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How Indian ice cream brands are adopting coolest strategies as competition heats up

 BY [RATNA BHUSHAN](#), [SHRAMANA GANGULY](#) & [SAGAR MALVIYA](#), ET BUREAU |

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Even during the [Ice Cream Congress and Expo](#) this September, industry peers didn't realise the Chona family was literally freezing terms of their sale to South Korean giant Lotte Confectionary at eye-popping valuations. But within two months came that announcement, sending the entire trade into a tizzy.

Late November, Lotte scooped up Havmor, India's seventh largest ice cream brand, for Rs 1,020 crore in an all-cash deal, more importantly paying a multiple in excess of 2.5 times its 2016-17 turnover of Rs 400 crore. Lotte's foray, say officials in the know, is part of a bigger ice cream play across south Asia via strategic acquisitions. Their seriousness can be easily gauged from their yearlong negotiations with the Chonas of Ahmedabad and the aggressive offer that trumped deep-pocketed peers Hindustan Unilever (HUL) and possibly even Nestle.



OLD IS COLD: A much-younger Sonia and Rajiv Gandhi chill in the Capital with the ubiquitous cone

Big Change:
[The end of Five-Year Plans: All you need to know](#)



Havmor Ice Cream MD Ankit Chona (L) with chairman Pradeep Chona.

In ice creams, it takes just one transaction to give the entire industry a sugar rush. "Should I help you count your money," RG Chandramogan, founder of Chennai-based Arun Icecreams, joked with Ankit Chona, MD, Havmor Ice Cream. His jest was not far off the mark as the \$1.5-billion domestic ice cream industry is now serious business, with popular homegrown brands that are still largely family-led showing up on the big boys' radar.

"At these valuations, the lure of selling out is a no brainer," quips Anuvrat Pabrai, first generation ice cream maker based in Kolkata. The brain behind the eponymous premium brand had, in the 1980s, launched Tulika before closing it down in 2008 due to labour problems and hyper competition.

"Suddenly, with Lotte, the attention is back. I do expect more such trades in the days to come." Simon John concurs. "We are not averse to selling part or majority stake to an investor who can take the brand to greater heights," says the Kochi-based second generation entrepreneur at JSF Holdings that retails the bestselling Uncle John, Skei and Lazza (Arabic for 'all good things in life') brands and enjoys a 75%-plus share of the Kerala market.



RJ Corp chairman Ravi Jaipuria (R) and Creambell CEO Nitin Arora

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"We are looking at consolidating factories and additional funds would help expand our network and open larger manufacturing facilities. In a way, we are also cashing out the work done over four decades," adds his brother Francis, who candidly admits their next generation is not as committed to run the 45-year-old family enterprise.

In Ahmedabad, just like the Chonas, the Gandhis of [Vadilal Industries](#) are also on verge of exit, with a sale process underway. City old-timers rue the two family-run businesses — integral to both the Gujarati entrepreneurial spirit and sweet tooth — that thrived since pre-Independence will soon change hands, albeit for different reasons. Things aren't that different in the financial capital either.

"For years, we had taken a stand of not diluting our stake. But now, we are private equity-ready," says Srinivas Kamath, second-generation entrepreneur. Kamath Ourtimes daily sells about 2 lakh scoops of Natural's in half a dozen states, with annual sales topping Rs 140 last fiscal. "It's not just for funds but for strategic value."

Interestingly, his father RS Kamath opened the first store at Juhu in 1984 on Valentine's Day more as an afterthought to selling paav-bhaji. The elder Kamath is responsible for introducing new fruit flavours. He's planted various saplings on the grounds of the company office in Kandivali, Mumbai, which he treats as a sort of personal laboratory.

TOP BRANDS

Market Share

Brand	Company	2017
Amul	GCMF	12.8
Vadilal	Vadilal Industries	6.2
Mother Dairy	Mother Dairy Fruit & Vegetable	4.9
Arun	Hatsun Agro Products	4.5
Creambell*	Devyani Food Industries	3.9
Wall's	Hindustan Unilever	3.9
Havmor	Havmor Foods	3.7
Cornetto	Hindustan Unilever	3.6
Verka	Punjab State Cooperative	0.7
Others	Others	55.9

*RJ Corp

Ice Creams and Frozen Foods Market

2017

**4.5 Lakh Tonnes/
₹11,743 crore**

2022 (Forecast)

