



PACKAGING INDIA'S EVOLVING FOOD CONSUMPTION

A PERSPECTIVE ON SELECT CONVENIENCE FOOD SEGMENTS & SPICES

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BDO in India is pleased to present its research report on India's Packaged Convenience Food and Spices Industries. We have made a concerted effort to provide valuable insights, bringing together perspectives from industry experts and consumers. Our report sheds light on the existing trends and future prospects of the packaged convenience food industry and spices industry in India, encompassing consumption patterns, industry dynamics, and notable deal activities.



PREFACE

India's packaged convenience food industry as of FY22, boasts a size of ~INR 3,194bn and is poised for substantial growth, with approximately 11% CAGR. By FY26, this industry is projected to become a colossal ~INR 4,883bn market. Notably, the top 15 companies operating in Indian packaged convenience food segment collectively account for ~INR 1,300bn revenue from packaged food.

The landscape of the Indian packaged food industry is undergoing a swift transformation, driven by evolving consumer preferences. Consumers are increasingly demanding innovative and better-quality foods. This includes a surge in demand for items such as artisanal biscuits, wholesome snacks, ready-to-eat (RTE) / ready-to-cook (RTC) meals, and a wide variety of sauces, among others. As consumers allocate more of their spending towards value-added food products, the packaged food industry finds itself brimming with opportunities for growth.

To thrive in this dynamic environment, players in the packaged food segment must focus on innovation and localised strategies. Authentic ethnic foods are in high demand, and consumers are also increasingly exploring new flavours. They are willing to spend and pay a premium for taste, novelty, and quality, which is fuelling avenues for innovation and premium product offerings.

Further, international cuisines are making a significant impact on the Indian food industry landscape. Many restaurants are offering international cuisines, and consumers are increasingly trying and cooking these cuisines at home. Given that there is no pre-established taste for a lot of international cuisines, packaged food companies stand to gain significantly by capitalising on this factor and developing standardised products for Pan-India consumption.

We have conducted an in-depth study of five pivotal segments. These encompass India's snacks, spices, sauces, ready-to-cook and biscuits segments. These segments are experiencing significant growth and investments from large players.

Indian FMCG companies are unwavering in their commitment to expand their footprint within the packaged food segment. They are actively seeking both organic and inorganic avenues for growth across various packaged food categories. This in turn is driving a robust momentum in M&A activities. Prominent industry players, including ITC, Wipro Consumer, Tata Consumer, Reliance, Nestle, Dabur, Marico, etc. are actively evaluating potential targets across the packaged food landscape.

Emerging and mid-sized companies are also adopting diverse strategies to gain a larger share of this lucrative market. To achieve this, they are increasingly turning to financial investors who can provide the necessary capital and support for their business expansion plans. Private Equity funds are displaying a bullish sentiment towards this space, resulting in a number of fund-raising activities within this space.

In light of evolving consumer preferences, companies must adapt their strategies to establish and maintain a strong foothold within the industry. The convergence of a young demographic, diverse consumption pattern, cross-cultural food habits and increasing spending power presents a significant opportunity for companies to scale up in the decade ahead.



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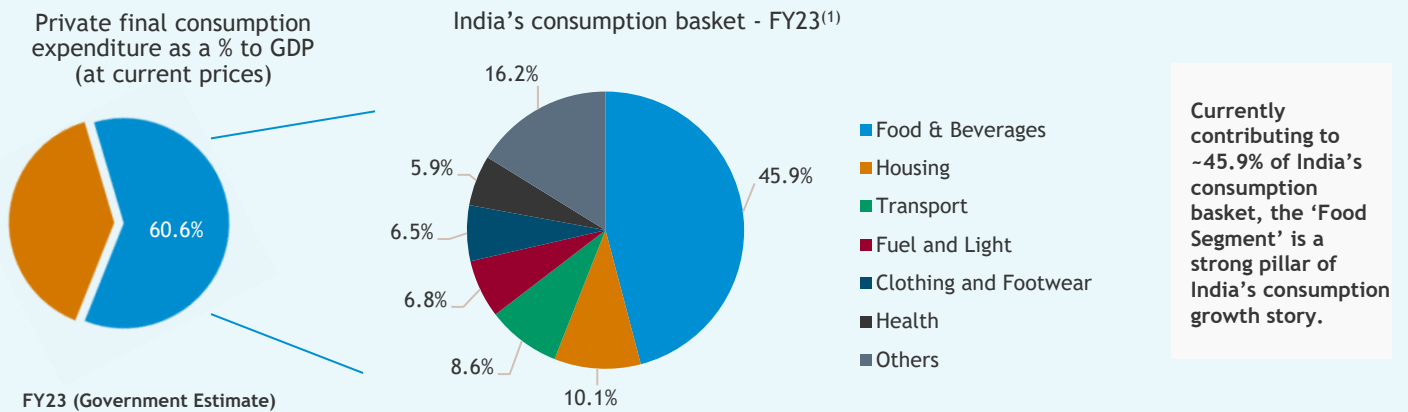
INTRODUCTION



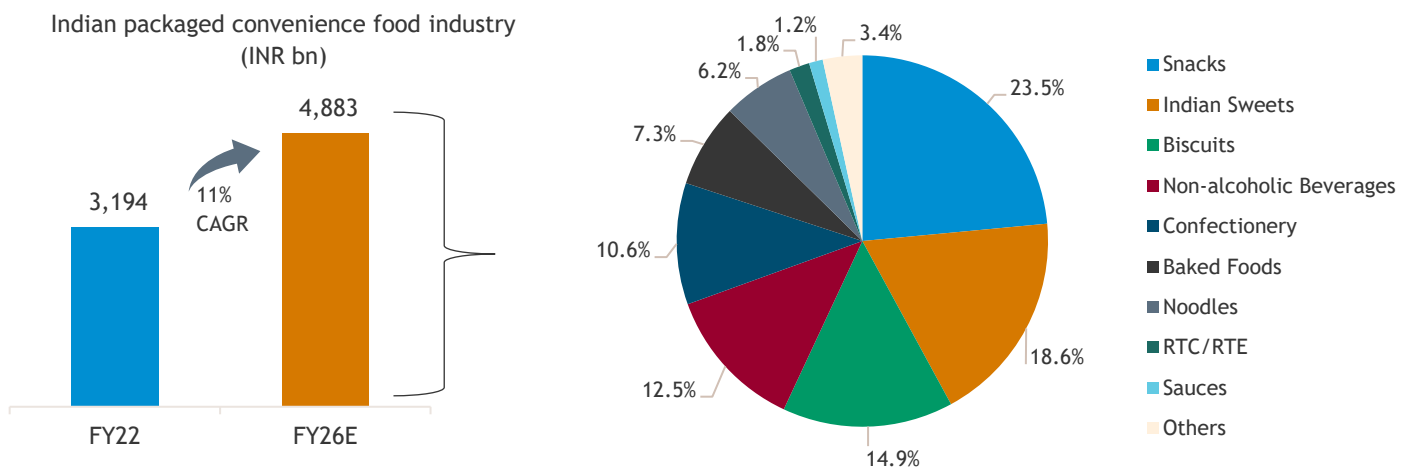
UNPACKING GROWTH

INDIA'S PACKAGED CONVENIENCE FOOD INDUSTRY IS PROJECTED TO GROW AT ~11% CAGR OVER THE NEXT 3-4 YEARS

Food takes the largest slice of India's consumption basket



Significant headroom for growth as consumers are increasingly demanding packaged convenience food



India's favourable demography will serve as a catalyst for growth of the packaged convenience food industry

Volume growth with India being the world's most populous country (1.429bn people as on July 1, 2023)

Net national disposable income is expected to increase from INR 203tn in FY22 to INR 319tn by FY26

Increasing nuclearisation with over 60% of Indian households being nuclear

A fast-growing middle class that represents ~31% of the population and is expected to be ~38% by 2031

Increasing women workforce with ~37% of total women with post-graduate & higher education working

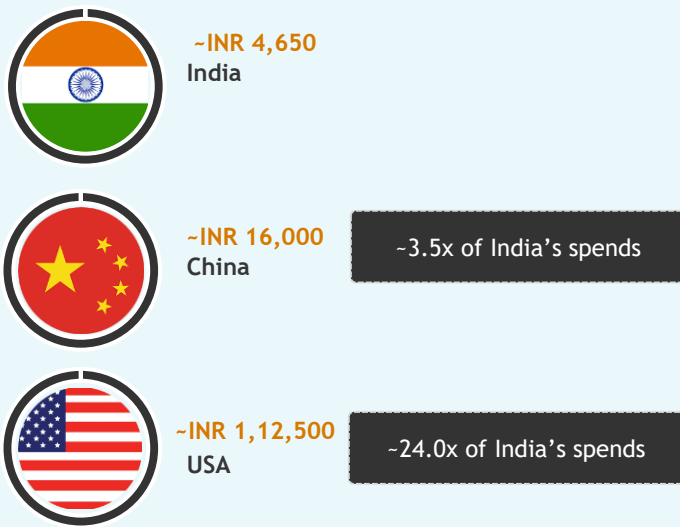
Increasing urbanisation with ~36% of the total population living in cities; ~5% point increase happened in the last decade



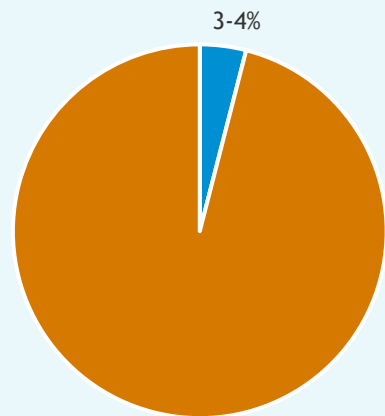
INDIA IS THE MOST LUCRATIVE AMONG LARGE MARKETS IN GLOBAL PACKAGED FOOD SEGMENT...

Significant headroom for growth with expected increase in India's per capita spends on packaged food which is currently lower than that of key economies

Annual per capita spend on all categories of packaged food (FY20)

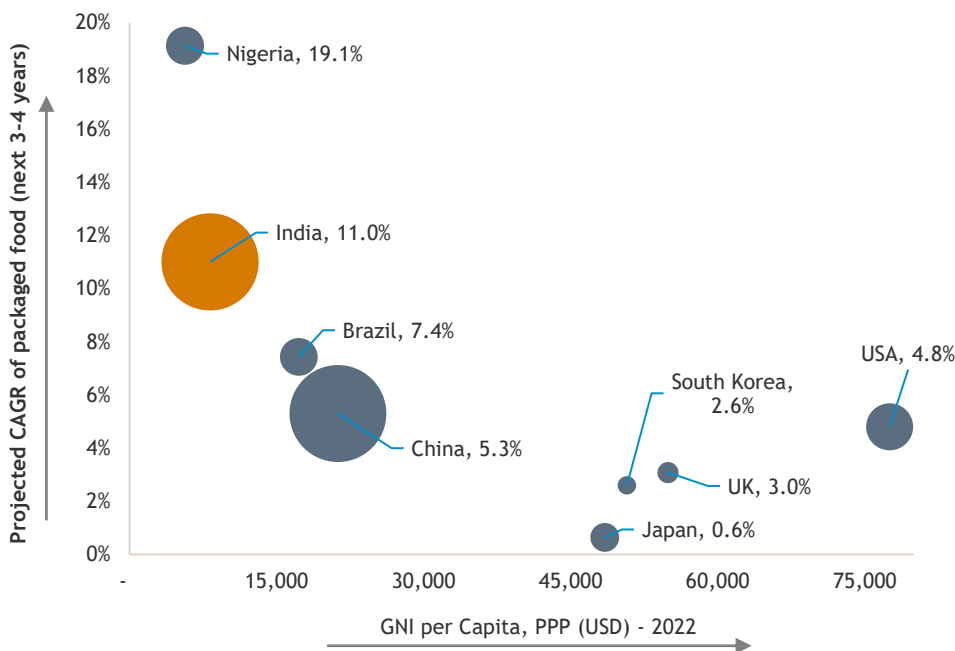


Spends on all categories of packaged convenience food in India as a % of per capita net income (FY20)



The Indian packaged convenience food segment is amongst the fastest-growing markets driven by both volume & value

Country, packaged food industry growth%



High Growth

~13% growth in the organised packaged convenience food segment over the next 3-4 years

Increasing Affordability

~12% CAGR (FY22 to FY26) is expected in the net national income

Size of bubble represents population

...WITH SEVERAL MNCs AND DOMESTIC COMPANIES HAVING INTRODUCED INNOVATIVE & NEW FOOD CATEGORIES IN INDIA

Select examples of key categories created

Kissan

Initially introduced jams (1935) and later ketchups (1980s) in India and currently holds the **largest market share** in both the categories

1935

Gits

MTR

Gits and MTR are the pioneers of convenience food and instant mixes in India; and together command **~28% market share in the segment⁽¹⁾**

1970s

Maggi

Nestle introduced instant noodles and has become a household name with **~40% market share** in the instant noodles segment

1982

Ching's

Ching's of Capital Foods has become synonymous with Desi Chinese; introduced Indianised version of Chinese sauces and commands **~90% market share** in Desi Chinese category

1996

Kurkure

PepsiCo introduced puffed snacks suiting the Indian palate and holds the **largest market share** in the puffed snacks segment

1999

ACT II

Conagra introduced shelf storage instant microwavable popcorns & later launched a variant that could be prepared in a pressure cooker. The brand holds **~60% market share** in the instant popcorn segment

1999

Bingo

ITC introduced snacks in unique presentation - Bingo Tedhe Medhe and Mad Angles in wafers and bridges snacks categories

2007

McCain


Launched French fries in 2007 and later launched frozen products including nuggets, aloo tikki, chilli garlic potato bites, etc. McCain is a **dominant player** in western Ready-to-Cook (RTC) snacks

2007



iD Fresh

Introduced packaged idli/dosa batter and later coffee concoction; it holds the **largest market share** in the segments. It also recently launched butter sticks

2012

 Year of launch of the product category in India

KEY PLAYERS IN THE INDIAN PACKAGED CONVENIENCE FOOD INDUSTRY

Companies	Key Food Product Categories	Revenue from packaged food segment (INR mn) ⁽¹⁾	Year
Nestle India	Noodles, Sauces, Confectionery, Dairy	167,895 ⁽²⁾	CY22
Britannia	Biscuits, Fruit Cakes, Rusk	163,006	FY23
Parle	Biscuits, Snacks	160,791 ⁽³⁾	FY22
ITC	Biscuits, Snacks, Noodles, RTC/ RTE, Beverages, Confectionery, Spices	157,681	FY23
Hindustan Unilever	Sauces, Soup, Health drinks, Ice cream, Tea	148,760	FY23
Tata Consumer Products	Staples, RTC/ RTE, Beverages, Spices	123,065 ⁽⁴⁾	FY23
Mondelez India	Biscuits, Chocolate, Confectionary	92,298	FY22
Haldiram's (Delhi & Nagpur)	Snacks, RTC/ RTE	87,446 ⁽⁵⁾	FY22
PepsiCo India	Snacks	64,517 ⁽⁶⁾	FY23
 BALAJI WAFERS	Snacks	49,249	FY23
Dabur	Spices, Cooking Paste, Sauces, Juices	19,816 ⁽⁷⁾	FY23
 BIKAJI	Snacks	19,661	FY23
Prataap Snacks	Snacks	16,529	FY23
Saj Food Products (Bisk Farm)	Biscuits	14,306	FY22
Gopal Snacks	Snacks	13,946	FY23

Revenue from the top 15 packaged convenience food players amounts to ~INR 1,300bn.

Companies are looking to grab a larger bite of the segment and are aggressively expanding through organic and inorganic routes.

The industry witnessed new players, including Wipro, that entered into the food segment through the acquisitions of companies including Nirapara and Brahmin's

Disclaimer: The numbers have been sourced from annual report/ databases. We have not independently verified the data contained herein

Sources: Annual Reports, VCCEdge

¹Latest numbers available (FY22 / FY23)

²CY22 Revenue

³Revenue of Parle includes revenue from processed food under the company Parle Products, consolidated; it doesn't include revenue from Parle Agro

⁴Revenue of Tata Consumer Products from branded products

⁵Number represents aggregate of revenue achieved by Delhi and Nagpur entities

⁶Revenue of PepsiCo does not include revenue from beverages

⁷Including revenue from beverages

F&B RETAILERS JUMP ON THE PRIVATE LABEL BANDWAGON TO BENEFIT FROM MARKET GROWTH

Private label products are sold for an average of 25%-40% cheaper than the comparable branded products. Customers that are seeking higher value for money are opting for private labels over branded products.

Companies	Select Private Label Brands				
Reliance Retail	Snactac	Good Life	Desi Kitchen	Bubbles	Yeah
	Noodles, Snacks, Biscuits	Staples	Instant Mixes, Flours, Pickles	Beverages	
In-house brands contributed to ~14% of revenue from the grocery segment in FY20.					
Amazon India	Vedaka		365 by Whole Foods Market		
	Staples		Food		
Amazon acquired US-based Whole Foods in 2017 to expand grocery retail. Currently, it is cutting down on many of its brands as a part of the broader global strategy.					
Big Basket	Fresho	Tasties	BB Royal		
	Fresh Vegetables, Fruits	Snacks	Spices, Staples		
Estimated: Private labels contribute ~38% of the total revenue (FY22).					
Spencer's Retail	Spencer's	Tasty Wonders	Trusted Value		
	Food, Non-food	Food	Staples, Dry Fruits, Spices		
Private labels contribute 13-14% of overall revenue.					
DMart	DMart Premia				
	Staples				
Align Retail Trades, a wholly owned subsidiary of Avenue Supermarts, procures and packages grocery items, and supplies to DMart. Its sales grew by ~39% to INR 22,113mn in FY23.					

Private labels currently form a small share of the packaged food segment. However, it has shown a high growth rate over the last few years.

THE INFLUENCE OF FOREIGN CULTURES ON INDIA'S FOOD PREFERENCES

Key food items introduced by the Portuguese, Dutch, and British



Chilli

India is #1 producer and consumer of chillis with several variants found across different regions in India. E.g. - Assam's Bhut Jolokia chilli, Kashmiri chilli, Guntur chilli, Kerala's Kanthari chilli, Maharashtra's Sankeshwari chilli, etc.



Tomato

With a production of 21mn MT, India ranks #2 among tomato-producing countries.



Potato

India ranks #2 in global potato production.



Tea

India is the 2nd largest producer of tea in the world and accounts for the highest tea consumption globally.

Key food items introduced by the Mughals



Dry Fruits

India began the consumption of dry fruits under the influence of the Mughals and is now among the top 5 producers of dry fruits.



Mughlai Cuisine

The culinary style of the Mughal Empire has become part of regular Indian food over a period of time, including food items like pulav, biryani, kebab, kofta, etc. It is most popular in Delhi, UP and Hyderabad.

INDIA IS A HIGHLY LUCRATIVE, ALBEIT COMPETITIVE, MARKET FOR A FOOD BRAND TO ESTABLISH PRESENCE

Noteworthy Features of the Indian Packaged Food Industry

Local Knowledge

Imperative to understand consumer purchase and consumption pattern.

Indians have varied taste preferences, not only at regional but at provincial levels.

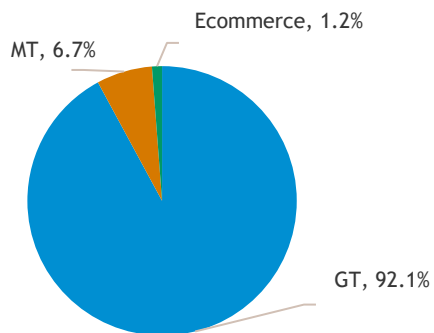
A key approach is to create a stronghold in a regional market and expand in other regions through flagship products.

Evolving Taste Preferences

India's food industry is witnessing a significant influence from global cuisines.

Complex Distribution Model

Food & grocery retail (FY23E)



With ~10mn kirana stores, India's grocery retail ecosystem is one of the most complex in the world.

Omnichannel Presence

Digitally driven Gen Z and millennials are evolving with the influence of e-commerce and social media.

Omnichannel presence is the key to tap a large market by increasing visibility through online, enhancing volume through offline.

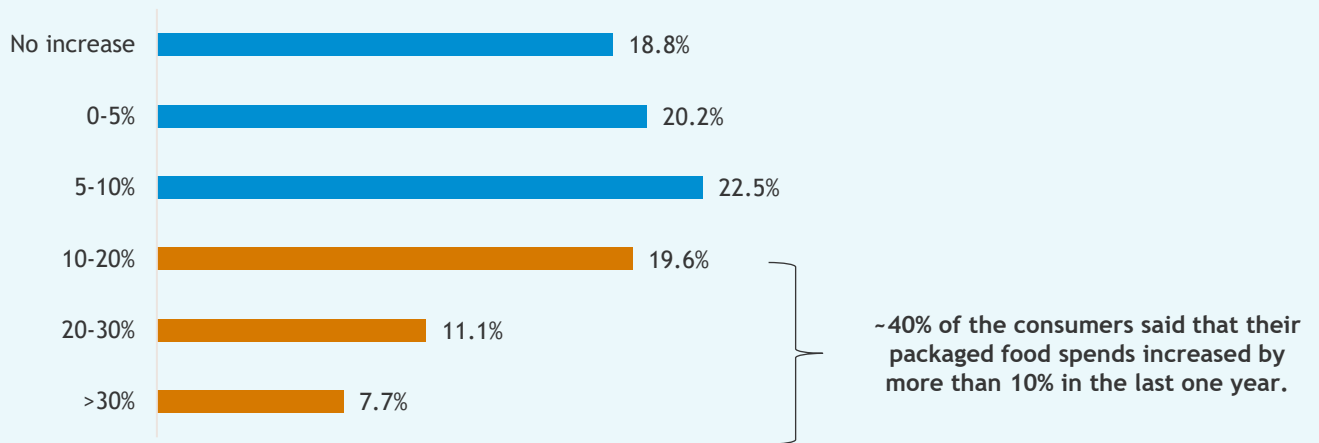
As India has diverse regional preferences and a complex retail ecosystem, an inorganic strategy is the most effective way to enter and expand into the Indian packaged food segment. Many MNCs have successfully established a presence in India using various inorganic strategies (acquisitions/partnerships).

UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY

WALLET SHARE OF PACKAGED FOOD

Increase in spending on packaged food over the last one year

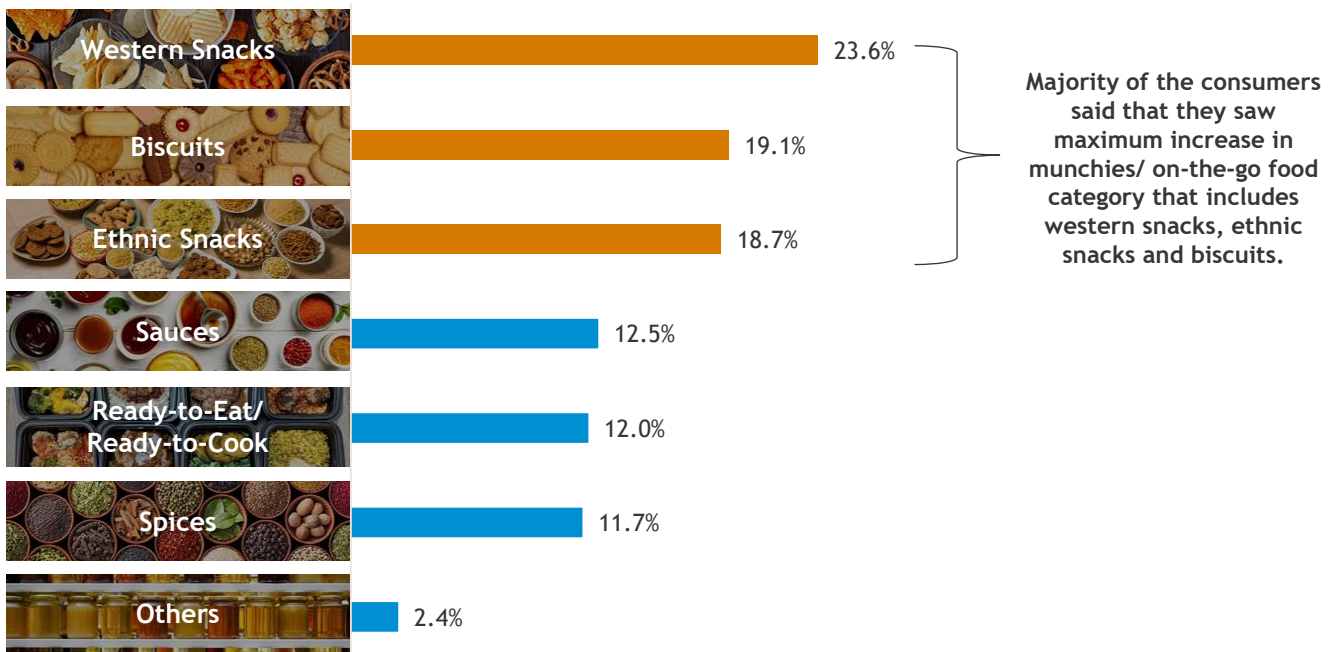
% of total respondents



Q. By how much has the percentage of packaged food spends in your household budget increased in the last 1 year?

Packaged food categories that saw maximum increase in the household budget

% of total respondents

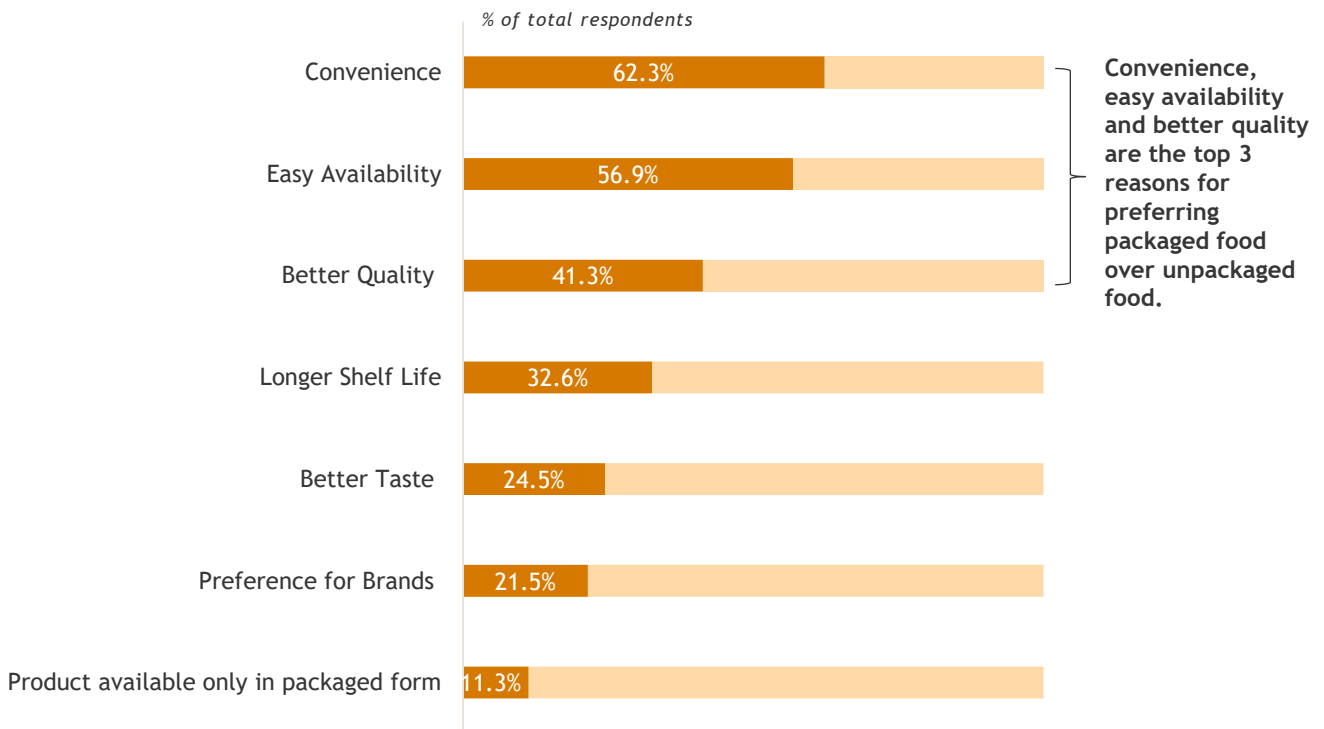


Q. Which packaged food product category has seen the maximum increase in your household budget?

UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY

A SHIFT TOWARDS PACKAGED FOOD

Reasons why consumers are picking packaged food over unpackaged food



Q. What are the key reasons for you to prefer packaged food over unpackaged food?



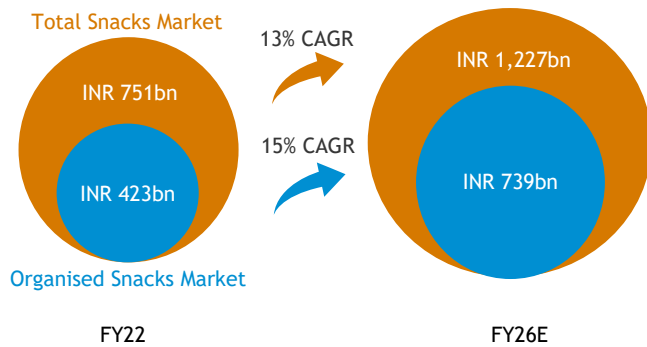
SNACKS

Snacks in packs -
a growing
preference of the
majority



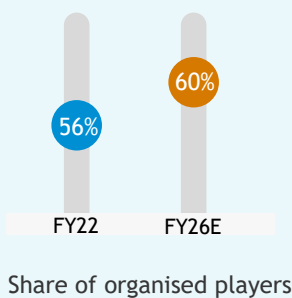
SNACKS - TAKING A LARGE BITE OF THE PACKAGED CONVENIENCE FOOD INDUSTRY

The snacks industry in India is expected to reach over INR 1.2tn by FY26 with a massive growth opportunity for organised snacks companies, as consumers are increasingly opting for packaged over loose snacks.



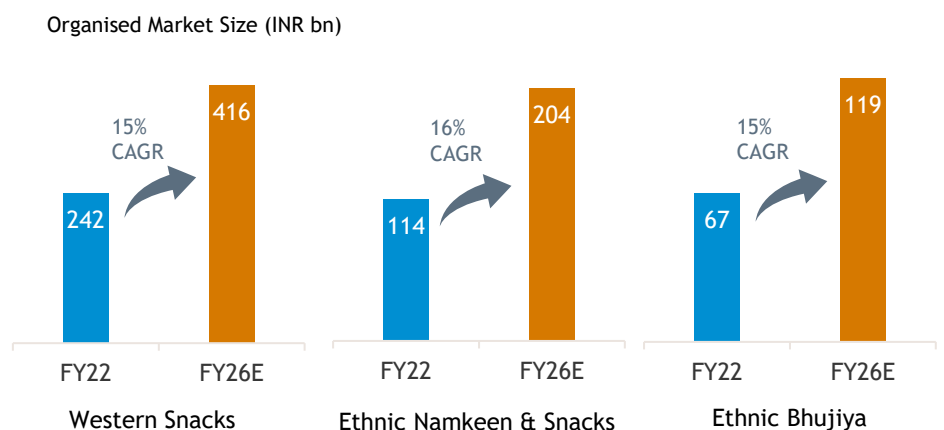
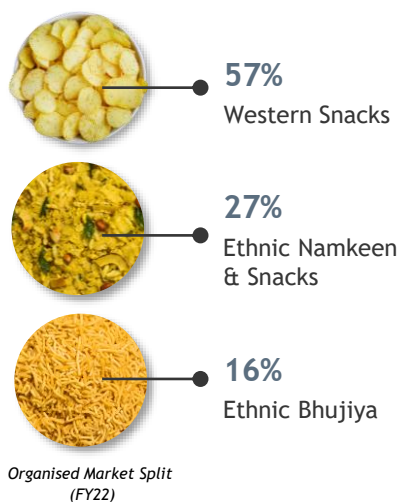
The snacks segment is poised to grow at 13% CAGR due to evolving consumer snacking preferences, convenience, affordability and fast-paced lifestyle.

Branded companies are rapidly expanding with new product launches and high-quality offerings catering to both urban and rural consumers.



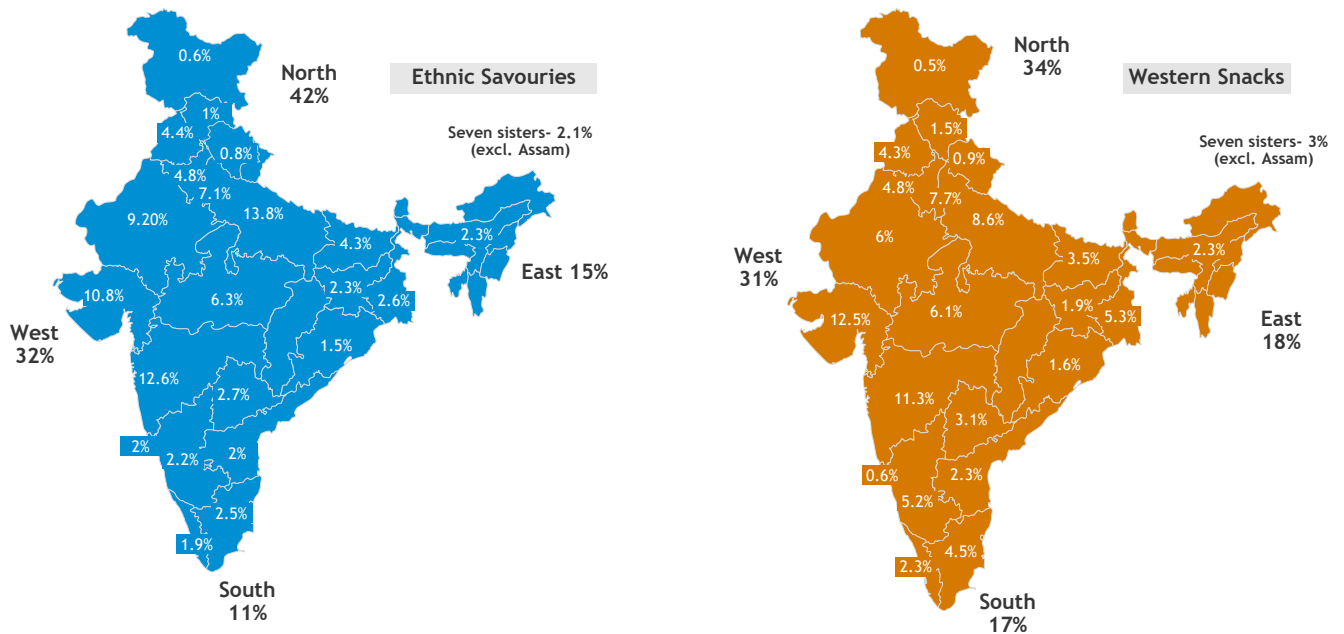
- The market is becoming heterogeneous as consumers across age groups are demanding different snacks, e.g., kids prefer rings/ extruded snacks while adults majorly opt for chips and namkeen. Hence, large players are diversifying their product portfolio as growth is getting distributed across target segments.
- Customers are increasingly looking for hygienic products with better ingredients.
- Small pack sizes will continue to drive volume growth and shift towards branded products.
- Creating scale will be important to absorb and control input costs mostly because the snacks market is more susceptible to raw materials (edible oil).

Both western and ethnic snacks are lucrative segments for branded players to expand.



NORTH AND WEST REGIONS CONSUME MORE THAN 70% OF INDIA'S SNACKS

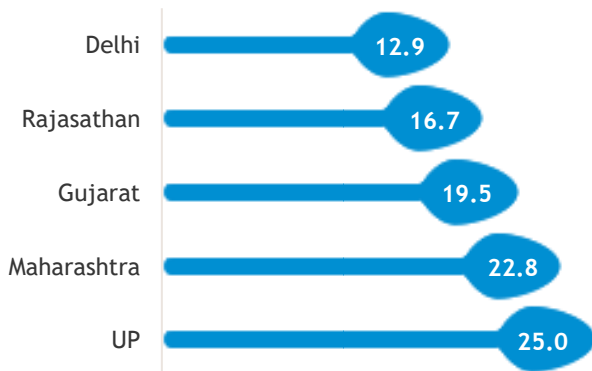
State-wise Split of Industry (2022)



With Uttar Pradesh (UP), Maharashtra, Gujarat, Delhi, Rajasthan and Madhya Pradesh (MP) being the top markets

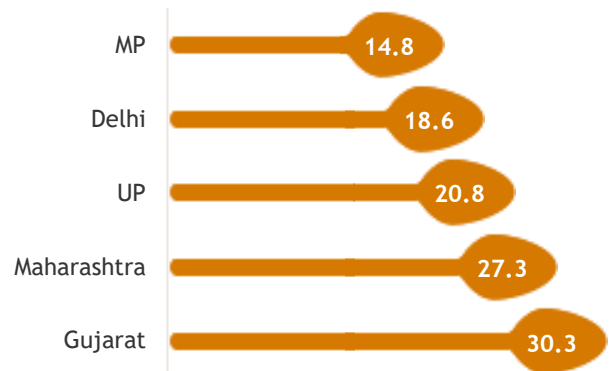
ETHNIC SAVOURIES

Consumption of Ethnic Savouries (INR bn)



WESTERN SNACKS

Consumption of Western Snacks (INR bn)



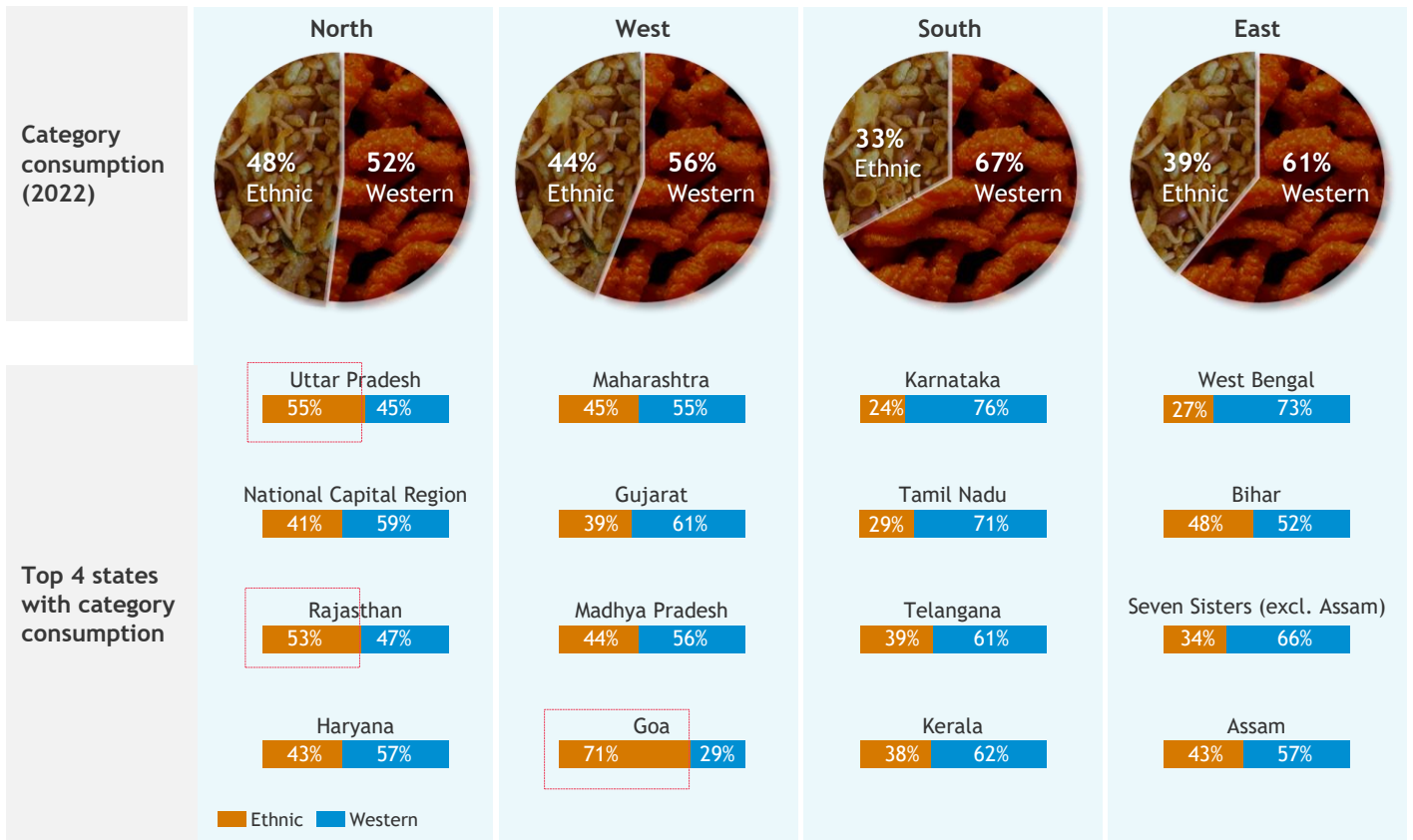
Ethnic snacks are an integral part of food consumption in North and West India, the key reason large ethnic snack companies originate from North and West India (E.g. Haldiram's, Bikaji).





VARIED SNACKING PREFERENCES ACROSS INDIA

In most states, the consumption of packaged western snacks is higher than the consumption of packaged ethnic snacks. Rajasthan, UP and Goa are the outliers eating more packaged ethnic snacks than western snacks.



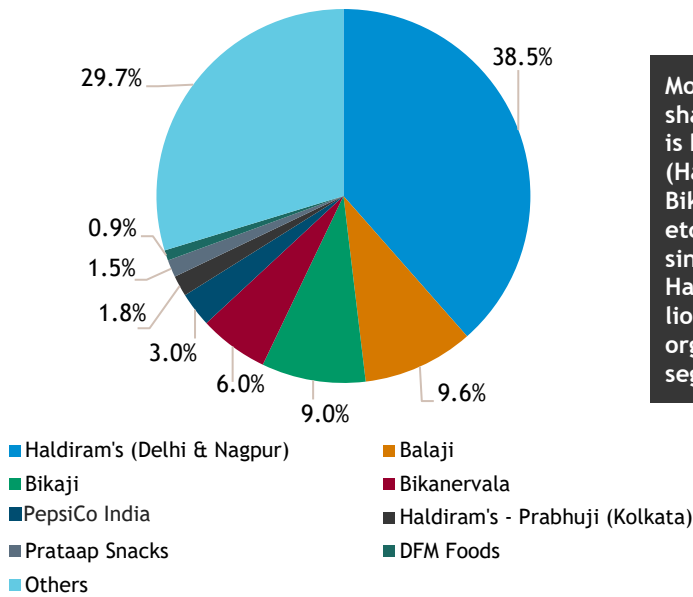
Famous Regional Snacks	North
	Bhujiya, Moong Dal, Sev, Mathri
	West
	Bhakarwadi, Fafda, Khakra, Ujjaini Sev, Chakli, Chivda, Bhel
	South
Murukku, Banana Chips, Kodubale, Nippatu, Seeval	
East	
Jhal Muri, Samose, Namak Pare, Shakar Pare	



Companies are expanding their portfolios to include products that were previously not sold in packaged forms. With companies focusing on techniques to increase the shelf life of the products while maintaining the taste, there is significant scope for growth as the larger part of the Indian ethnic snack segment is unorganised.

A SHIFT TOWARDS BRANDED ETHNIC SNACKS

Key players in Organised Ethnic Snacks (% market share in FY22)



More than 50% market share in ethnic snacks is held by companies (Haldiram's, Bikaji, Bikanervala, Prabhuji, etc.) originating from a single-family tree, with Haldiram's having a lion's share in the organised ethnic snacks segment.



	North	West	South	East
Key Regional Players	Lacy	Bansiram	Anand Sweets	Pran
	Shyam-G	Real Namkeen	Adukale	Kishlay
	Munchh Onn	Gopal Snacks	Beyond Snack	Annapurna Swadisht
	Bikano	Aakash Namkeen		
		Chitale Bandhu		

Consumption of packaged ethnic snacks is expected to increase as leading companies are entering this space with a wide variety of regional snacks.

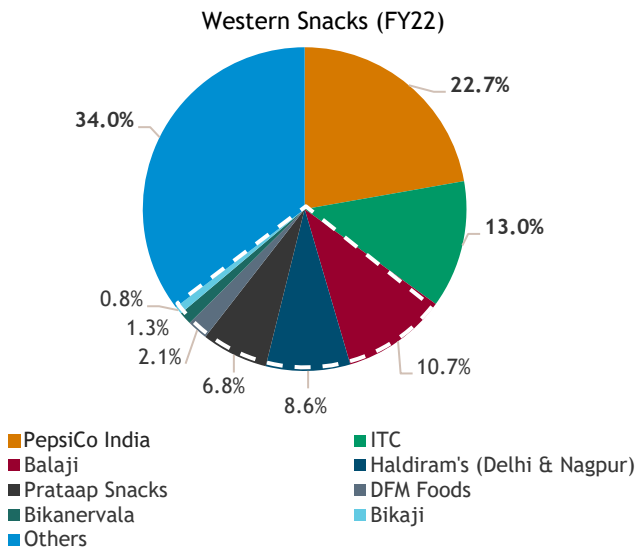
Parle	Bikaji	Haldiram's
 Ratlami Sev	 Murukku	 Chana Chur
	 Jhal Muri	 Chekaralu
		 Ratlami Sev

India has diverse preferences for snacks across different states. Even within a state, different cities and towns have different preferences. Hence, it becomes difficult for western snack companies to enter the ethnic snacks segment.

