by 2020 we will be a Rs.50,000 crore company. Some of this growth is coming from inflation, but a large part is volumes. We are getting double-digit volume growth in all our product categories year-on-year. The new product categories like paneer, cream and flavoured milk are growing at an even faster clip of 20-25% on a volume basis year-on-year, he said.

Sodhi talked about implementing Project 3E—expansion in processing, expansion in procurement and expansion of distribution. We are putting up new plants in Mumbai, Kolkata, Varanasi, Lucknow, New Delhi and other cities. Our milk procurement has also increased by 9-10% as we have added more farmers, and have also gone to new areas in Gujarat for milk collection and also outside the state to Rajasthan, Haryana, West Bengal and Maharashtra.

He also said that it is not possible for companies to manufacture butter of Amul quality at our price. We have created entry barriers. Companies have to invest in refrigerated vehicles, distributors require cold rooms to be able to supply. This is a huge expenditure that will not be justified if the volumes and scale are not there.