**5.5 Lakh Tonnes/
₹18,786 crore**

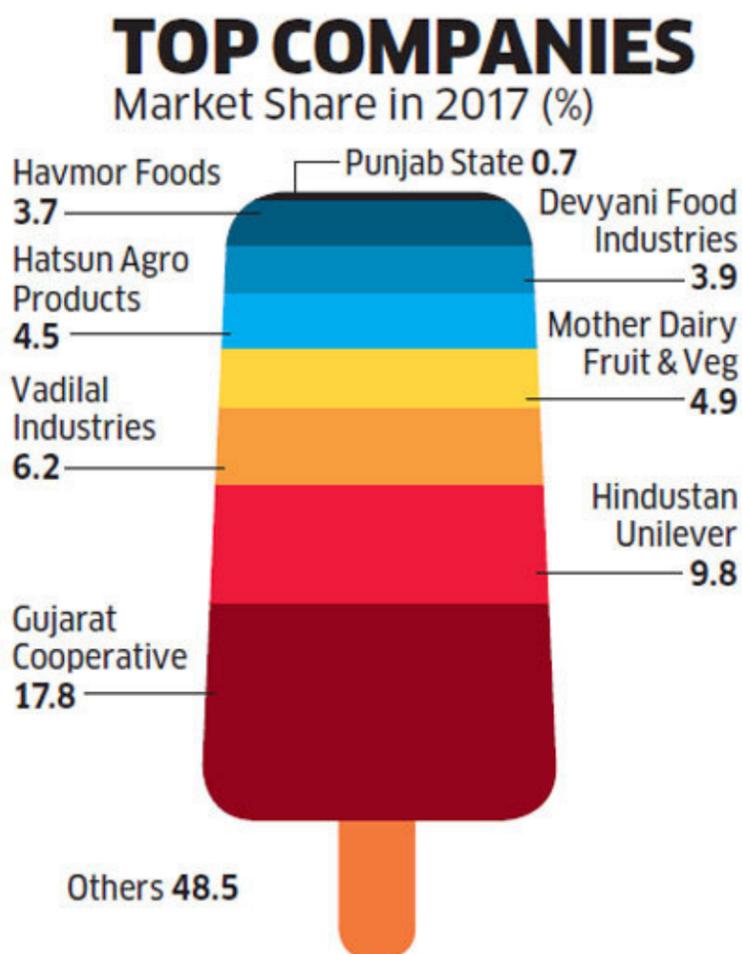
Source - Euromonitor

MONEY OR MELTDOWN?

But as the spotlight returns to them after over a decade, many ice cream families are taking a hard look at prospects in the backdrop of consumer habit flux, before any meltdown. The market has evolved since HUL took over Kwality in phases after buying the trademark in 1994, or even after Malaysian PE firm Navis lapped up Nirula's in 2006 for Rs 90 crore.

Today a handful of players with big marketing and distribution muscle — Amul, Mother Dairy, Vadilal's, Walls or even Havmor — jostle for retail space nationally while smaller regional players, who still collectively control half the market, cling on to their turfs. For industry insiders such as Dalip Sehgal, who was with HUL during the Kwality takeover, smaller players are still on top of the pecking order because the ice cream business is local in its flavour.

"There is headroom for double digit growth in the Indian ice cream market. Hence, it is attracting significant interest from investors," says Anand Vermani, partner, deal advisory, KPMG, advisors to the Chonas. In 2015, Nestle-owned premium brand Movenpick and Arizona-based Cold Stone Creamery both announced an India entry to tap a market expected to grow at a value CAGR of 20% for the next five years. In 2013, Unilever brought its top grosser from Europe — the premium Magnum ice cream bars. But as Shiva Mudgil, senior dairy analyst at Rabobank, puts it, the market is largely skewed, with few large players and many smaller ones making consolidation an inevitability.



"That is how its journey has to end (here)," says RS Sodhi, MD, Gujarat Cooperative Milk Marketing Federation that owns and markets Amul. "Beyond a point, the promoters must have been finding it difficult to make profits as expected from the business, in the presence of MNCs and national brands like Amul." A confidante of the Gandhi family also recommended that it's the perfect time for the Vadilal owners to "hang up their boots."

Even then, it's a tough choice for people like Havmor's Pradeep Chona, who grew the business his father started in Karachi in 1944 before his son Ankit joined him a decade ago. Chona Senior immersed himself in new flavours and regional delicacies — Havmor served paan-flavoured ice cream at Bollywood actor Shilpa Shetty's wedding and flexed muscle with in-film promotions in Krrish-3 GeNext, meanwhile, focused on premium Huber & Holly range or expanding the 1944 brand of high-end restaurants.