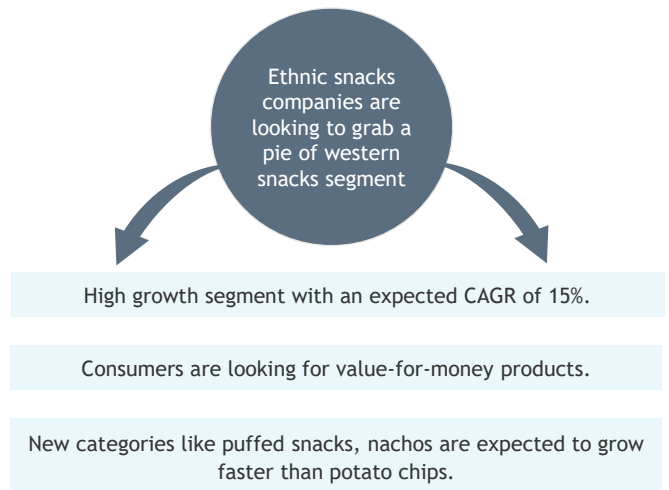
An inorganic strategy would be imperative to create scale and expand across geographies (e.g., Prataap Snacks acquired Avadh Snacks).

WESTERN SNACKS

A FRAGMENTED MARKET WITH LARGE PLAYERS HOLDING MAXIMUM MARKET SHARE

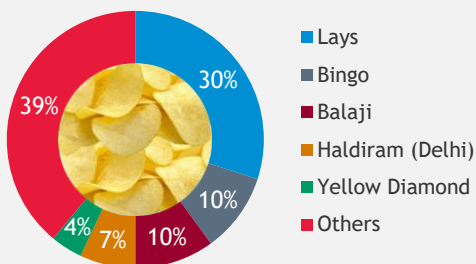


The western snacks segment has been largely dominated by PepsiCo India and ITC. Companies like Balaji, Prataap Snacks have challenged leading players.



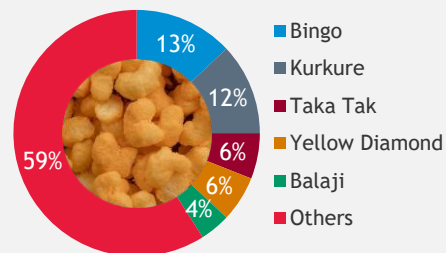
POTATO AND PUFFED SNACKS ARE THE HIGHEST CONSUMED WESTERN SNACKS WITH INCREASING DEMAND FOR TORTILLA CHIPS

Market Share % in FY23*



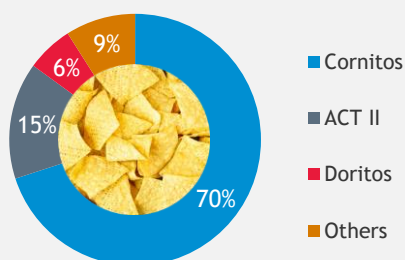
Potato Chips

The top five players account for around 60% of market share in the potato chips category



Puffed Snacks

Bingo and Kurkure are the leading brands in puffed snacks



Tortilla

Tortilla segment is highly concentrated, with 3 players covering ~90% of the market

Tortilla chips grew at the highest rate at ~14% y-o-y in 2022, as compared to potato chips and puffed snacks.

HEALTHY BITES

THE GROWING HEALTHY SNACKING MARKET IS DRIVEN BY AN INCREASING DEMAND FOR VALUE-ADDED AND NUTRITIONAL PRODUCTS

Consumers are increasingly demanding various types of healthy snacks...



Superfoods	Plant-based	Nuts	Naturally Healthy	Kids Snacking
Protein bars, gluten free, millet-based products	Products derived from plants	Nuts, seeds, dry fruits, berries	Rich source of nutrients	All types of snacking products mainly focused for kids
Yoga Bar	Frubites	Happilo	Alpino	Timios
Snackible		True Elements	Keeros	Bebe Burp
Open Secret			Tagz	
Max Protein				
Wheafree				

...Leading to emergence of new brands...

Innovation

Healthy snacking, millet-based, keto-based snacking

Fruit-flavoured snacks

Technology advancement in manufacturing process

Unique desi flavoured snacks

Innovative packaging

Brands



...While large FMCG players are opting for acquisition to strengthen their healthy snacking product portfolio

Buyer	ITC	Marico	Tata Consumer Products
Target	Yoga Bar	True Elements	Soulfull
Year	2023	2022	2021
Deal Size (INR mn)	2,500	NA	1,500
EV/Revenue (LFY)	7.8x	NA	5.7x



SCALING GROWTH WITH A TWO-PRONGED FORK

COMPANIES ARE OPTING FOR BOTH ORGANIC AND INORGANIC GROWTH STRATEGIES TO GRAB A LARGER MARKET SHARE OF THE LUCRATIVE SNACKS MARKET

<p>Key players planning to expand their portfolio in munchies</p>	<p>Geographic expansion strategy of top players</p>	<p>Global brands partnering with Indian players</p>
<p>Tata Consumer Products</p>	<p>Prataap Snacks</p>	<p>Reliance</p>
<p>Marico</p>	<p>Acquired Avadh Snack</p>	<p>Partnered with General Mills</p>
<p>RPSG Group (Too Yumm)</p>	<p><i>to foray into Gujarat and expand the ethnic snacks portfolio</i></p>	<p><i>to launch Alan's Bugles in India</i></p>
<p>Innovative/ healthy snacking companies raising capital for expansion</p>	<p>Companies in other packaged food segment foraying into snacks</p>	<p>Large FMCG companies looking to enter into snacks</p>
<p>Tagz</p>	<p>Wingreens Farms</p>	<p>Wipro Consumer Care</p>
<p>Open Secret</p>		
<p>Max Protein</p>		



DEAL ACTIVITIES

M&A			
Buyer	Haldiram's	Prataap Snacks	Haldiram's
Target	Babaji Snacks	Avadh Snacks	Dreamcann Foods (Whole Foods)
Year	2019	2018	2018
Deal Size (INR mn)	1,484	1,481	400
EV/Revenue (LFY)	NA	2.8x	2.2x
EV/EBITDA (LFY)	NA	35.5x	NA

PE Fund Raising						
Investor	360 One, Axis Asset Management, White Oak Capital	White Oak	Matrix Partners, Sixth Sense	Motilal Oswal	Rabobank	Norwest
Companies	Gopal Snacks	Bikaji	Open Secret	Happilo	Max Protein	Kishlay
Year	2023	2022	2022	2022	2020	2018
Deal Size (INR mn)	1,782	1,400	780	1,865	200	1,014
EV/Revenue (LFY)	3.3x	4.4x	NA	6.7x*	3.3x*	NA
EV/EBITDA (LFY)	23.3x	50.6x	NA	NA	NA	NA
	Pre-IPO	Pre-IPO	Growth	Growth	Growth	Growth



FINANCIAL HIGHLIGHTS - KEY PLAYERS

Sr no.	Company	Fiscal Year	Operating Revenue in INR mn ⁽¹⁾	EBITDA Margin ⁽²⁾	Net Working Capital Days
1	Haldiram's (Delhi & Nagpur) ⁽²⁾	FY22	87,446	13.0%	21
2	PepsiCo India	FY23	64,517 ⁽³⁾	-11%	NA
3	Balaji Wafers	FY23	49,249	13.2%	6
4	ITC (Bingo)	FY23	28,345 ⁽⁴⁾	NA	NA
5	Bikaji Foods	FY23	19,661	10.9%	19
6	Prataap Snacks	FY23	16,529	3.8%	10
7	Gopal Snacks	FY23	13,946	14.3%	38
8	Bikanervalva Foods	FY22	11,921	8.1%	17
9	Laxmi Snacks	FY23	8,458	11.8%	7
10	DFM Foods	FY22	5,544	(3.1%)	-26
11	Urmin Products	FY22	5,334	21.5%	73
12	PRAN Beverages	FY22	4,262	5.9%	76
13	Guiltfree (Too Yum!)	FY23	4,234	(60%)	-37
14	Aakash Global Foods	FY22	3,648	2.8%	30
15	Serveshwar Food Products	FY22	3,488	3.9%	4
16	Kishlay Foods	FY22	3,195	1.5%	28
17	V. K. Home Solutions (Pari)	FY22	1,657	4.8%	60
18	Chheda	FY22	1,454	5.7%	35
19	Mahesh Namkeen	FY22	1,356	6.1%	62
20	Greendot Health (Cornitos)	FY22	994	2.9%	27
21	Shree Shyam Snacks	FY22	866	6.7%	-11
22	Isha Snacks	FY22	784	7.4%	-7
23	Crazy Snacks	FY22	740	4.3%	30
24	Printiti Foods	FY22	715	2.9%	45
25	Chitale	FY23	481	10.9%	45

Disclaimer: The numbers have been sourced from annual report / public databases. We have not independently verified the data contained herein

Sources: Annual Report, VCCEdge, Euromonitor Note: * Retail Sales value as per Euromonitor Data
⁽¹⁾Latest numbers available (FY22 / FY23). ⁽²⁾Line-by-line addition of revenue and EBITDA of Delhi and Nagpur entities. Aggregate numbers are for representation purpose. ⁽³⁾Revenue of PepsiCo India does not include revenue from beverages. ⁽⁴⁾Retail Sales value as per Euromonitor Data, adjusted for an assumed channel margin of 30%.
 Net Working Capital Days = (Accounts Receivables + Inventory - Accounts Payables) *365 / Revenue from Sales

INDUSTRY VOICES

“Affordability, small pack size and rise of middle class in India fuelled the growth of snacks industry in India.

Since the COVID pandemic, consumers are all the more focusing on quality and increasingly giving preference to branded and packaged snacks over local and unpackaged snacks. This is resulting into shift towards organised market. Larger players are the ones benefiting the most as they have better bargaining power, marketing setup and infrastructure to leverage on.

We believe that products that are for masses will expand faster as compared to premium segment products. For brands that are aiming to manufacture snacks for mass market, cost and quality are more crucial than marketing and advertisement. Our focus has always been quality products in good packaging and more widely accessible to masses.

Consumers have different perception of healthy snacks. Bettering product’s ingredients is one way to eat healthy. Regional snacks made of high quality ingredients and less oil are also healthy. We use high quality raw materials and oil composition of majority of our SKUs has also been significantly lowered recently. Products like makhana and millet-based have yet to catch on with mass consumers.

Due to high competitive intensity, ethnic snacks are particularly price sensitive. Even now, many regional snacks like Fafda and Khakra are purchased from unorganised Kirana stores. Brands have significant scope to grow in this unorganised and under-tapped market.”



Chandubhai Virani

Founder & MD,
Balaji Wafers



“With Indian consumers looking for products that are both healthy and tasty, Wheafree is creating a niche market of gluten free products made from rice, maize, millet, sorghum, quinoa and other alternate grains. In addition to focusing on healthy ingredients, we are focusing on nutritional value such as content of protein, fibre, good carbs, etc.

Indians are currently influenced with different kinds of health ideologies which are cultural habits, ayurveda and modern day trends, I would say Bharat ideology vs. Indian ideology and there are lot of clashes in terms of defining what is healthy. E.g. - there are concerns if oats, artificial sweeteners and like products are healthy.

With focus on mindful eating, consumers are now increasingly reading labels to know nutritional values of products. Growth in health focused food category is value driven as the market is small and mostly concentrated in metro, Tier I and Tier II cities.

Start-ups are instrumental in growth of health focused products segment. Several forces are working together that are driving start-ups into a bigger league including boost to start-up culture across India, e-commerce, plug and play concept enabling startups to outsource some business functions and private equity investments helping start-ups to expand.”



Harinder Lamba

Founder,
Chierz Foods and
Beverages Pvt Ltd



“Healthy snacking is the largest and fastest growing category in healthy food segment. Consumption of healthy snacks in India, historically, has been driven by around top 1% of the population. However, with growing disposable income and preference to consume better and healthier food, middle-class population will drive the consumption of healthy snacks.

In India, food is very local in nature and taste plays a crucial role which makes it difficult to change consumer food habits. Open Secret intends to be a challenger brand in large packaged food categories including biscuits and snacks rather than growing in small and niche categories such as vegan foods, protein bars, etc. While large incumbent brands lack innovation and mostly offer conventional products, Open Secret continuously focusses on launching innovative snacking options.

We are creating better-for-you products with focus on 3Is - “Indulgent, Intuitively Healthy and Innovative”. In India, a healthy food will only sell if it is tasty. Hence, indulgence is a key factor. Food, being a high-frequency low-involvement product, has to be intuitively healthy. We effectively communicate through our products that we are purpose driven brand that aims to “Un-junk India” and our products are made following age-old open secret of being 100% natural and high in nutrition. This helps creating trust across all our product offerings.

We are breaking the myth that “Healthy snacking is an urban phenomenon”. I believe that there is a supply constraint in healthy snacking segment with very limited options available in the market. We are catering to this whitespace and addressing the pain point by offering a wide variety of healthy products at reasonable price points. Tier II and Tier III markets are driving the growth as there is willingness to pay for healthy, tasty and differentiated food.”



Ahana Gautam
CEO & Co-Founder,
Open Secret

**OPEN
SECRET**

“Packaged food industry is on the cusp of another revolution with rapid expansion in the current categories and the increasing popularity of the upcoming segments. The food industry is one of the few to have braved the negative business effect of the pandemic and also, reported growth in those years. The consumption of packaged food is also slated to grow significantly as a result of population growth and lifestyle changes, creating a large headroom for industry expansion.

The young generation displays a different approach to consumption (especially for our category) - They are very demanding, inclined to experiment with flavours, willing to pay for innovation while also leaning towards the health category in snacking. Whereas, the older generation has stuck to demanding specific products from the ethnic snacks category and also continue to be staunch brand loyalists.

Today, tailored brand communication catering to the multiple audience buckets is key to deliver ROI based marketing campaigns. Then be it adopting new media vehicles which command more attention from the youth or keeping the packaging appealing to a larger audience base, brands have to do it all! Consumers have strong opinions and preferences today and us as consumer centric brands need to work with them on their need to be ‘heard and seen’.

Speaking about overall snacks industry, western snacks still dominate the organized Indian Savory Snacks market. Both, ethnic and western snacks, segments are expected to grow over the next few years. Regional and niche players have also picked up steam in the recent years with multiple D2C brands having come up in the organised snacks’ industry. In fact, these players have seen a quick initial growth phase owing to either filling a gap in the industry (healthy snacking options) or being true to regional taste preferences bringing all of them under one roof for people to buy from.

With more product innovation, evolving consumer preferences and consumption patterns, there is a lot of horizontal and vertical integration happening on the category and brand front. Regional players are gaining popularity nationally and the national players are entering regional marketing with customisations to suit the regional palates. There is a segment of consumers that is looking for ‘healthier’ snacking options and another set of consumers is not willing to compromise on the taste buds but willing to relent on portion sizes. Therefore, the next five years will see a lot of consumer insights paving the way for new product development and brand launches. But one thing is certain, the ethnic Indian snacks are here to stay and this will probably be visible in the post Diwali data coming in from the key players in the industry!”



Neha Rao
Vice President - Marketing,
Bikaji

BIKAJI



SPICES

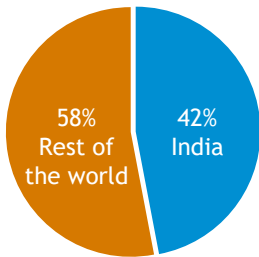
A highly lucrative segment in domestic and exports markets

OVERVIEW

INDIA - WORLD'S LARGEST SPICES MARKET

India is the largest contributor in the production and consumption of global spices

% of total global production*

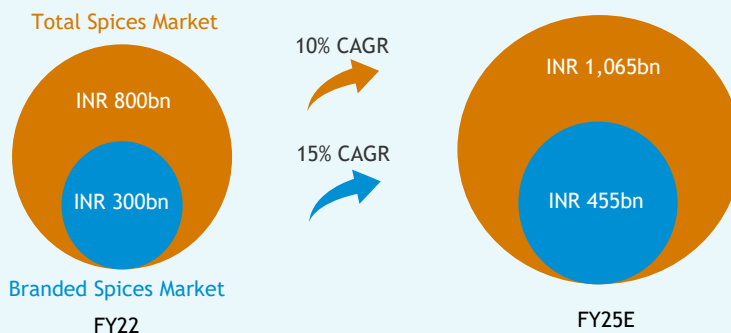


Source: FAOSTAT, Spices Board India

11mn MT	Spices production in India (FY23E)
75	Varieties of spices produced in India out of 109 global varieties listed by ISO
~30%	Contribution in the global trading of spices*
	India is aspiring to achieve spices exports worth USD 10bn by 2030 from USD 4bn in FY23

Indian spices are known across the world due to their flavourful taste, aroma, coupled with health benefits.

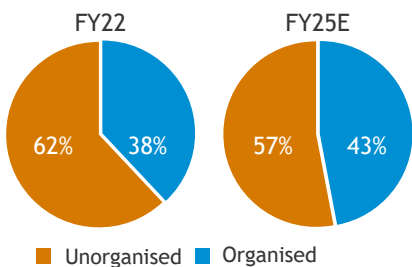
Poised to grow at a CAGR of ~10% with massive headroom for growth for branded spices



Underpinned by strong growth drivers with exotic flavour and novelty identified as new trends

Gradual shift towards branded spices and increasing adoption of blended spices

Several new variants witnessing larger acceptance



While unorganised market is largely dominated by straight spices, blended spices category holds a sizeable share in the organised segment.

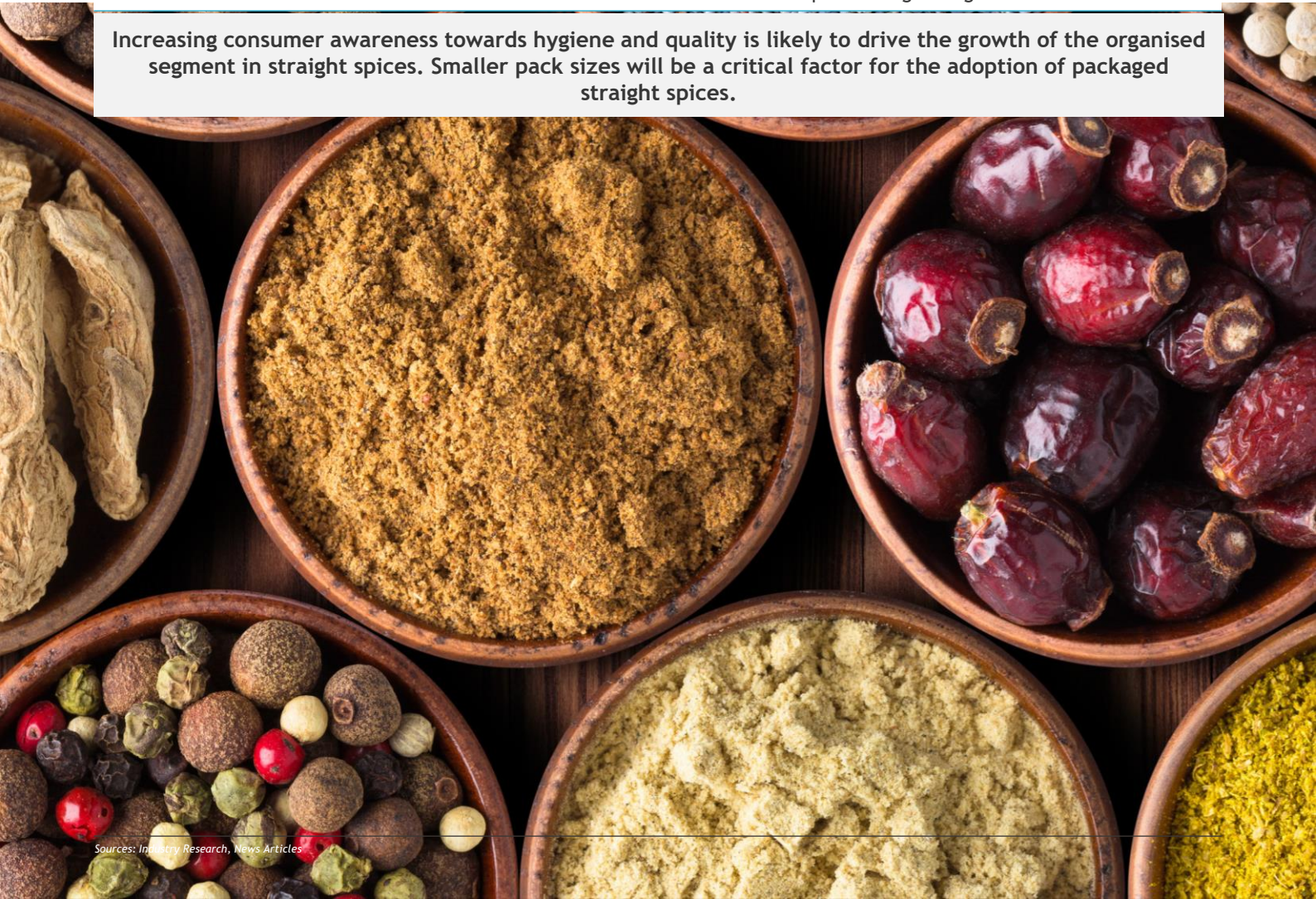
Blended spices category is expected to grow ~1.5x faster than straight spices.

Sources: Industry Research, News Articles
 Note: * As per the data available on FAOSTAT; and the spices include dry chillies, pepper, ginger, cloves, nutmeg, mace, cardamom, anise, badian, coriander, cumin, caraway, fennel, juniper, other stimulants, spice and aromatic crops n.e.c.. This data varies from that of Spices Board's as it takes various other spices into consideration

STRAIGHT SPICES VS. BLENDED SPICES

	Straight Spices	Blended Spices	Comments
Realisation	Low	High	<ul style="list-style-type: none"> Consumers are price-sensitive while buying straight spices due to limited product differentiation.
Competition	High	Low	<ul style="list-style-type: none"> The straight spices segment is a fragmented market with many local and regional brands.
Margin	Low	High	<ul style="list-style-type: none"> High competition leads to lower realisation and margins.
Market Landscape	Largely dominated by regional players with a focus on tier II+ and rural markets	Largely dominated by players with high brand equity in metro and Tier-I cities	<ul style="list-style-type: none"> Regional players dominate the rural market with a larger share of straight spices in their portfolio. Big players play on the blended spices segment and derive a large part of their profitability from Tier-I and metros.
Brand Stickiness	Low	High	<ul style="list-style-type: none"> Higher brand stickiness in blended spices as consumers prefer constant taste and quality in this category.
Convenience	Low	High	<ul style="list-style-type: none"> Blended spices like garam masala, chicken masala are convenient to use vs. mixing straight spices in a similar proportion at home.
Market Structure	Unorganised	Organised	<ul style="list-style-type: none"> The straight spices segment is largely unorganised, marked by the old culture of buying loose spices and grinding them at home.