To be fair, the core business was rock solid, dominant in Gujarat while successfully expanding north. The range crossed the 150 mark, sold through a parlour network across 14 states, clocking a CAGR of 23-25%. Yet, the family knew cashing out at the peak is better. "This was the end of road," feels management consultant Harminder Sahni of Wazir Advisors.

"They knew their limitations (of funds). Profit-centric business entities can't afford distractions. Once they focused on restaurants and eateries — more profitable than ice cream — they knew it was time to exit." The Chonas, who are currently in the process of handing over, refused to participate in this ET story. Ankit stays on as CEO-advisor for at least a year to manage the transition even as his family expands restaurants.



Rajesh Gandhi, CMD, Vadilal Industries

together for three generations to create India's oldest ice cream brand Vadilal, a business that's now eight decades old, are also in the middle of a bitter ownership feud at the NCLT.

The three factions may divide territories, demerge business, or decide to sell the company altogether. "In any case, the three brothers will not stay together in business," says a source close to the family, making the company ripe for a takeover.

FAMILY PACK

Often, it's not that smooth. A major handicap most family businesses face as they grow are warring shareholders with conflicting outlooks, as with Kwality and Nirulas franchise. A few years ago, differences sprung up between principal shareholders of Nagpur-based Dinshaw's Dairy Foods — the Rana and Bapuna families. This led to collapse of discussions with strategic and financial investors for a large stake sale in the 84-year-old venture, say people in the know.

"Difference of opinion either in terms of bringing investors to cash out or having a certain vision for a company is a common trait in many family owned businesses," agrees Sehgal, now part of Graviss Hospitality, manufacturer of Baskin Robbins in India. The various factions of the Gandhi family that worked



Ourtimes Ice Cream directors Siddhant (L) and Srinivas flank founder Raghunandan Kamath

LOCAL PALETTE

But many families are choosing to fight back or tweak their business models. "I didn't set up Creambell to sell it. We have big ambitions. Besides working on a complete dairy portfolio — which may include butter, cheese and yoghurt — we could look at diversifying into other foods," says serial entrepreneur Ravi Jaipuria, also PepsiCo's biggest bottler in south Asia. Jaipuria, who took over the brand originally started by his brother CK some nine years ago, can make it grow from its current sixth slot to \$1 billion in sales in five years.

"This is a fivefold increase from current numbers. We are very bullish on dairy," he says. Creambell sells dairy products in parts of Africa and select Indian cities. In the next few years, Jaipuria flagship RJ Corp plans to infuse Rs 500 crore in distribution and capacity expansion across the dairy value chain, while Rs 1,000 crore has already gone in. Down south, the sentiment is not different.

"We are not on sale. We are not even concerned about growing competition, especially from MNCs, as our product quality is far better," says 69-year-old Chandramogan, who started Hatsun Agro nearly 50 years ago and initially sold Arun Icecreams on a pushcart. "We have a natural advantage of backward integration that helps control quality, sourcing and more importantly, price better."

The BSE-listed firm procures milk directly from 3.2 lakh farmers for its 10,000-plus Hatsun Milk banks. The ice cream division accounts for nearly 9% of Rs 4,200-crore revenues. On the bourses, Hatsun is valued at \$2 billion. Its brand controls over 30% market in the south with 500 parlours and nearly two-thirds in home state Tamil Nadu.



(L-R) Kunal, Anuvrat and Nishant Pabrai

For Pabrai, who started out as an F&B executive at Taj Mumbai, tweaking the business model is the best combat strategy. "Our USP is our unique flavours and premium positioning. We have developed cuisine-based ice creams. Offerings like South Indian filter coffee or Nolen Gur (date palm jaggery) have huge demand both in institutional sales and retail," he says.

Pabrai uses mulethi and 17 other ingredients for paan ice cream. Jackfruits are sourced from a farm 200 km from Chennai and lichis come from Muzzafarpur. Such artisanal pursuits have helped the brand expand to 13 cities and notch up Rs 22 crore in topline. It commands double the price tag of its mass market competitors for all its 60-plus flavours. This labour of love manifests in different ways.

For the Kamaths, repositioning Natural's was becoming a necessity to woo millennials. They convinced their father to go for a pictorial mnemonic like an inverted 'A' with an ice cream scoop on top to increase brand recall. The green coloured font also went with their 'natural' philosophy. With the widest range of fruits ice cream in the world, the brand has gone international. After all, if food is familial, why can't ice creams be too?

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