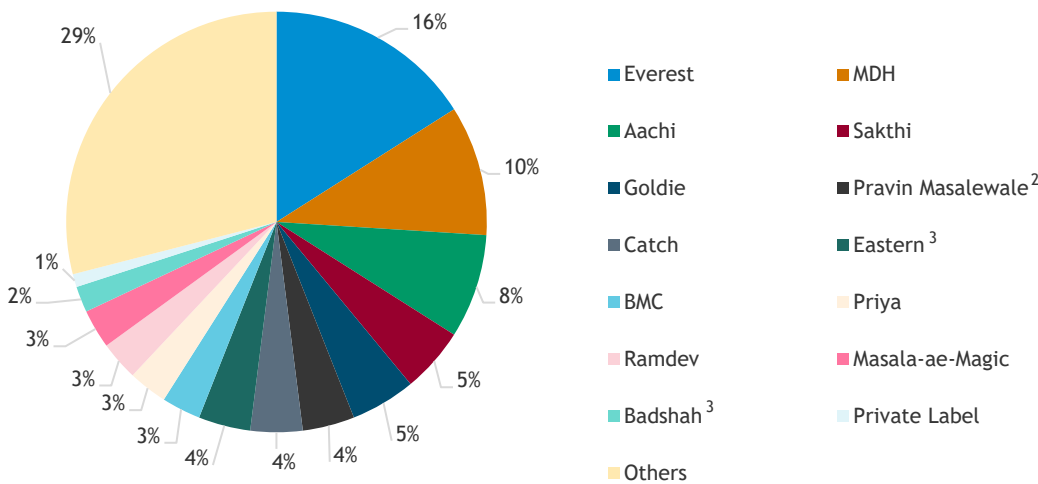
Increasing consumer awareness towards hygiene and quality is likely to drive the growth of the organised segment in straight spices. Smaller pack sizes will be a critical factor for the adoption of packaged straight spices.



DOMINATED BY DOMESTIC / REGIONAL PLAYERS

Larger players enjoy the product moat, hence driving loyalty and brand stickiness

FY22 Market Share in Spices¹ (On retail sales value)

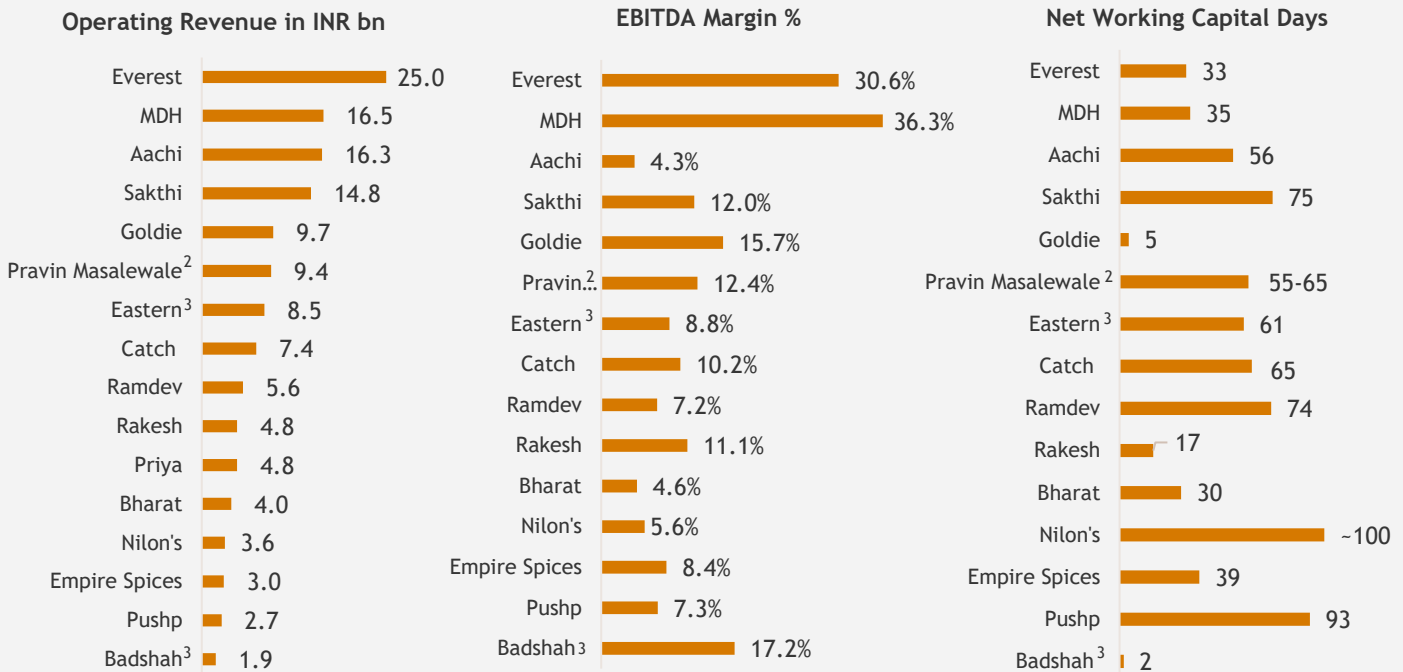


Everest and MDH are the only PAN-India players.

As more than 85% of sales come through the general trade channel, domestic players with distribution muscle have an advantage. This also creates brand recall as consumers are regularly seeing products on retail shelves.



Key Players (On Company Financials)⁴



Straight spices typically offer a 30-35% gross margin vs 40-42% for blended spices.

Margins of larger players in blended spices are even higher due to economies of scale and efficient supply chain management.

Majority of the companies with efficient working capital management have been able to unlock higher margins.

Sources: VCCEdge, Company Annual Reports, Industry Research, Euromonitor
¹Retail Sales value as per Euromonitor Data. ²Pravin Masalewale operates under brands like Suhana, Ambari, Sarvam, Toofan, Pravin, Navin, and Aveer. ³Eastern acquired by Orkla and Badshah acquired by Dabur.
⁴Financials of Nilon's and Empire Spices are on FY23 basis, others on FY22 basis
 Net Working Capital Days = (Accounts Receivables + Inventory - Accounts Payables) *365 / Revenue from Sales

IN THE HIGHLY FRAGMENTED SPICES MARKET, HIGH GROWTH IS DERIVED BY VALUE-ADDED AND DIFFERENTIATED PRODUCTS

Blended spices witness strong brand stickiness thereby giving ability to companies to charge a premium for value-added products and generate higher margins.

1 Investment Phase

Regional players focus on regional taste preferences and capitalise on local knowledge to expand into adjacent product categories within the region

Larger brands leverage on scale and expand through extensive distribution, efficient procurement and brand spending

Create brand awareness and taste sampling

Create strong brand loyalty & customer stickiness

2 Monetization Phase

Ability to charge premium resulting in higher margins

Better bottom-line growth

3 Cash Cow

Monetary muscle to invest in R&D and marketing

Large players with a portfolio having a larger share of blended spices will become larger by providing value-added products and creating strong brand equity.

Better profitability and ability to invest more in branding and marketing which further strengthens brand image and customer loyalty and gives the ability to leverage the brand and expand into the adjacent category of products.

Small and mid-size companies would be looking for a longer horizon funds as it takes time to build a brand in this space.



WHILE NATIONAL PLAYERS HAVE AN ADVANTAGE TO BUILD SCALE, REGIONAL PLAYERS ARE WELL-POSITIONED TO CATER TO REGIONAL TASTE PREFERENCES WITH CONSISTENCY

Advantages to National Players	
Distribution	A wide distribution network could be leveraged to introduce new product categories to cater to a larger TAM including existing and new customers
High Share of Blended	Product portfolio consists of a large share of blended spices that are accepted across Pan-India, e.g., pav bhaji masala, paneer butter masala, chicken masala, etc., which give higher margins
Brand recall	Strong brand recall and customer loyalty as customers focus more on quality and brand when it comes to blended spices
Supply chain Benefits	Efficient sourcing and supply chain resulting into better inventory and working capital management

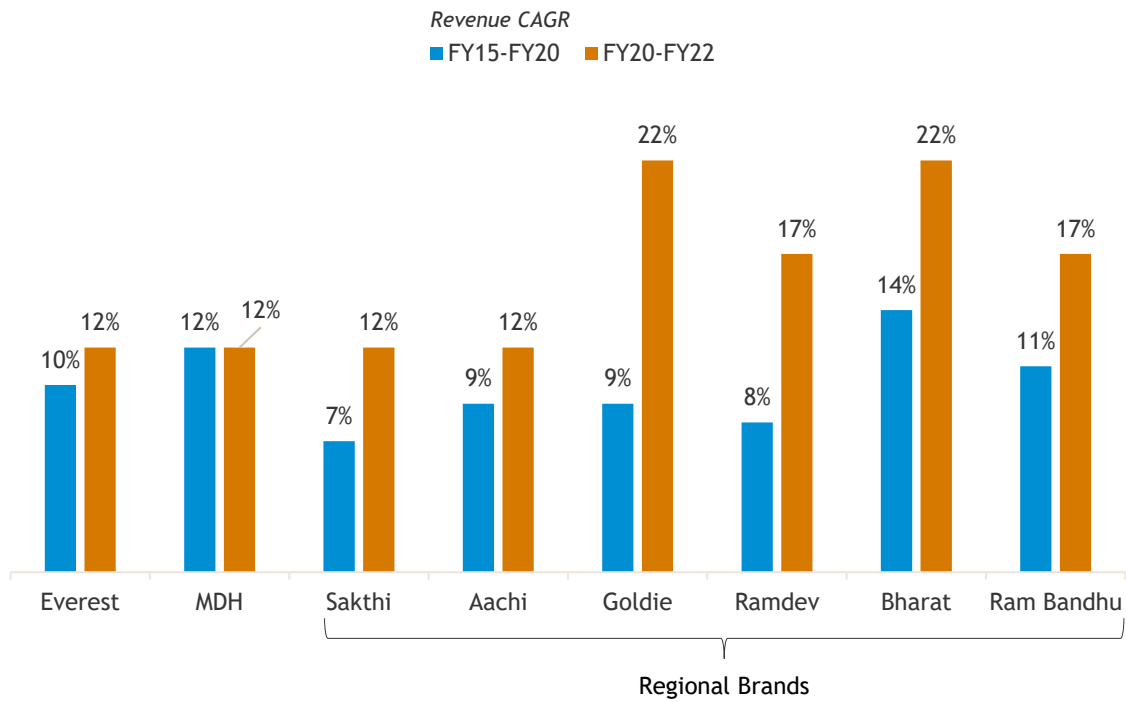
Advantages to Regional Players	
Local knowledge	Local knowledge about consumer preferences helps enter the untapped market of region-specific products which are smaller in scale for national players to focus on. E.g.: chivda masala, kanda lasun masala, puliogare masala, etc.
Strong relationship	Strong relationship with retailers helps to understand the purchase trends and accordingly influences retailers to push the brand by offering retailers a better margin
Region taste preference	While large players offer a pan-India palate of blended spices, regional players could focus on region-specific tastes, e.g., the tangy flavour of sambhar masala for South India vs. spicy sambhar masala for North India
Pricing	Ability to offer regionally preferred spices at better pricing in tier 2, 3 cities/ rural areas
Consistent Sourcing	India is home to 30+ types of turmeric, 5+ types of coriander, 15+ types of chillies, all unique to different regions. A regional player has the ability to focus on procurement from specific regions to offer consistent taste for its target market
More control on supply chain	A regionalized sourcing model provides flexibility and reduced risks. While national companies faced COVID-19 induced disruptions in supply chain and distribution along with a shortage of inventory, regional players were able to take away volume share from large players on the back of regional sourcing and distribution

Tier II+ cities and rural consumers have a stronger preference for regional taste and seek value for money compared to Metro and Tier I consumers who are more brand conscious. This gives regional companies an edge in creating a strong play in regional markets across categories.

In addition to region-specific spices, it is imperative to have pan-India products in the portfolio to build scale and volume. Regional players should gradually expand as creating a pan-India play is difficult yet important.

LOCAL BRANDS ARE GRABBING MARKET SHARE THROUGH DIFFERENTIATED PRODUCTS AND COMPETITIVE PRICING

Over the last few years, with a shift towards regional preferences and price competitiveness, regional brands grew at a higher rate than national brands



Regional brands have a leverage as they offer region-specific spices such as chivda masala, kanda lasun masala, etc., which are smaller in scale for national brands to focus on

Innovation

Organics and hand-ground spices

Procurement from best sources and advanced grinding technology keeping taste and nutrients intact

Innovative packaging

Companies

Hand Grounded Spices

Urban Platter	Orika
ZOFF	DesiBoat

International Spices

Keya	HerbsHi	Crista
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Organic Spices

Organic Tattva	Natureland Organics
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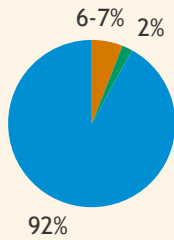
The market is seeing new entrants with versatile offerings as consumers are opting for convenience.



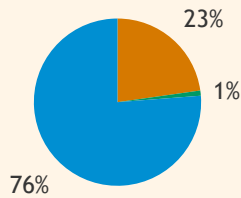
IMMENSE OPPORTUNITY FOR MNCS TO EXPAND IN THE SPICES CATEGORY

Foreign brands hold limited market share in branded spices market in India compared to other segments in F&B

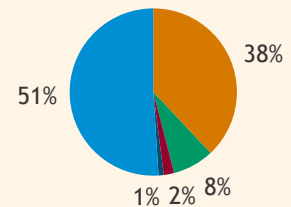
Market share of key foreign brands



- Orkla (Eastern + MTR)
- Maggi Masala-ae-Magic
- Domestic Brands



- PepsiCo
- ACT II
- Domestic Brands

















- Maggi
- CG Foods
- Top Ramen
- Knorr
- Domestic Brands



Masala-ae-Magic and Knorr are the only 2 MNC brands that grew organically. Orkla acquired Eastern for INR 13,500mn.

Larger players will have to take the acquisition route as local knowledge and deep understanding of consumer preferences and the Indian retail ecosystem are critical factors to establish presence and succeed in the spices segment.

DOMESTIC CONGLOMERATES/ MNCs IN INDIA ARE STRENGTHENING THEIR POSITIONING IN SPICES SEGMENT

	Organic Play	Inorganic Play
ITC	 Aashirvaad Entered into the branded spices segment (CTC) with the brand 'Aashirvaad' in 2005	 Acquired Sunrise for INR 21bn to ramp up its spices business
Dabur	 Dabur Hommade Introduced culinary range under homemade brand (cooking pastes)	 Acquired Badshah Masala for INR 5.8bn to expand into new adjacent category
Tata Consumer Products	 Tata Sampann Entered into the spices segment with the brand 'Sampann'	 Rumored to be in race to acquire Capital Foods and Aachi Masala
Wipro Consumer	 The company will be launching their own spice product line to jumpstart the business	 Acquired Nirapara and Brahmins to ramp up its organic spices business
Hindustan Unilever	 Knorr Entered into pastes and spices segment with the brand 'Knorr'	 Was rumored to be in race to acquire MDH
Reliance Consumer Products	 Independence Launched brand 'Independence' with a range of food products and essential items including spices	 Planning to acquire brands in packaged food segment to strengthen its FMCG business
Nestle	 Maggi Entered into the spices segment with their product 'Masala-ae-magic' a decade ago	 Rumored to be in talks to acquire Capital Foods which is present in sauces, noodles, spice mixes segments





DEAL ACTIVITIES CONSOLIDATION ACROSS THE INDUSTRY

M&A					
	Global players' entry through acquisition	Domestic FMCG conglomerates gaining the market share by acquiring regional players			
Buyer	Orkla	Wipro	Wipro	Dabur	ITC
Target	Eastern	Brahmins	Nirapara	Badshah	Sunrise
Year	2020	2023	2022	2022	2020
Deal Size (INR mn)	13,500	NA	NA	5,875	21,500
EV/Revenue (LFY)	2.4x ⁽¹⁾	NA	NA	4.5x ⁽²⁾	3.6x
EV/EBITDA (LFY)	18.6x ⁽¹⁾	NA	NA	19.6x ⁽²⁾	24.7x

Regional and new-age players raising funds to build the platform and enhance their margins			
Investor	A91 Partners	True North	Investcorp
Companies	Pushp	Keya	Integrow
Year	2020	2019	2019
Deal Size (INR mn)	1,275	280 ⁽³⁾	800
EV/Revenue (LFY)	-2x	-5x	NA

As organic play is very time-consuming due to diverse regional preferences, companies will be able to build a pan-India play mostly through acquisitions.

INDUSTRY VOICES

“Indian spices segment is fragmented with national players, regional players and lots of local players. In straight spices segment, there are many regional players who are stronger than national players, one of the key reasons being that retailer has power to push straight spices products vs. blended spices where brand stickiness is very high. However, since regional spices companies typically have larger share of CTC, their material margins are lesser.

Strong and bigger brands have larger share of their revenue coming from blended spices / value added products which in turns give higher margin and better ability to spend on branding and marketing.

Consumption pattern in India is evolving with consumers looking for new flavours, both authentic Indian and global cuisines, convenience and hygiene. This is driving the growth of sauces and RTC products. Worldwide, sauces and chutneys are ever-evolving categories. In India, consumers across metro, Tier-I and Tier-II cities are experimenting with cuisines and newer products. Consumption of pickle is reducing and being substituted by ketch-up and sauces. RTC is also growing and will continue to grow as larger number of houses become double-income households. The evolving preferences are leading to emergence of new brands.

For a new brand, ecommerce and B2B route is an easier route to establish itself. Once established and achieved a reasonable volume, then going to a general trade or modern trade is one of the effective strategies for a new brand. Other strategy could be by focusing on selected stand-alone modern trade (SMT) outlets to create brand presence. There are consumers for every distribution channel and will be likewise. Modern trade and e-commerce allow more consumption trials to happen, however, in India, general trade continues to be the best platform to gain volume and increase revenue.”



Dipak Sanghavi
MD & CEO, Nilon's Enterprises



“In India, every region has a different taste preference and regional players understand various consumer needs better.

Many large MNCs are wanting a piece of spices segment as it is a large market and there is lot of unorganized play. Larger F&B players could leverage their wide distribution network to expand in spices segment, however, local knowledge is critical to penetrate, specially into Tier II+ cities or rural markets where regional players offering local spices variants have a competitive edge.

To expand geographically, it is imperative for a regional player to offer a mix of both region-specific differentiated spices and nation-wide acceptable products such as paneer masala, pav bhaji masala, etc. We offer that kind of differentiation through products like chakli masala, chivda masala and achar masala.

Consumer preferences is evolving in India as consumers are becoming more aspirational and willing to experiment with cuisines with focus on fusion. This is resulting in demand for Indianized version of international spice blends including pizza / pasta masala. In the coming 3-5 years, brands will need to have these categories in their product portfolio to cater to consumer demand, however, it is not a big volume gainer today. For a brand to grow, omni channel is the way to go about. Revenue through modern trade and online channel has seen substantial growth for all the brands in previous 4-5 years. E-commerce has significant potential and will grow strongly in next few years, but, if we talk about a 5-year kind of horizon, the general trade will continue to be the leader as it is today.”



Anand Rathi
Director, Empire Spices and Foods





“In the branded spices segment, growth is being driven by both volume and value. We are observing a consistent increase in volume as more and more consumers are shifting from open and loose spices to packed and branded spices. With the growing awareness towards health hazards from the loose and spurious spices, consumers have become more informed and smart. Consumers are willing to spend for better quality and taste. They don’t want to compromise on the health of their family, especially post the Covid-19 pandemic. Basic spices, i.e., cumin, turmeric and chilli are witnessing growth across markets, whereas the demand of blended and specialty spices is more from the urban markets. Also, there is a massive surge in exports of spices with increasing popularity of Indian ethnic cuisines across the world. We have witnessed demand from Indian diaspora in the Middle East, Australia as well as Europe, for which we are actively setting up our distribution channel.

Regional players have a better understanding of the local taste, native market and its demands. Regional players like us, benefit from stronger connects and relationships with the traders and distributors across the hinterland. Additionally, consumers have a stronger affinity and pull towards local brands. With increasing urban migration, the local affinity factor also becomes extremely supportive when a regional player expands nationally. The migrated loyal customer base is already present to establish in a newer market. The best example to quote here is the Middle East markets like UAE. When Vasant was launched in UAE, the brand name was already well known to the customers there.

Consumers, at large, are moving towards convenience. In both small and large cities, nuclear families and working couples are the norm. With such socio-demographic change, time and convenience are the most crucial factors for the new urban lifestyle. Hence, the demand for blended spices is increasing as it offers convenience. The new age consumers do not have the time to collect all spices in the right mix and then grind them. Rather, they prefer ready-made blended spices that offer consistent taste in their everyday meals.

The new age consumers are more concerned to have a better lifestyle and food is an important element in the modern lifestyle. The innovations in spices will surely open newer markets, however, they will not make any significant impact in the share of traditional spices. In fact, with innovations, the demand for blended spices will also increase.

Spices segment has its own challenges to operate in. It is largely affected by weather unpredictability which makes sourcing of the best quality material challenging. Hence, inventory planning is critical in this segment. Typically, companies procure spices during the production period and store spices for 8-10 months. Also, maintaining same quality is difficult as farmers are trying and sowing different varieties of seeds due to adverse weather conditions.

While GT is the dominant channel, MT and e-commerce are growing. However, in tier II & III+ cities, consumers mainly purchase through GT.”



Omprakash Bhandari
Executive Director, Vasant Masala



INDUSTRY VOICES

“Indian spices market is thriving and will continue to rapidly expand. With growing awareness, demand for quality products and shifting preference towards branded products, spices segment is expected to see rapid shift towards organised market. It’s a lucrative market and hence, large domestic companies and MNCs are expanding into this segment.

Regional players dominate spices segment as India has varied taste preferences across regions and regional players have a deeper understanding of consumer preferences. Regional brands could leverage their knowledge of local consumption pattern to create brand loyalty and expand their product portfolio. It is also critical for regional players to be strategically located to efficiently procure raw materials and manage logistic costs.

Eastern region is a key market for spices as it’s largely unorganised and there is significant headroom for growth. Cookme has strong market positioning and brand recall in East India. We are one of the oldest brands in the country and amongst the top brands in eastern part of India.

Indian market is driven by value-for-money consumers, however, people are gradually embracing premiumisation. GenZ and millennial consumers are early adopters and willing to pay a premium for new and differentiated products.

Spices segment is highly competitive. Players who are steadily growing their product range, embracing new technology and gradually expanding their markets will benefit more from the rapid growth of the industry.”



Subhamoy Dutta
Director, Cookme



“Natureland Organics is amongst the top 5 organic brands in India with a wide bouquet of product offerings and strong compliances with ESG and organic farming standards. We have worked with small farmers to help them understand benefits of organic farming including long-term benefits to the land on which organic farming is carried out, ability to charge a premium, minimal exploitation of margins by middlemen and better standard of livelihood. Organic farming currently contributes ~2% of the farming landscape and is expected to reach around 10% in the next few years.

Consumers are increasingly focusing on consumption of nutritional and immunity-boosting food leading to growing demand of natural and organic food. Covid-19 had been a catalyst to the growth in demand and has helped Indian organic food industry to grow in leaps and bounds. Social media has also played an important role in growing awareness, especially amongst youth. Large players like Amul and ITC have also entered into the segment to capitalise and reap benefits of the growing industry.

Along with growth in volume, the prices for organic products are also expected to soften. Organic products are currently priced at around 2x of non-organic products and is expected to reduce to around 1.25x of non-organic products in next 4-5 years. Amongst all key organic food brands in India, Natureland Organics offers the most value-for-money organic products. Our direct sourcing from farmers helps us to save margins.

While general trade will continue to dominate sale of conventional products, e-commerce channel will drive growth of gourmet and premium products.

Along with domestic market, there is also significant opportunity in export markets for organic products with USA being the largest export market, followed by Europe and Canada.”



Ajeet Godara
Director, Natureland Organics





SAUCES

Embracing condiments beyond traditional chutneys and ketchup

SAUCES ARE INCREASINGLY FINDING THEIR WAY INTO INDIAN HOMES

The sauces market in India is expected to nearly double by 2026

Market Size in INR mn⁽¹⁾

Significant growth between 2020-22 led by mayonnaise, pasta/pizza sauces and salad dressings

26,000

17% CAGR

48,630

14% CAGR

83,530

2018

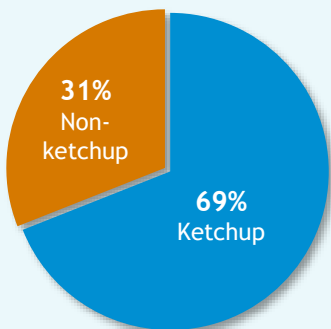
2022

2026E

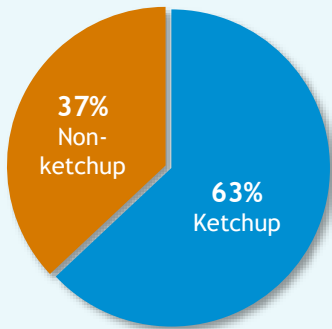
- With changing consumer preferences towards flavourful taste, sauces, being a key category in taste enhancement are expected to witness a strong demand.
- Sauces are substituting the consumption of pickles, particularly in urban areas.
- However, there is still whitespace with very few brands offering authentic sauces that could replace regional chutneys.

Growing interest in international cuisines has increased demand for non-ketchup sauces

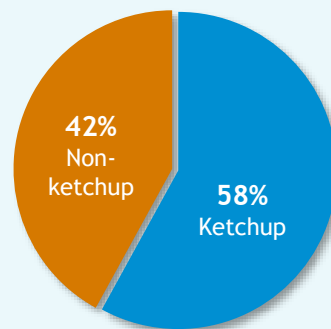
Market Share by Category⁽¹⁾



2018



2022



2026E

Driven by strong growth drivers

International travel has increased enthusiasm for food exploration

Longer shelf life than traditional Indian chutney

Growing food consumption at QSRs and HoReCa across metro, Tier-I and Tier-II+ cities

Consumers are increasingly experimenting with newer variants of sauces for cuisine-specific flavours

Post-pandemic, people have started experimenting more with home-cooked food



Source: Euromonitor
¹Based on retail sales value

THE EVOLUTION OF THE SAUCES CATEGORY OVER THE YEARS

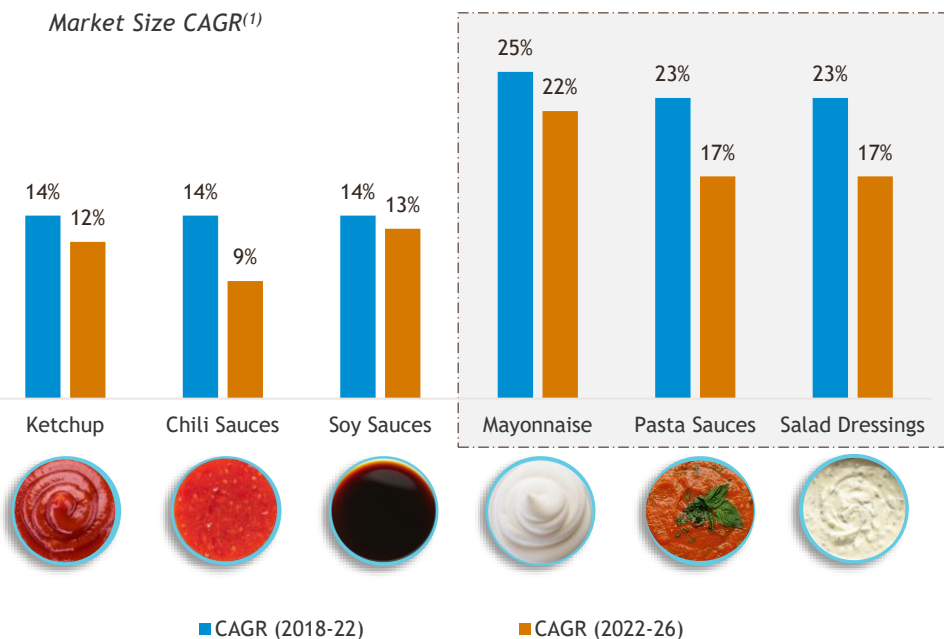
Before 1990s	1990s - 2010s	Post 2010s
Tomato Sauce	Chinese Sauces	Other Sauces
Tomato sauce was the first packaged sauce to be introduced in India	With the advent of globalisation, Chinese cuisine became popular, and use of Chinese sauces found its way into the kitchens of Indian households as well as HoReCa	With the increasing influence of international cuisines, a variety of sauces have been introduced by companies over last decade
Kissan Maggi	Ching's	Hellmann's Dr. Oetker Knorr Del Monte Veeba Wingreens Farms
Kissan and Maggi together command a majority share of the ketchup market.		

Sauces is an ever-evolving category globally with companies introducing newer varieties of sauces almost every 5-10 years to cater to evolving consumer taste palates



Increasing demand for mayonnaise, pasta sauces and salad dressings

Market Size CAGR⁽¹⁾



Ketchup has become a commoditised product, and Chinese sauces are well-accepted while mayonnaise is becoming a mainstream product in urban areas and other sauces are being experimented especially by millennial and Gen Z consumers.

INCREASING AWARENESS AND ACCEPTANCE OF INTERNATIONAL AND FUSION SAUCES DUE TO INTERNATIONAL TRAVEL AND HIGHER PENETRATION OF QSRs

Consumers became aware and were introduced to several international cuisine-specific sauces through international travel and QSRs.

Subway

Subway introduced a variety of sauces such as chipotle, honey mustard, tandoori and sweet onion

Domino's Pizza

Pizza Hut

Over the years, Domino's and Pizza Hut have expanded to tier II+ towns and made pizza/ pasta a mainstream cuisine leading to demand for pizza/ pasta sauces

Taco Bell

Foo

The influx of international QSRs in India helped expand the taste buds of consumers thereby increasing the demand for non-ketchup sauces

Mainland China

Chinese cuisine was earlier available at street vendors and local restaurants. With Chinese food becoming one of the top favourite cuisines in India, Capital Foods introduced Ching's and increased the popularity of Chinese sauces

Veeba, Wingreens and Fun Foods are leading brands offering global sauces

Consumers are trying new sauces outside the home and increasingly demanding sauces to prepare international cuisines at home along with consuming these sauces as food accompaniments.

Sauces used in various cuisines

Italian



Alfredo
Arrabiata
Basil
Pesto
Aglio Olio

Chinese



Chili
Schezwan
Soy
Kung Pao
Oyster Sauce

Thai



Pad Thai
Green Curry
Sriracha
Fish Sauce

Mexican



Chipotle
Jalapeno Sauce
Avocado Sauce
Barbeque Sauce
Salsa

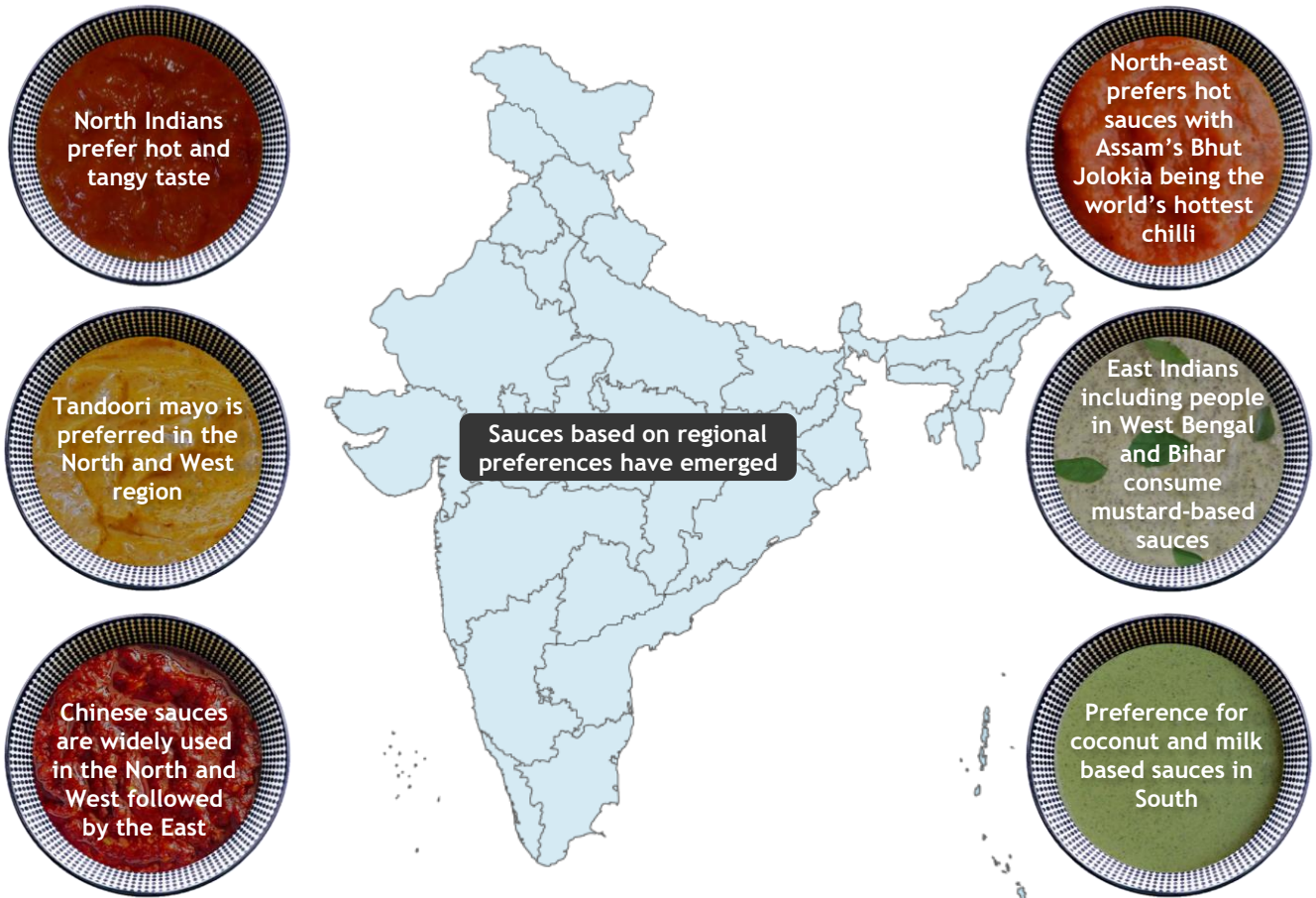
Japanese



Teriyaki
Unagi

ONE NATION - VARIED TASTES

AN EVOLVING MARKET WITH AUTHENTIC INDIAN AND INDIANISED VERSIONS OF GLOBAL SAUCES TO SUIT THE INDIAN PALATE



Pizza & pasta sauce have become a pan-India phenomenon.

Consumers are increasingly substituting pickles with ketchup and other sauces, particularly in urban areas.

In addition to regional preferences, consumers are also increasingly demanding global sauces mostly in urban areas.



NEW CUISINE SPECIFIC SAUCES LAUNCHED OVER THE LAST FEW YEARS

Authentic Indian Sauces

Naagin



Hot Sauces

Spice story



Ethnic Indian chutneys

All that Dips



Jain sauces

El Diablo



Hot Sauces

Sauces for Asian Cuisine

Maggi



Sriracha sauce

Kikkoman



Oyster flavoured soy sauce

MOI SOI



Asian sauces

Tops



Momo sauce

Sauces for Other International Cuisines

Veeba



Sauces for Italian, Mexican and American Cuisines

Wingreens



Sauces for Italian and Mexican Cuisines

Cremica



Sandwich spreads

Del Monte



Sloppy Joe & Achari mayo



RECIPE FOR SUCCESS

GO-TO-MARKET STRATEGY

Companies typically launch in urban and tier-1 cities for brand discovery and awareness as non-ketchup is yet niche and small market

Introducing products through smaller packs/ pouches for pilot testing

Companies initially launch as digital-first brand and aim for omni-channel presence

BRAND BUILDING

Need for marketing and advertising spends for greater brand visibility and consumer insights for product strategy

Leverage social media to reach out to the key target market - millennials and Gen Z

MIX OF B2B AND B2C

For small and medium-sized companies, B2B is a sustainable channel for growth. HoReCa/ QSRs are a primary market for sauce companies as a sizeable share of food consumption takes place through food service outlets

Building a brand in the B2C space is a relatively long process

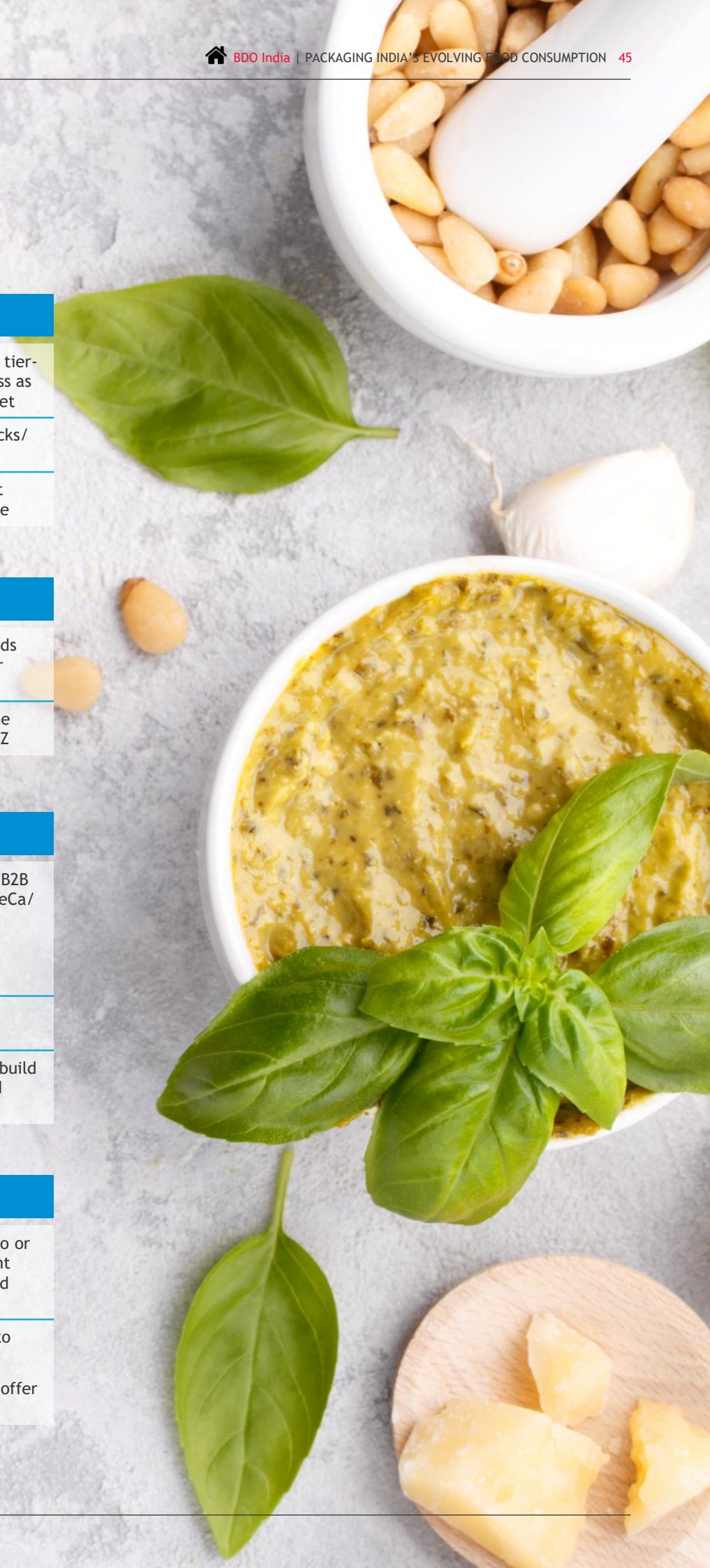
A balanced mix of B2B and B2C helps to build brand awareness and establish the brand faster

BUILDING BRAND

Companies need to expand their portfolio or collaborate/ diversify into other adjacent categories for greater brand visibility and customer acceptance

Ching's expanded into spices and soups to cater to a wider target market

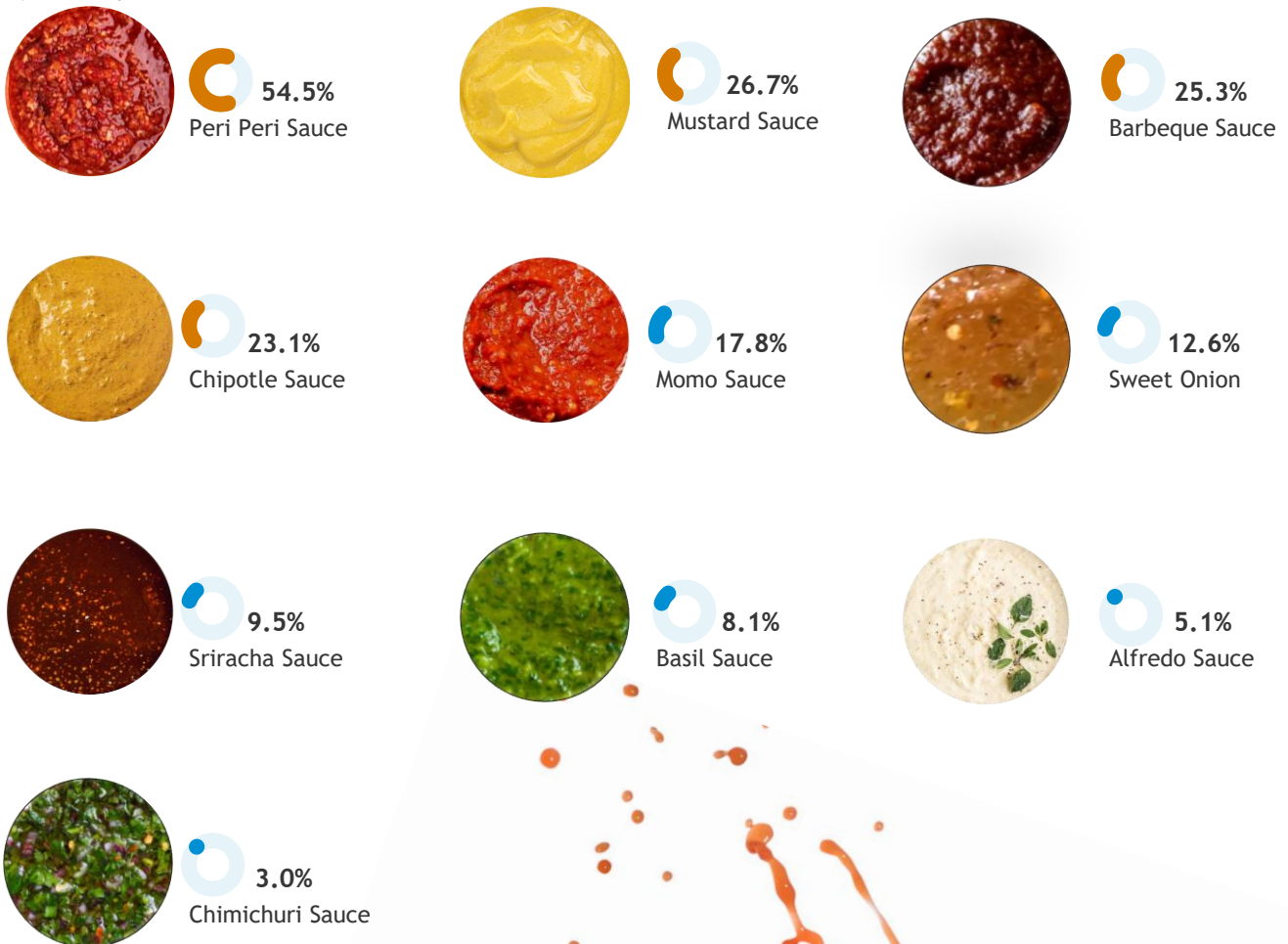
Naagin collaborated with Too Yumm! to offer Bhut Jolokia flavoured snacks



UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY ACCEPTANCE OF NEWER VARIANTS OF SAUCES

Consumer preferences are evolving as more consumers are experimenting with newer variants of sauces

% of total respondents



Q. Have you purchased any of these sauces in the last 1 year?

Peri-peri sauce, mustard sauce, barbeque sauce and chipotle are amongst the favourites in the newer sauces category with more than 20% of consumers purchasing these variants at least once in the last 1 year.

Consumer preferences are evolving as more consumers are experimenting with newer variants of sauces.

DEAL ACTIVITIES

Interest from PE players in the space					
Investor	Omidyar Network Investcorp	Verlinvest	General Atlantic	8i Ventures & Others	GVFL
Companies	Wingreens Farms	Veeba	Capital Foods	Naagin	All That Dips
Year	2021	2019	2018	2022	2019
Size (INR mn)	1,259	404	3,700 ⁽¹⁾	79	50
EV/Revenue (LFY)	NA	5.2x	3.2x	NA	NM



¹General Atlantic further infused -INR 1.3bn in 2019 in Capital Foods
Source: VCCEdge, News Articles Notes:

INDUSTRY VOICES

“Indians have a wide taste palate and are particular about taste which creates a significant market for taste enhancers including ketchup, sauces and dips.

Over the years, the consumption pattern has evolved in India. Though pickles are still being significantly consumed in rural markets, sauces have largely substituted pickles in urban areas. Millennial and Gen Z consumers are increasingly experimenting with newer variants of sauces.

QSRs and local food stalls play an important role in introducing new sauces to consumers. Consumers first experiment with these sauces at QSRs and then try them at home. Additionally, Indians are travelling abroad and with exposure to global foods, they are demanding global cuisines in their homeland.

Innovative and new variants, priced at a premium, are initially offered in smaller packs to create awareness and build habits of the product. Consumers in the upper strata are the ones eager to try these products and pay a premium. Once the product gains acceptance, it percolates to the rest of the target consumers.

B2B is a sustainable channel for growth with innovation.

There is increasing competition from private labels as well. However, private labels typically play on pricing strategy and do not satisfy the aspirational needs of consumers.

The sauces market is under-penetrated which provides significant scope for growth in this segment.”



Rajesh Gandhi
Director, Adinath Agro
Processed Foods



“The FMCG industry is not a short-term endeavor, but rather a long-term commitment that requires an investment of 7-10 years to establish a reputable brand.

Introducing originality into our product portfolio and offering unique products is crucial in building brand recognition. India, as a diverse country with varying taste preferences and consumption habits, lacks sauces that cater specifically to the Indian palate. Despite being the largest producer and consumer of spices, no brand has yet aligned itself with this distinctive consumption pattern.

Taking inspiration from traditional Indian condiments, Naagin Sauce aims to evoke a sense of Indian nostalgia. Indian cuisine is widely regarded as one of the most beloved in world, & we aspire to represent our product globally by delivering an authentic Indian taste.

While e-commerce serves as an effective platform for food exploration, it is imperative to implement an omni-channel strategy and optimize shelf space to cultivate customer loyalty and encourage repeat purchases.

For a new brand, it is crucial to adopt a targeted approach by initially focusing on a specific geographic area. This allows for a comprehensive understanding of consumption and purchasing patterns within that region, enabling us to maximize our presence on store shelves. Once success is achieved in one region, we can gradually expand to other areas, replicating our achievements.”



Mikhel Rajani
Founder, Miksar Foods





“Genesis of Ceres Foods was the idea to offer solutions to QSRs and restaurants to maintain consistent taste across their outlets. Taste of same product changes across outlets because its run by different chefs. Ceres Foods launched range of ready-to-cook products to solve this pain point. Subsequently, we entered into B2C segment.

Indian consumers are increasingly demanding restaurant-like food at home which could be cooked in less time and requires less effort. ‘Ceres’ ready-to-eat products and ‘Moi Soi’ Asian sauces & curries caters to these consumer demands and scores high on authentic Indian and oriental taste both.

Consumers are experimenting with cooking international cuisines, as a result of which non-ketchup sauces category is growing faster. Indians are also consuming these sauces as condiments for variety of foods, in addition to a cuisine-specific ingredient. Our Moi Soi oriental sauces and curries including Manchurian sauce, Kung Pao sauce and Thai Curry enable consumer to easily prepare international cuisines at home.

Additionally, households across the country are exploring different authentic regional cuisines. In India, regional cuisine is the next big theme. We are offering such regional curries like Rajasthani laal maas, Kashmiri Rogan josh, Bengali mustard fish, etc. Despite that 70%+ Indians are non-vegetarian, most of the ready-to-cook products available in market are for vegetarians. We are tapping that whitespace.

Online or D2C helps create visibility, however, acquisition and retention costs are higher. Right product at right place is the success mantra for offline space as every market behaves in a different manner. “



Deb Mukherjee
Co-Founder, Ceres Foods



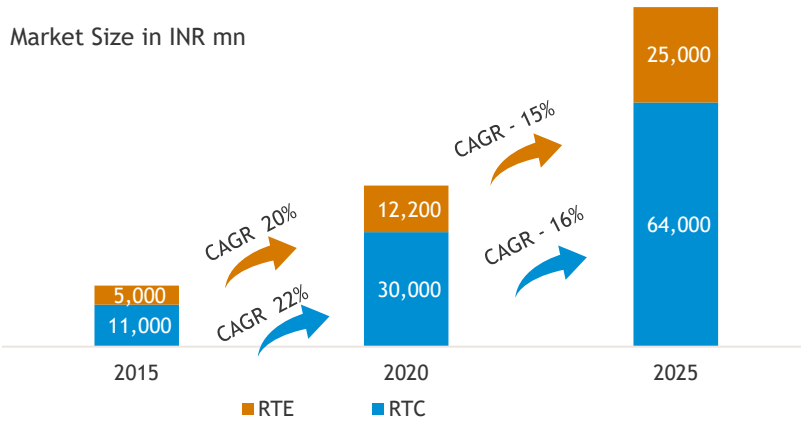
READY-TO-COOK

Convenient and tasty products for modern lifestyle



RTC/RTE - EMERGING AND FAST-GROWING MARKET

The RTC/RTE market is expected to grow more than 2x to INR 89,000mn by 2025



- Demand for RTC products sky-rocketed during the pandemic as many people tried cooking at home in the lockdown.
- The segment is expected to grow as millennial workforce with busy lifestyles, urban households with dual-income, and nuclear families are demanding convenience and quick food for daily meals
- E.g., Paratha, Idli/ Dosa, Rajma Chawal, Paneer, etc.

Ready-to-Cook (RTC)

Food products that need some preparation, such as the addition of additional ingredients and limited cooking before consumption, fall under the RTC category.

Ready-to-Eat (RTE)

The RTE category comprises packaged food items that are ready for consumption as is or post heating/ addition of hot water.

NOTE: RTC/ RTE category in this sub-segment does not consider noodles and pasta

Addressing the growing need for the convenient '5 minute cooking' alternative

DOSA



Preparation time:
24 hours



RTC/ RTE option
Preparation time:
5-10 minutes

BIRYANI



Preparation time:
~2 hours



RTC/ RTE option
Preparation time:
20-25 minutes

PARATHA



Preparation time:
~45 mins



RTC/ RTE option
Preparation time :
~5 mins

CHICKEN CURRY



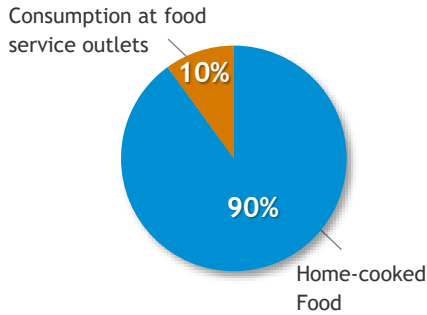
Preparation time
: ~40 mins



RTC/ RTE option
Preparation time:
~20 mins

LARGE ADDRESSABLE MARKET WITH EVOLVING CONSUMER PREFERENCES IN TODAY'S FAST-PACED LIFESTYLE

Food Consumption in India: USD 600 bn+ (2022)



Source: Zomato Annual Report FY22

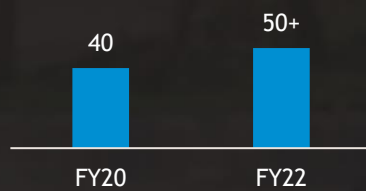
RTC players are likely to take away share from both home-cooked meals and food services outlets with changing dynamics such as:

- Millennials/ Gen Z opting for new varieties/ gourmet meals
- It is challenging for professionals to spend time cooking elaborate meals
- Preference for quality along with taste
- Demand for both authentic Indian cuisine and International cuisine

Latent addressable market (Indicative opportunity size)

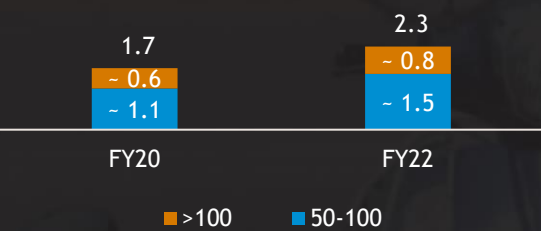
50mn+ PEOPLE ORDERED FOOD ONLINE IN FY22 (THROUGH ZOMATO)

Annual Transacting Customers of Zomato (mn)⁽¹⁾



NUMBER OF CUSTOMERS ORDERING-IN MORE THAN 100 TIMES ANNUALLY INCREASED BY 1.3X FROM FY2020 TO FY2022

Customers with annual order frequency on Zomato (mn)



~800,000 customers ordered food for more than 100 times annually in FY22 (Only on Zomato)



Swiggy has a similar customer base

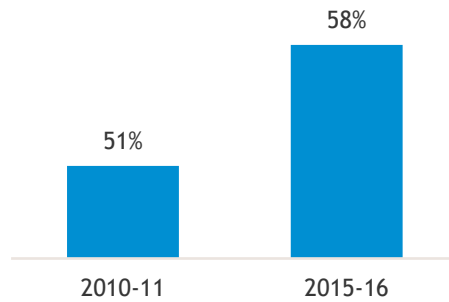
Customers frequently ordering-in are potential target for ready-to-cook products

Though there's a significant scope to grow, the RTC/ RTE segment is currently a small market and is mostly concentrated in urban/ Tier-I cities. Companies need to create product and brand awareness through advertising and marketing spends.

Notes: ¹Customers who have transacted through Zomato in FY22
Source: Industry Research, Zomato Annual Report, BDO India Estimates

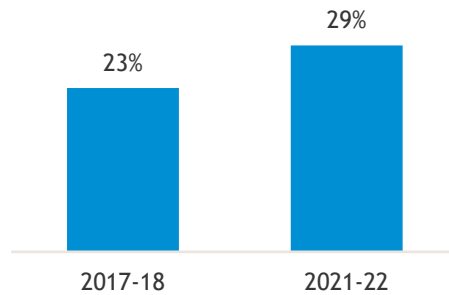
DRIVEN BY CHANGING SOCIO-DEMOGRAPHICS

Nuclear Family (% of households)



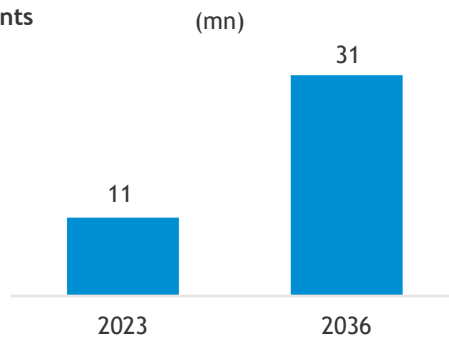
Nuclearisation, with 60%+ nuclear families, led to an increase in experimentation with convenience food

Women joining workforce (15-59 years of age)



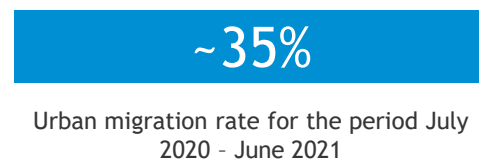
With the increased participation of women in the workforce, families will need convenient and time-saving options for cooking

Increase in number of migrant students who live in shared accommodation



Students looking for quick and convenient food will consume RTC/ RTE products

Unmarried people living away from their native town for jobs



An influx of skilled and non-skilled workers happening in metro/ tier-1 cities



QUALITY, TASTE, PRICING THE RECIPE FOR A SUCCESSFUL READY-TO-COOK PRODUCT

Pan-India success can be achieved through a wide variety of portfolio and extensive distribution network. Smaller and mid-sized companies typically focus on 1-2 regions to expand their consumer base and further replicate the success through adjacent product categories or expanding geographically.

Taste

Demand for various cuisines

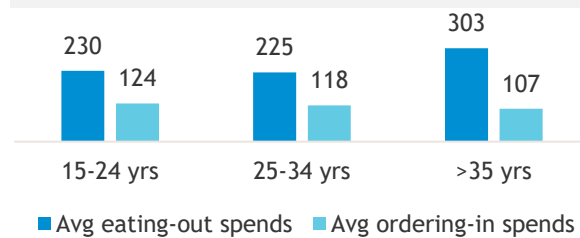
Indian Cuisines	International Cuisines
Dosa batter Paratha Dal Makhani Paneer gravies Chicken gravies	Pancake Nuggets Thai curry Kung Pao Chicken
Cluttered market	Opportunity to become product synonymous



Consumers are likely to prefer brands that offer authentic taste

Pricing

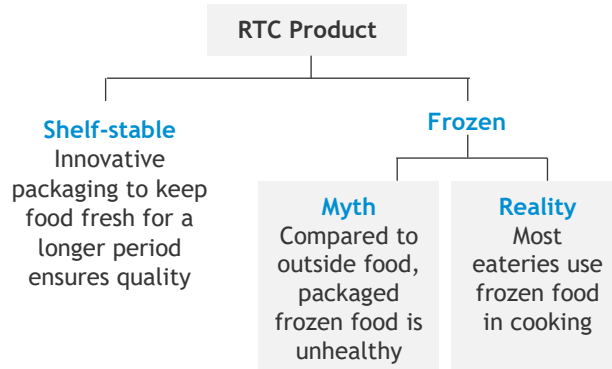
Average Spends per Meal in INR



Per serving cost needs to be lesser than food service outlets for RTC to fly off the shelf

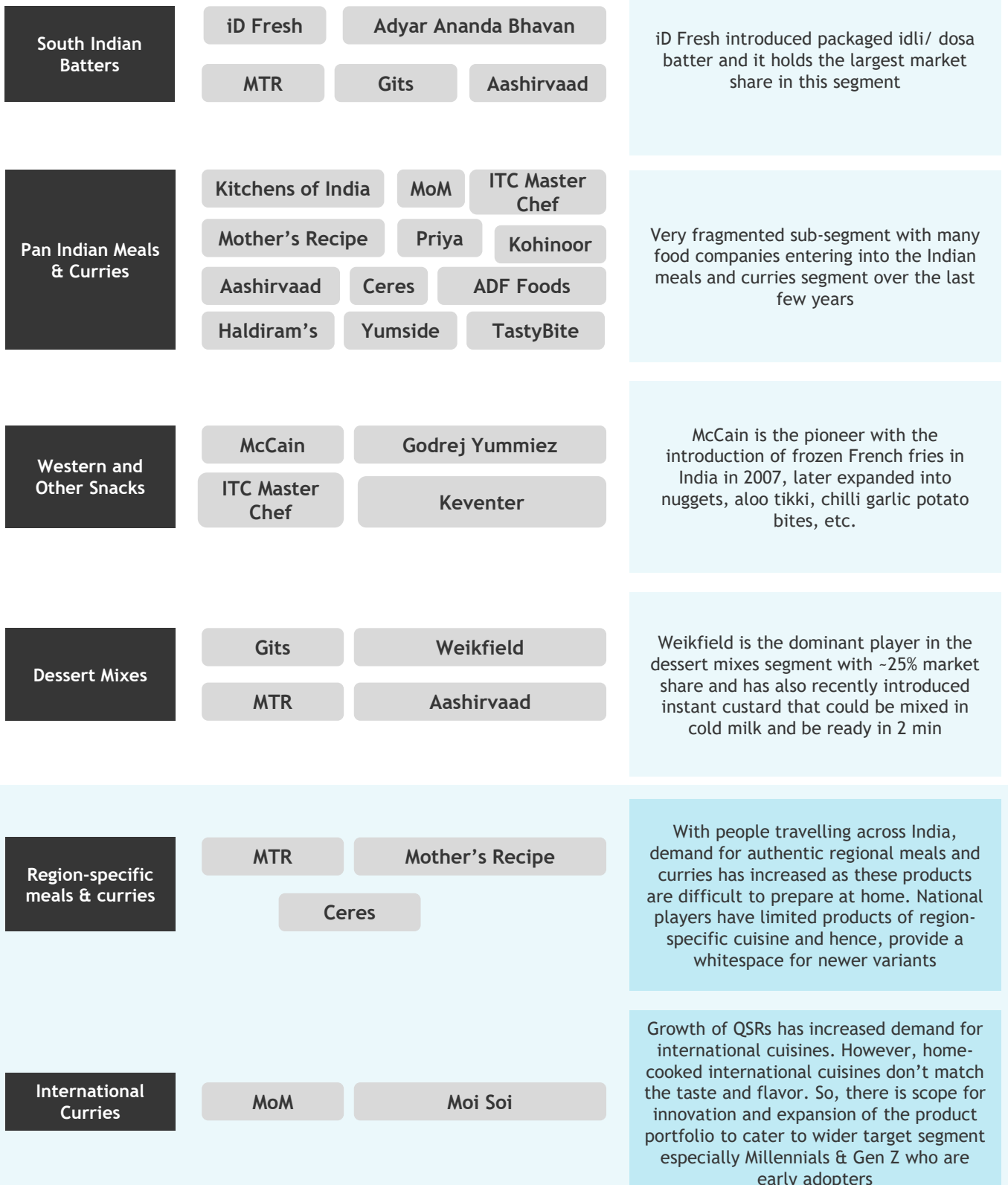
Quality

“RTC is less healthy as compared to outside food” Busting this myth



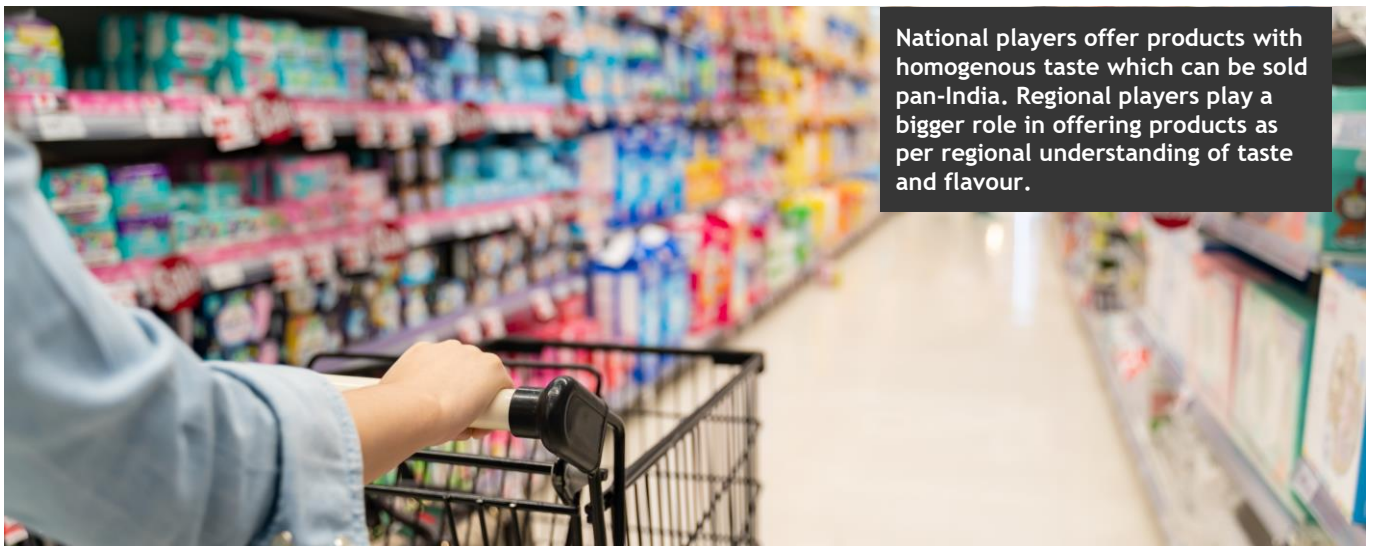
Preference for quality products with longer shelf life

DESPITE KEY READY-TO-COOK PRODUCT CATEGORIES, THERE IS SCOPE FOR PORTFOLIO EXPANSION



COMPANIES ACROSS THE FOOD INDUSTRY ARE EYEING A SHARE
















Category	Name	Key Products in RTC segment	Leverage
Spices & Pickles Manufacturer	Mother's Recipe	Curries and Instant Mixes	Spices, pickles and snacks manufacturers are leveraging their local understanding and distribution network to expand into the RTC category
	Nilon's	Curries, Instant Mixes and Dessert Mixes	
	Suhana	Instant food, Instant Mixes and Dessert Mixes	
Snacks Manufacturer	Haldiram's	Curries, Instant Meals and Frozen Indian breads	
	Bikanerwala	Curries, Instant Meals and Frozen Indian breads	
Diversified foods Manufacturer	ITC	Instant Mixes and Dessert Mixes, Curries and Frozen Indian breads	
	Tata	Curries and Instant Meals	
	Nestle	Instant Meals	
Staples Manufacturer	Adani Wilmar (Kohinoor)	Instant Meals	Leveraging a strong supply chain network
	LT Foods (Daawat)	Instant Meals	
QSRs	Belgian Waffle	Dessert Mixes	Established brand visibility for marketing RTC products
	Saravana Bhavan	Mixes and Frozen Indian breads	



National players offer products with homogenous taste which can be sold pan-India. Regional players play a bigger role in offering products as per regional understanding of taste and flavour.

SAVE AND SAVOUR - SAME TASTE AT LOWER PRICES

READY-TO-COOK PRODUCTS BY QSRs

	Ordering-in ⁽¹⁾	Ready-to-Cook
 <p>WOW! momo</p>	 <p>~INR 410/ 10 pieces</p>	 <p>~INR 165/ 10 pieces</p>
 <p>Belgian Waffle Co.</p>	 <p>~INR 280/10 mini-pancakes</p>	 <p>~INR 199/ 9 pancakes</p>
 <p>SMOKE HOUSE DELI</p>	 <p>~INR 625/ 350 gm</p>	 <p>~INR 250 / serving</p>
 <p>Adyar Ananda Bhavan SWEETS & SNACKS</p>	 <p>~INR 120/ dosa</p>	 <p>~INR 106/ 500 gm</p>
 <p>Haldiram's NAGPUR TASTE OF TRADITION</p>	 <p>~INR 169/ serving</p>	 <p>~INR 149/ serving</p>

¹Ordering-in through Zomato in Mumbai except for Adyar Ananda Bhavan in Chennai (as on October 2023)
Source: Industry Research, BDO India estimates

DEAL ACTIVITIES

	Acquisition by Indian players		Acquisition by global players
Buyer	MilkyMist	Weikfield	Orkla
Target	Asal	Chef's Basket	MTR
Year	2021	2020	2007
Size (INR mn)	NA	NA	3,530

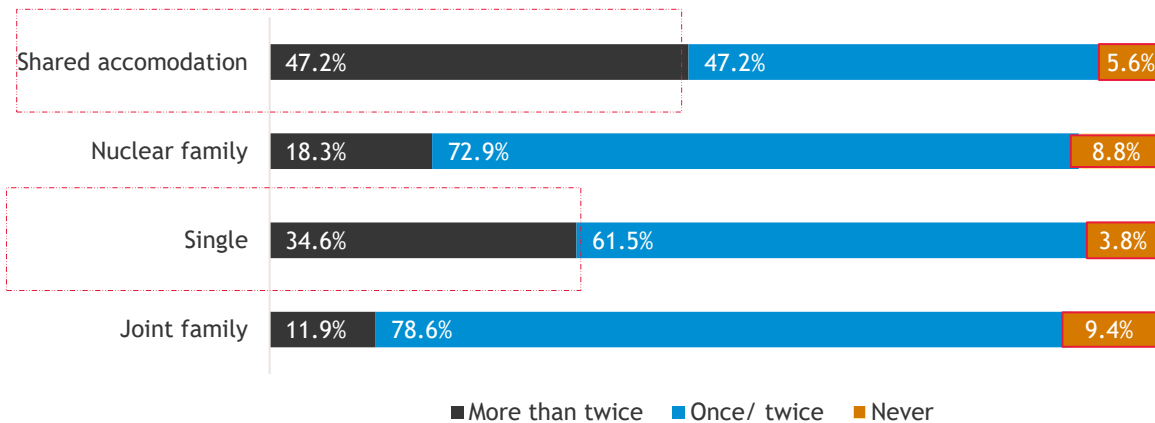
Interest from PE players in the space			
Investor	Premji Invest NewQuest	WEH Ventures Surge	Angels
Companies	iD Fresh	Master Chow	Vegolution
Year	2021	2023	2020
Size (INR mn)	4,924	271	74



UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY CONSUMPTION IN FOOD SERVICE OUTLETS VS. READY-TO-COOK FOOD ITEMS

Ordering-in/ dining out by type of stay per week

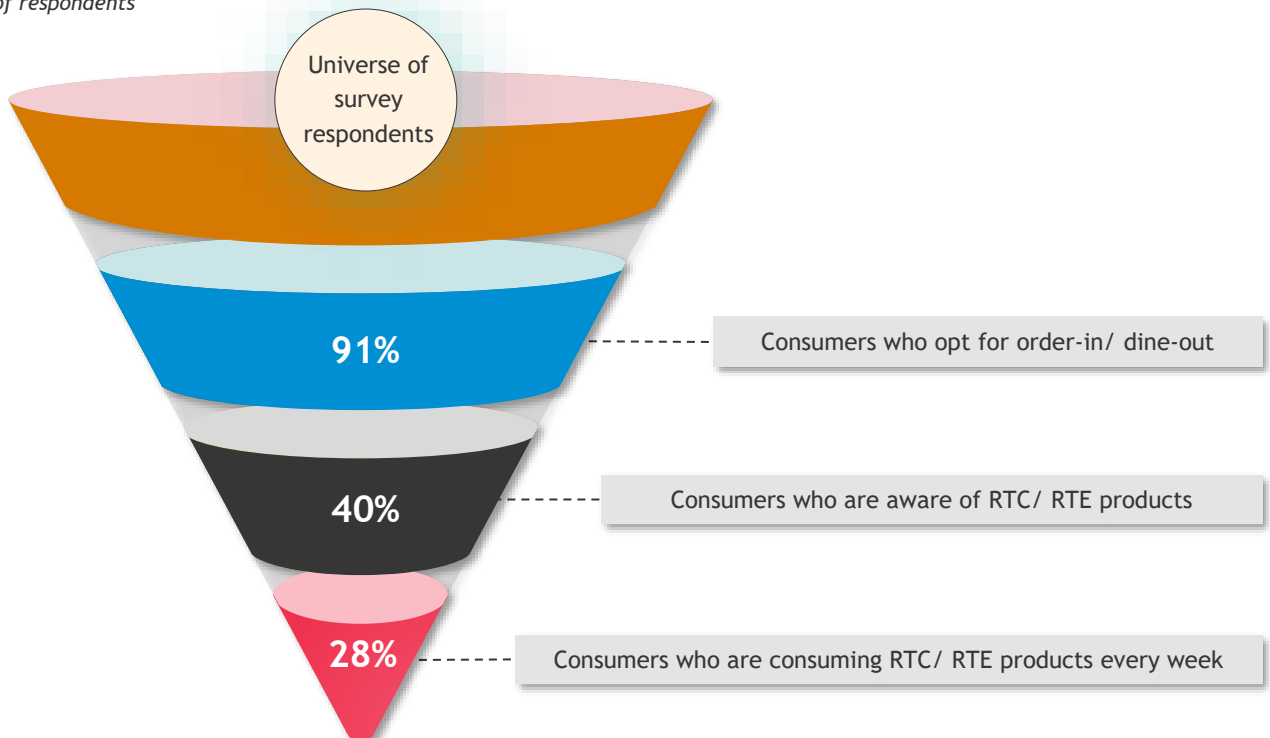
% of respondents as per accommodation



Q. How many times do you order online or go out to dine?

Almost half of the respondents living in shared accommodations, and more than one-third of single consumers ordered food with a frequency of more than two orders a week.

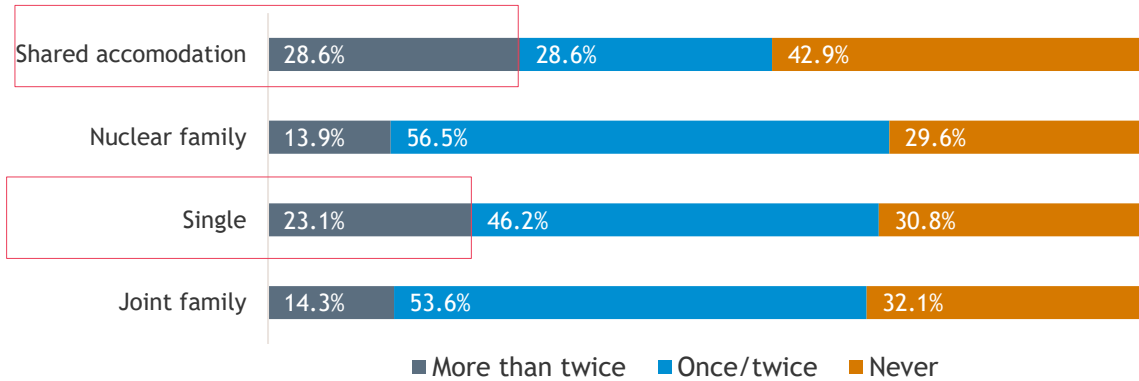
% of respondents



UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY CONSUMPTION IN FOOD SERVICE OUTLETS VS. READY-TO-COOK FOOD ITEMS

Consumption of RTC products per week

% of respondents as per accommodation



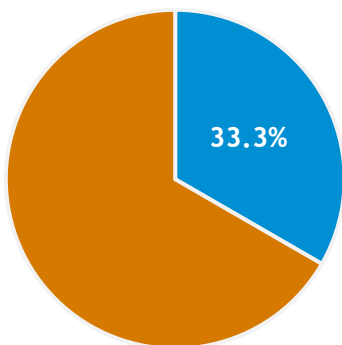
Q. How many times a week do you consume ready-to-cook products?

Almost 30% of consumers living in shared accommodation and almost 23% of single consumers frequently consume RTC food items more than two times a week.

While dual-income nuclear families are a key target segment for RTC products, the survey results show that single individuals and people living in shared accommodations both order in and consume RTC products more frequently than nuclear families. Thus, this audience should form another focus target market to tap into.

READY-TO-BE-COOKED BUT ARE THEY READY FOR THEIR MARKET?

Ready-to-cook portfolio availability



Consumers mentioned that only 1/3 of their regular food products are available as ready-to-cook products.

~16% of the consumers who cannot find their usual food item under the RTC portfolio are willing to switch to RTC options if made available.

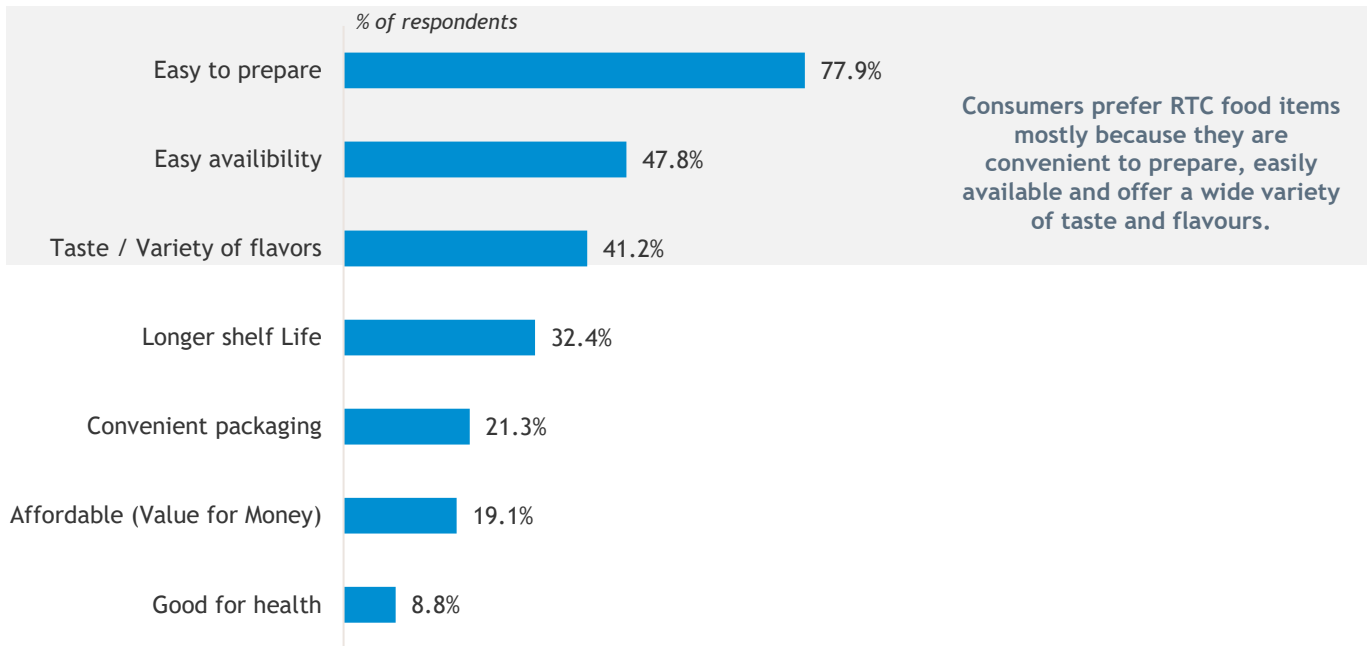
Significant scope of product innovation in RTC/ RTE categories, aided by the willingness of consumers to switch to RTC/ RTE products if the category is made available in the market.

Q. Are your preferred dishes available as ready-to-cook products in the market?
Q. If your preferred dishes are made available, would you like to switch to ready-to-cook food items?



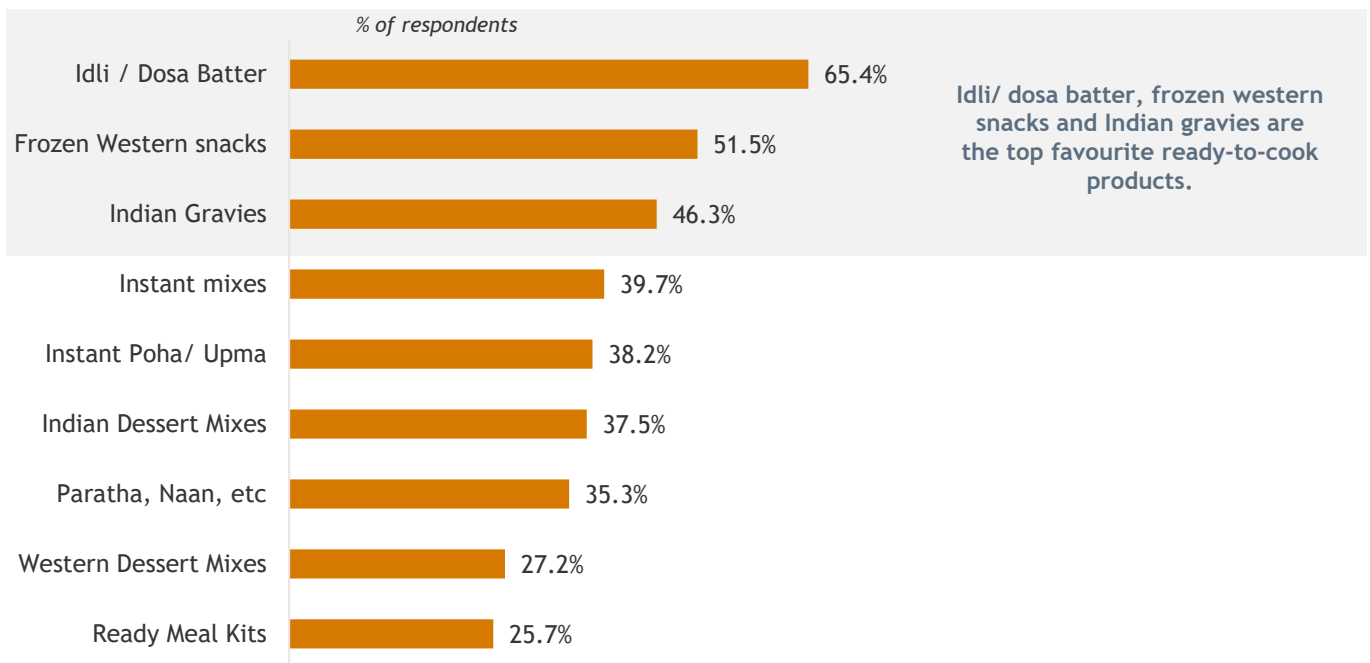
UNDERSTANDING CONSUMER TRENDS_A BDO INDIA STUDY PREFERENCE FOR READY-TO-COOK FOOD ITEMS

Top variables influencing purchase decision for RTC products



Q. Please select your key reasons for purchasing ready-to-cook products

Top consumed RTC products



Q. Which ready-to-cook / ready-to-eat food items have you tried?

INDUSTRY VOICES

“India is several countries in itself with varied taste preferences which is a very critical factor in the sauces and spices segments.

Regional players have a competitive advantage in this segment as they offer a wide variety of products as per regional taste preferences whereas Pan-India players offer homogeneous products for consumers across the nation. It is difficult for Pan-India players to target niche and regional markets due to the lack of differentiated products catering to regional taste palates.

During the pandemic, demand for sauces and RTC products skyrocketed, and the trend is still sustainable as consumers are looking for convenience and saving time while also cooking at home. However, some RTC products are priced high and given that Indian consumers are price-sensitive, these categories may grow at a slower pace.

Consumers of one region are increasingly adopting cuisines of another region, giving rise to Pan-India demand for such cuisines such as Goan fish curry, Goan prawn curry and Malabar fish curry. This trend provides significant scope for a regional player to develop and sell region-specific products across India.

Inflation in commodity also triggers trial of an alternate product. E.g. Now garlic prices have shot up due to which consumers will be looking to shift to garlic paste that is being offered at the previous rate itself.

Quality is paramount to create brand loyalty. Mother's recipe ensures highest quality. We sell products which we ourselves consume at our home.”



Sanjay Desai
Chairman & Managing
Director, Desai Foods



“In consumer business, getting positively into the minds of consumers, building trust and staying relevant are very important. Value addition is a key for a brand to stay relevant and aspirational.

There are cycles in foods business - A new product or variant is initially an aspirational product in Metros and Tier I markets; however, later on it becomes an aspirational product for Tier II cities and beyond, while it no longer remains an aspirational product in Metro and Tier I areas due to introduction of other newer product categories.

Hence, innovation is crucial and we believe that product categories grow through innovation and value additions. With this in mind, we came up with Custard 2.0 (instant custard), Custard 3.0 (ready to eat tetra pack), as also fortified pasta targeting urban markets and millennial consumers.

To gain consumer acceptance, it is important to create healthy foods with better ingredients without compromising on taste or enhancing taste. Worldwide, any food product will only sell if it is tasty, regardless of how healthy or unhealthy it is.

Advent of modern trade is a double-edged sword. While it gives visibility, margins are lesser in MT than GT. It specially hurts mid-sized and smaller brands.

In a country like India, it is very important to know ‘what sells where’ and ‘through which channel’, otherwise one can make huge mistakes and incur heavy losses”



Mukesh Malhotra
Chairman, Weikfield

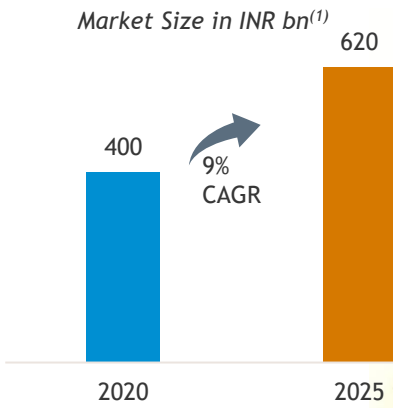


BISCUITS

Biting into variety,
affordability and
deliciousness



THE BISCUITS MARKET IN INDIA IS EXPECTED TO REACH ~INR 620BN BY 2025

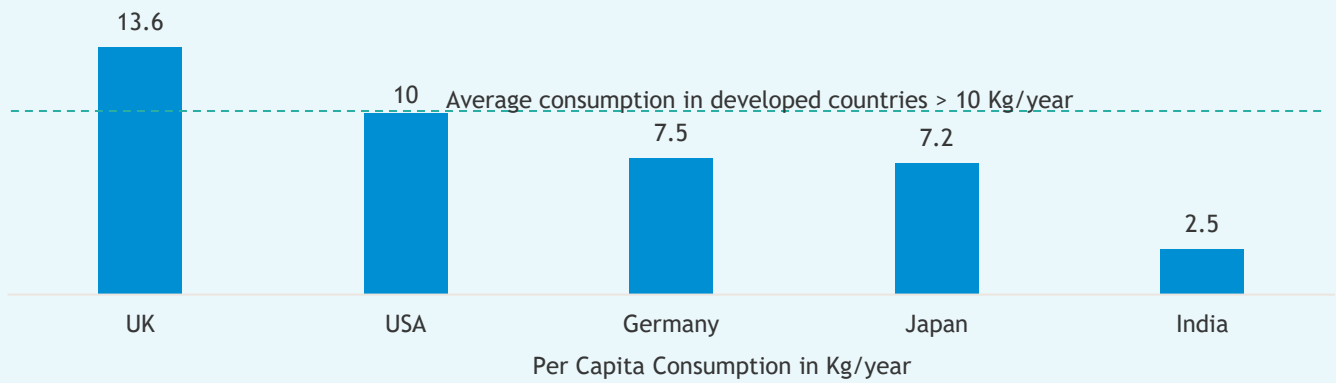


~2.5mn MT Sales Volume (2020)

India is the 3rd largest global biscuits manufacturing market



Headroom for growth in per capita consumption of biscuits



Driven by evolving consumer preferences which are aided by growth in modern trade and e-commerce

Changing food habits with increasing demand for on-the-go packaged food

Consumers experimenting with new variants and artisanal biscuits

Demand for healthier products

⁽¹⁾Includes Biscuits, Rusks, Wafers and Tea cakes
Source: Industry Research

THERE'S ONE FOR EVERYONE

CONSUMERS ARE SPOILT FOR CHOICES AS COMPANIES OFFER A WIDE RANGE OF PRODUCTS ACROSS CATEGORIES

Larger players have a broad range of products catering to varied consumer taste preferences

Category	Britannia	Parle	ITC	Surya	Anmol	Saj	Mrs Bector
Glucose							
Marie							
Cracker							
							
							
Cream							
							
							
Digestive							
Cookies							
							
							

Cookies and Cream biscuits, being premium products, are the key categories in focus whereas the crackers category is the most democratised with several brands offering crackers.

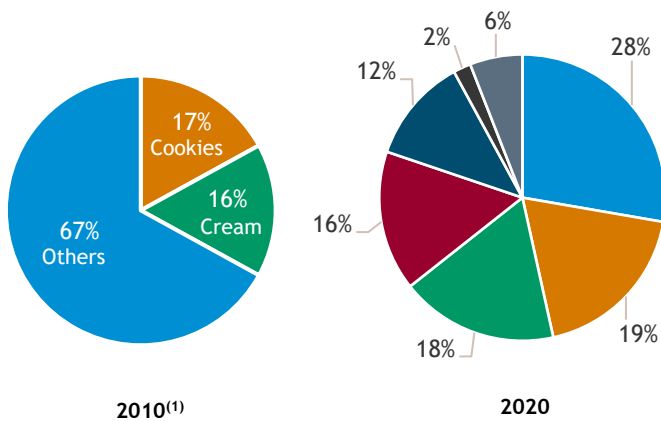
Key Brands with revenue...

INR 40,000mn+	INR 10,000mn+	INR 5,000mn+
Parle-G, Good Day, Marie Gold	Milk Bikis, Tiger, 50-50, Magix, Parle 20-20	Monaco, Krack Jack, Hide & Seek, Unibic

REMARKABLE GROWTH IN DEMAND FOR PREMIUM AND ARTISANAL BISCUITS

The market has evolved in the last decade with a significant movement from glucose and plain biscuits towards cream biscuits and cookies

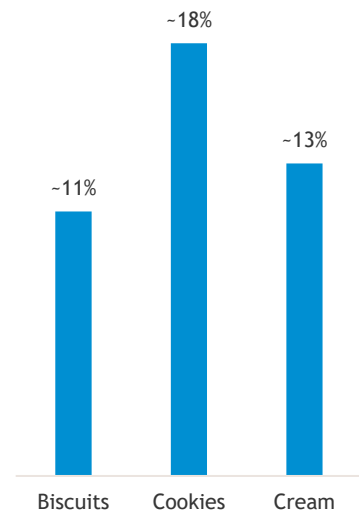
Market Share by Category



~33% market share held by cookies and cream biscuits

~45% market share held by cookies and cream biscuits

Market Size CAGR (2010-2020)⁽¹⁾



Growth despite higher prices of cream biscuits and cookies reflects that consumers are willing to pay more for differentiated taste

Category	Average Price/ 100 Gm ⁽²⁾
Glucose	INR 8 - 10
Marie	INR 13 - 15
Cracker	INR 15 - 17
Cream	INR 22 - 23
Digestive	INR 23 - 24
Cookie	INR 24 - 25

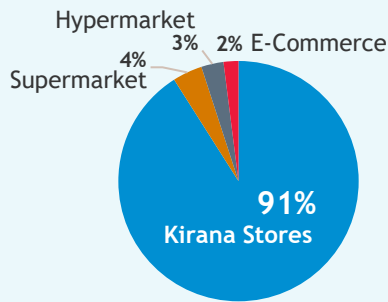
Several companies adopted price increase strategy over the last 2 years to mitigate inflationary pressure.

Categories, market split and CAGR based on retail sales value. Average prices based on MRP as in August 2023. Source: Euromonitor, industry research, BDO India estimates

DEEP PENETRATION THROUGH DOMINANT REACH OF KIRANA STORES

Biscuits have become a staple commodity, available at every nook and corner across India

Distribution Channel Split (FY23)



Present in the consumption basket of nearly every Indian family



One of the most organised segments in the food industry

General trade has been a critical success factor in the biscuits segment. However, modern trade and e-commerce are increasingly expanding.

Key players have extensive reach across Indian kirana stores ecosystem

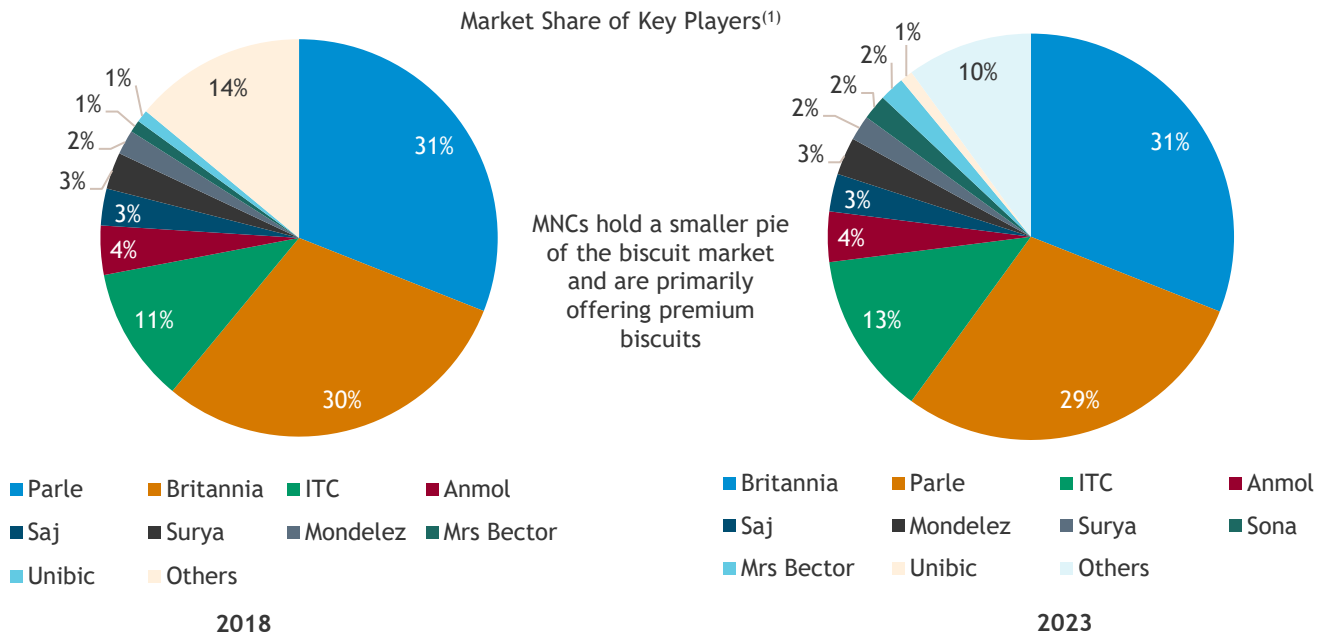
Player	Distribution Reach (# of retail outlets)
Parle	~8.2mn
Britannia	~6.7mn
ITC	~6mn
Anmol	~0.8mn
Mrs Bector's	~0.6mn
Unibic	~0.5mn
Saj Food Products	~0.3mn

Brands like Parle-G and Tiger are present in the remotest locations of India.



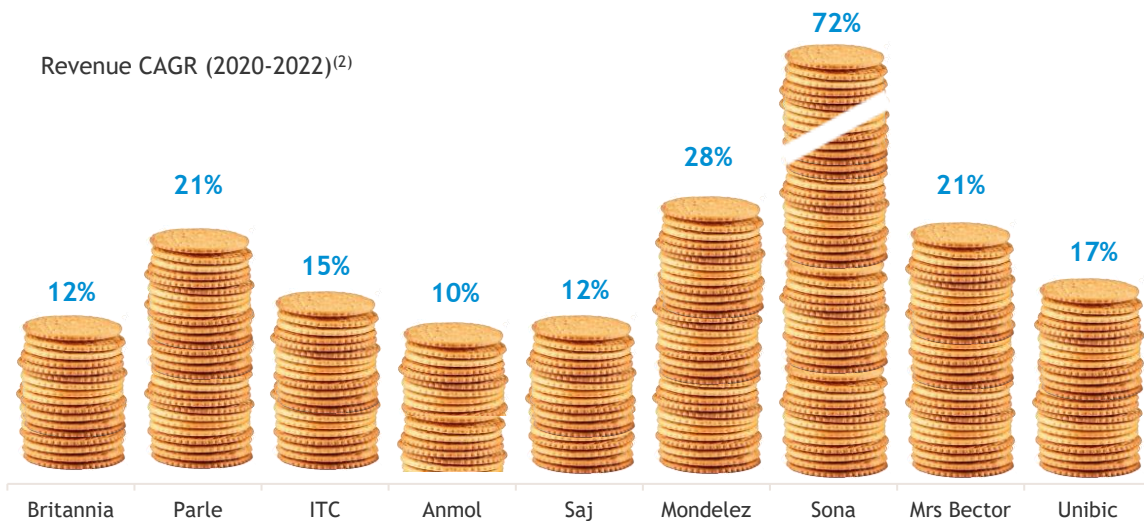
TOP 3 PLAYERS COMMAND MORE THAN 70% MARKET SHARE

Britannia and Parle are in neck-to-neck competition for market leadership followed by ITC as an aggressive challenger in the biscuits market



Player	Britannia	Parle	ITC	Anmol	Saj	Mondelez	Surya	Unibic	
Market Share (2018 - 2023)	▲	▼	▲	=	=	▲	▼	=	
									Increase ▲
									Decrease ▼
									Unchanged =

Players focusing on premium categories are likely to gain larger market share as they are growing at a pace faster than the industry average



¹ Market share based on retail sales value
² Revenue CAGR for Britannia and Anmol considered from FY20 to FY23; ITC and Mondelez Revenue CAGR is calculated based on retail sales value from FY20 to FY23

INDIA IS MUNCHING THE HEALTHY WAY: THE HEALTHY BISCUITS SEGMENT IS CONTINUOUSLY EVOLVING

Healthy biscuits, being priced at a premium, remain a smaller fragment of the large biscuit industry

LIGHT



Pre 2000s, Marie light was the best healthier option available

DIGESTIVE



First introduced by Britannia in 2000s

MULTI-GRAIN



Over the last decade, companies have introduced biscuits made of super grains

FUNCTIONAL



Focus on nutritional values like protein, carbs, & sugar alongside variants like gluten-free, etc. are being launched

Indian brands have continuously added value to provide healthier options

Launches by Pan India players

Description

Britannia Nutrchoice Seeds and Herbs



Mixed with seeds like chia, flax, pumpkin and sunflower

Parle-G Oats and Berries



Affordable healthy biscuits

Sunfeast Oats with Almonds



Biscuits with nutrition and high fibre content of oats and wheat

Unibic Sugar Free Cookies



Sugar free cookies in 4 flavors

Innovations

Description

Wheatfree



Gluten-free products made from rice, maize, millet, sorghum, quinoa and other alternate grains with a focus on the content of protein, fibre, good carbs, etc.

Ketofy



Keto, low-carb, fasting and sugarless cookies made from almond flour

Diabexy



Sugar-free cookies and bars in almond, jeera and coconut flavours

Early Foods



Cookies made from millets

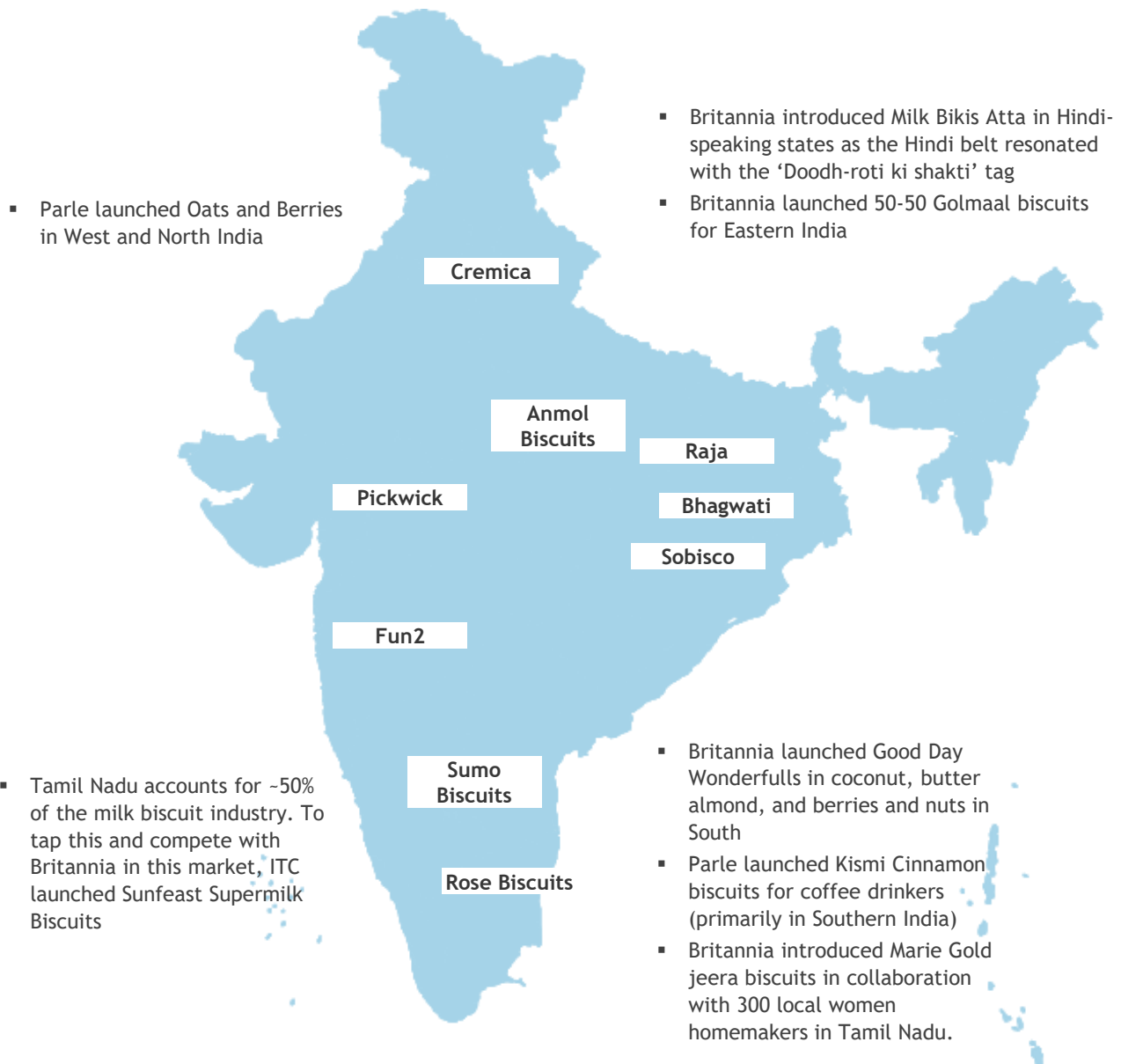
Uniwo Naturals



Biscuits and chips made from rice bran and fruit peels

COMPANIES ADOPTING LOCALISED STRATEGIES TO CATER TO REGIONAL TASTE PREFERENCES

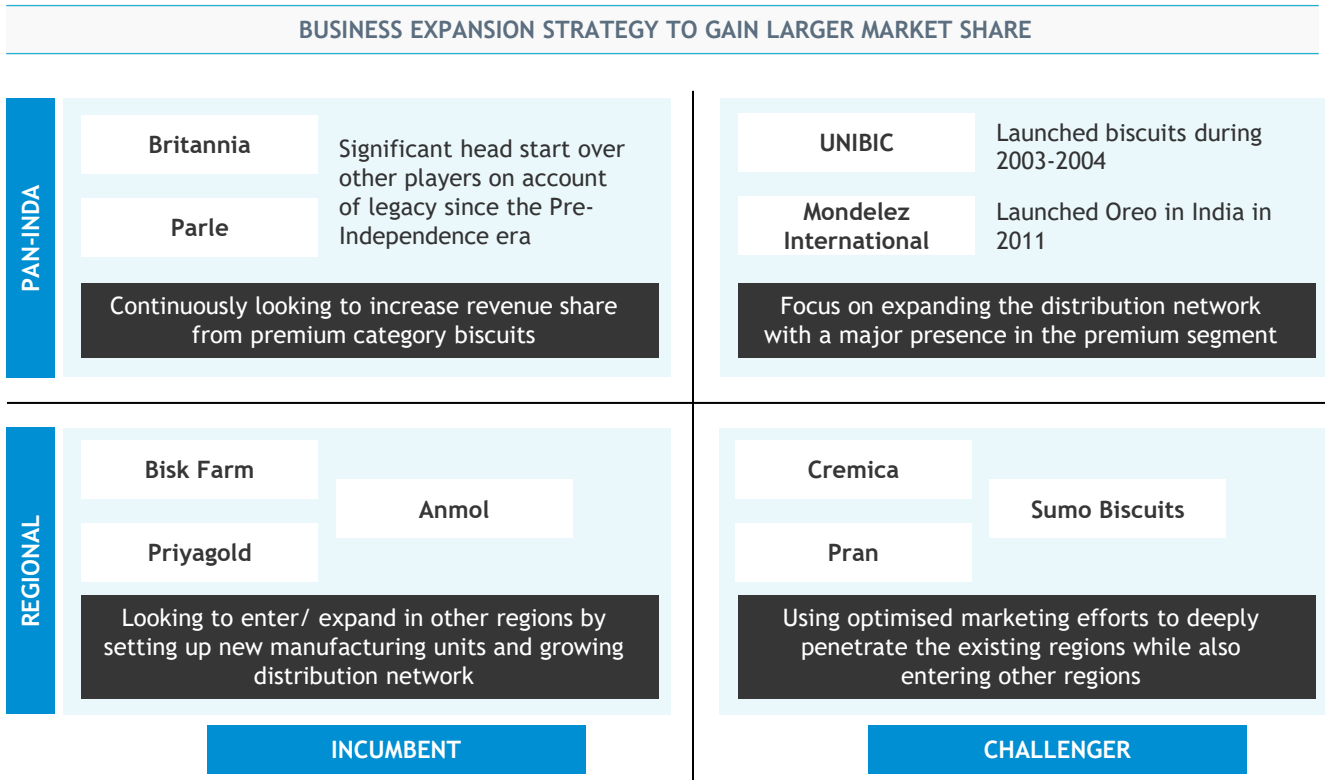
Companies have continuously launched region-focused products to penetrate deeper into the local markets



Pan-India Players

Britannia Parle Sunfeast Mondelez International UNIBIC

HIGHLY COMPETITIVE MARKET WITH BOTH INCUMBENT AND CHALLENGER BRANDS AGGRESSIVELY EXPANDING



Challenging incumbents and building strong pan-India brand takes a considerable amount of time

ALL THE PLAYERS ARE INCREASING FOCUS ON DIFFERENTIATED PRODUCTS TO TAP INTO REGION-SPECIFIC PREFERENCES

New launches by Challenger brands to gain share



Sunfeast	UNIBIC	Mondelez International	Pran
Introduced chocolate-filled biscuits (Dark Fantasy)	Introduced unique flavored cookies (Fruit and Nut)	Introduced premium bite-sized cookies (choco chip)	Introduced potato crackers as a replacement to sweet biscuits

KEY FINANCIAL HIGHLIGHTS

Players	Revenue ⁽¹⁾ (INR Mn)	EBITDA % ⁽¹⁾	Net Working Capital (Days)	Year	Comments
Britannia	163,006	17.4%	2	FY23	<ul style="list-style-type: none"> Introduced premium category in India by launching “Good Day” in 1987 Expanding into adjacent categories including other bakery and dairy products. Biscuits currently contributes ~77% of the revenue Aims to achieve 35% of its revenue from non-biscuit portfolio over the next 3 years
Parle Products	143,952 ⁽²⁾	0.1% ⁽³⁾	22 ⁽³⁾	FY22	<ul style="list-style-type: none"> ‘Parle G’ brand continues to be the world’s largest selling biscuit brand in terms of volume Undisputed leader in glucose category ~38% y-o-y revenue growth in FY21 due to increased consumption by migrant workers during the pandemic
Sunfeast (ITC)	51,758 ⁽⁴⁾	NA	NA	FY23	<ul style="list-style-type: none"> Giving stiff competition to the industry stalwarts (Parle and Britannia) by launching differentiated and premium products coupled with leveraging ITC’s distribution network
Anmol	16,045	12.9%	11	FY23	<ul style="list-style-type: none"> Approx 2/3rd of revenue from eastern states Capacity of 3,22,660 MTPA and setting up a new plant of ~64,000 MTPA in Bihar
Saj Food Products (Bisk Farm)	14,306	6.8%	11	FY22	<ul style="list-style-type: none"> ~80% of revenue from Eastern India Expanding geographically - Set up a new plant in Nagpur and Bengaluru during 2018-22. Setting up a new plant of ~72,450 MTPA in Assam
Surya Food & Agro (Priyagold)	12,299	5.6%	11	FY22	<ul style="list-style-type: none"> Manufacturing capacity of 500 MTPA/day
Mondelez India	11,399 ⁽⁴⁾	NA	NA	FY23	<ul style="list-style-type: none"> Expanding portfolio under biscuits with double-digit growth in the category
Sona Biscuits (Sobisco)	9,092	3.4%	22	FY22	<ul style="list-style-type: none"> Had been looking to commission manufacturing set up of ~35,000 MT by Sep-23 which is expected to result in higher EBITDA of 7%
Mrs Bectors (Cremica)	8,070	NA	NA	FY23	<ul style="list-style-type: none"> 5.4 % of the premium and mid-premium biscuits market in North India, in Q4 FY23
Ravi Foods (Treff)	7,906	1.3%	91	FY22	<ul style="list-style-type: none"> Undertakes job work for select large national players while focusing on expansion into premium category
Unibic	5,960	3.9%	41	FY22	<ul style="list-style-type: none"> Installed capacity of 120 MTPD for manufacturing speciality cookies
Bonn ⁽⁵⁾	4,837	4.8%	9	FY22	<ul style="list-style-type: none"> Biscuits were launched in 2004 and are sold across continents
Bhagwati	2,925	4.4%	18	FY22	<ul style="list-style-type: none"> Four factories across Maharashtra, Karnataka, Uttar Pradesh and Tamil Nadu

⁽¹⁾ Represents latest available financials (FY23 financials for Britannia, Anmol and Mrs Bectors; and FY22 financials for other companies)

⁽²⁾ Represents the standalone revenue of Parle Biscuits from the processed food segment

⁽³⁾ Represents overall EBITDA margin and net working capital days for Parle Biscuits. FY22 EBITDA of Parle Biscuits declined mainly due to gross profit margins contraction; 5Y average EBITDA margin (FY17 - FY21) was ~6%

⁽⁴⁾ For ITC and Mondelez, the figure represents the FY23 Retail Sales Value of the biscuits categories, adjusted for an assumed channel margin of 30%.

⁽⁵⁾ Represents consolidated revenue of Bonn Nutrients Private Limited only

Net Working Capital Days = (Accounts Receivables + Inventory - Accounts Payables) *365 / Revenue from Sales

Sources: Company Annual Reports, VCCEdge, Euromonitor, Credit Rating Reports, Industry Research, News Articles

CLOSING REMARKS



India is a unique market...

Amongst the most lucrative markets globally, with significant consumption volume, increasing ability to pay and large headroom for deeper penetration by brands

Several markets within one nation, with diverse taste preferences across regions.

Indian consumers largely seek value for money with perceived quality, taste and reasonable pricing, driving brand loyalty

... where it is imperative to define the core of a business...

The CORE of a business
An interplay between Customer, Product and Region



CUSTOMER

- To succeed, companies need to define their target consumer segment precisely.
- A clear understanding of the targeted consumers - their values, preferences, consumption patterns, buying habits, etc. is important. It helps analyse the scale and growth potential of a segment and devise an appropriate go-to-market approach.



PRODUCT

- For the defined target consumer segment(s), companies must evaluate evolving consumption patterns within the product segments and accordingly develop and expand their product portfolio.
- A business must find a meaningful product-market fit to align consumer needs and value proposition of products.



REGION

- The market participant needs to understand the factors influencing purchase decisions in every region - "Which product sells at which place through which channel".
- Effective go-to-market strategy results in customer satisfaction, repeat business for a product/ brand and development of relevant distribution channels.

Every packaged food player has to ensure value-accretive growth through appropriate alignment of the above-mentioned variables

... to channelise the resources...

Companies need to build their strategy framework basis TRIC model to create TRUST in brand, expand REACH, accelerate the pace of INNOVATION and accordingly utilise CAPITAL to enable faster growth



Trust

- Value for money, better ingredients and authentic taste drive brand loyalty in the Indian packaged food sector.
- Celebrity endorsements are beneficial for creating buzz and brand awareness; however, sustenance of trust is of utmost importance for creating brand equity.
- Indians are increasingly taking note of practices followed by food companies around product label disclosures, ethical practices and grievance redressal.



Reach

- 'Think local, act local' should be the key mantra for packaged food players to leverage their CORE for product portfolio and market expansion.
- Newer brands, especially in new product categories like RTC, could start distribution through MT and e-commerce. However, GT is paramount to build volume and will continue to dominate over the next decade.
- Omni-channel presence is the key to increase brand visibility and sales volume.
- M&A is the most effective strategy for large players, to capture regional markets and new product segments, as it is difficult to replicate local taste. They will have to follow a 'string of pearls' strategy.
- Demand for Indian food products overseas is a highly underserved opportunity at this point in time.



Innovation

- With consumers increasingly experimenting with taste, innovation is critical to cater to the white spaces in regional as well as national markets.
- Innovation could be in various forms - packaging, product, channel, redefining consumption behaviour, etc.
- Small pack sizes help with trials and adoption; however, it is important that consumers advance to larger pack sizes for sustainable growth of the new brand/ product category.
- The global cuisine segment, where there is no pre-established benchmark, should be the playfield only for companies with deep pockets and/ or pan-India presence.
- A brand will benefit the most from the first mover strategy by flooding the market and establishing itself as the synonym for the new taste/ product.



Capital

- Brand building and scaling-up are long-term processes.
- Companies will have to adopt a trade-off between 'investing time' vs. 'spending significant capital' to build brand and scale.
- Large players will have to deploy capital in inorganic growth, in order to maintain market leadership while delivering meaningful growth.

... and accordingly tap into the strategic growth levers

The industry is brimming with opportunities for growth, which in turn is driving a robust momentum in M&A and fund-raising activities.

In this favourable deal-making environment, potential benefits to all the participants remain as high as ever, which in turn is shaping strategies on capital allocation, target market, product portfolio, distribution and innovation.



M&A

- 'Ideation-to-shelf' time for large companies is longer compared to smaller peers and it is critical to tap the market at the right time. Acquisition of newer and innovative brands could help larger companies penetrate faster in new product categories.
- M&A also enables these companies to capture a new regional market as it is difficult to organically replicate the local taste and build/ expand the right distribution channel in a market.
- Inorganic strategy is the most effective way for a foreign company to enter and expand into India due to the country's varied regional preferences coupled with an enormous and complex retail ecosystem.
- While providing significant growth opportunities, the vibrant market is also compelling relatively smaller/ regional packaged food players to re-evaluate their growth priorities and roadmap every few years. Some of these players want to collaborate with larger players instead of competing.



Private Equity Fund-raise

- PE funds have been displaying a bullish sentiment towards the packaged food space, resulting in a significant number of investments within the segment.
- To tap into the growing market, packaged food companies are raising capital to expand their product portfolio, widen their distribution network and fund their marketing spends.
- Building a brand takes time and hence, it is beneficial for companies to raise growth capital for a longer horizon.
- Companies with an undefined path for PE exit or requiring multiple rounds of capital raises before creating a meaningful exit path will face challenges.



Capital Market

- Indian packaged food companies have received encouraging responses from the IPO market, reflecting the excitement about this space across types of investors.
- IPOs have also helped packaged food companies in enhancing their brand equity and consumer trust.
- Having said this, IPO-bound companies need to be careful about delivering quarter-on-quarter performance and meeting the expectations of the public market investors.

All the variables (ranging from market opportunity to availability of resources) are well-aligned and hence, it is now imperative for Indian packaged food players to define and execute their growth strategy with precision.

GLOSSARY

Abbreviation	Full Form
INR	Indian Rupee
FY	Financial Year
CY	Calendar Year
RTC	Ready-to-cook
RTE	Ready-to-eat
CAGR	Compound annual growth rate
FMCG	Fast-moving consumer goods
M&A	Mergers & Acquisitions
PE	Private Equity
HUL	Hindustan Unilever
GDP	Gross domestic product
PPP	Purchasing power parity
MT	Metric Tonne
MT	Modern Trade
GT	General Trade
RHP	Red herring prospectus
USA	United States of America
UK	United Kingdom
LFY	Last Financial Year
EBITDA	Earnings before interest, taxes, depreciation, and amortization
UP	Uttar Pradesh
RJ	Rajasthan
WB	West Bengal
NCR	National Capital Region
KA	Karnataka
MP	Madhya Pradesh
NA	Not applicable
CTC	Cumin, turmeric and chilli
B2B	Business-to-business
B2C	Business-to-consumer
HoReCa	Hotels, restaurants and catering
QSR	Quick service restaurant
D2C	Direct-to-consumer
EV	Enterprise Value
Kg	Kilogram
gm	gram
MRP	Maximum Retail Price
USD	United States Dollar

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