



**INDUSTRY- INSIGHTS
F&B SECTOR IN INDIA
AUGUST- 2022**



INDIAN FOOD AND BEVERAGE INDUSTRY – AN OVERVIEW

The Indian Food and Beverage Industry has been blooming quite well since the last decade or so. This is due to a change in social patterns and generalized economic growth. From the elementary packaged foods, baked goods, dairy and confectionery products to the deserts, snacks and ice-cream—the industry has made considerable growth over the years. Even the beverage industry consisting of tea, coffee and other alcoholic or non-alcoholic drinks is making considerable progress. According to a popular saying, food never goes out of style. As a result of innovations in dishes, themes and services, the demand for food is continually increasing.

MARKET SIZE

The **F&B Industry generates 3% of India's GDP** and around 2/3rd of the total retail market in India. Indian Food and Beverages Market size is expected to reach nearly US\$ 504.92 Bn by 2027 with the CAGR of 11.05%.

More than 7.3 million people in India rely on the F&B sector for their income. This makes F&B industry as the single-largest employers in the country. F&B also acts as an engine for several other sectors of the economy including transportation, retail, hospitality services and agriculture. The current market size of the Indian Food and Beverage Industry shows a great potential for higher profit and therefore is attracting enormous foreign investments.

GROWTH DRIVERS

Food & Beverages sector is considered as one of the fastest growing industries in India. The growth of the industry is supported by the availability of a large raw material production base. India is the largest producer of milk, bananas, mangoes, guavas, papaya, ginger, okra and second largest producer of wheat, rice, fruits, vegetables, tea, sugarcane and cashew nut and the third largest producer of cereals, coconut, lettuce, chicory, nutmeg, mace, cardamom and pepper globally.

Further, there are several factors that are driving Indian F&B growth like rapid urbanization, changing lifestyle and food habits of the surging generation, increasing household consumption rate, etc. clubbed with increasing awareness among consumers regarding the crucial role of organic food and beverages in maintaining body weight, repairing muscles and curing various chronic diseases.

The food & beverage sector is also getting statutory support from the government of India. The government is working on several strategies on the diversification of India's export basket in a bid to enhance its export presence in the top items of world trade as well as to increase the country's outbound shipments, both in value and quantity.

F&B Statistics

20.2%

% share of GVA of agriculture and allied sector to total economy

11.6%

Share in total employment

10.4%

Share in India's exports

136%

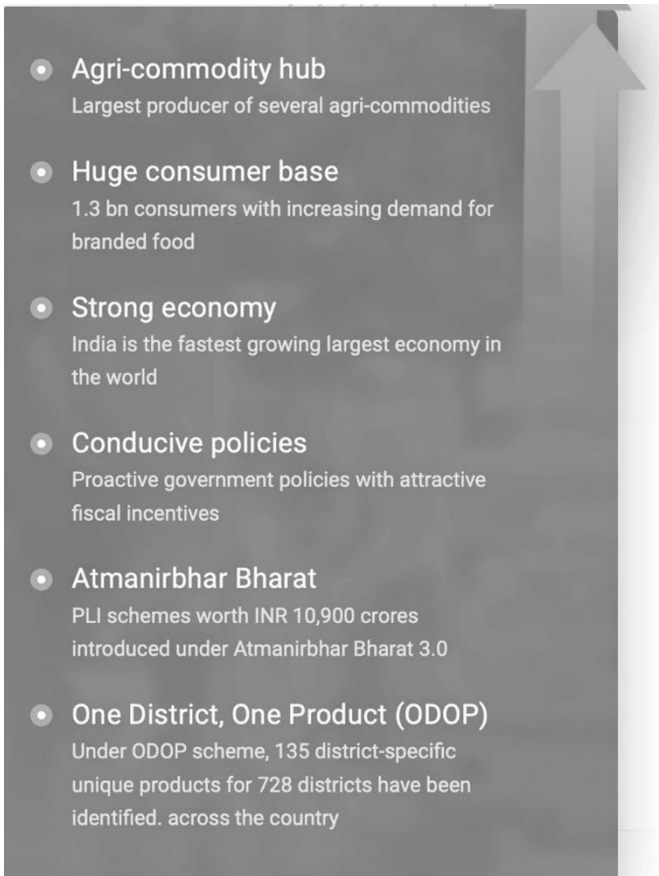
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ADVANTAGE INDIA

- Total Horticulture production in 2021-22 is estimated to be 333.3 MT
- India ranks 1st in milk production and contributes 23% to global milk production growing at a CAGR of about 6.2% to reach 209.96 MT in 2020-21
- India ranks 3rd in global egg production and produced at least 122.11 bn nos. in 2020-21 with per capita availability of egg at 91 eggs per annum in 2020-21.
- India is the 3rd largest fish-producing country in the world and accounts for 7.96% of the global production. The total fish production during FY 20-21 is estimated at 14.73 MMT.
- Sugar exports from India stood at 8.6 MT till May of the ongoing 2021-22 marketing year ending September.
- Online grocery retail in India has seen a CAGR of over 50% and projected to grow to \$10 bn to \$12 bn by 2025.
- The marine products exports from India touched \$7,740 mn during 2021-22 despite the heavy odds faced by the sector. It observed 30% higher growth as compared to 2020-21. The USA, China and Japan are the top 3 favourite destinations of Indian marine exports. Exports to these three countries contributed 63% of exports.
- The export of other cereals increased from 102 MT in 2019-20 to 521 MT in 2020-21.

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- **Agri-commodity hub**
Largest producer of several agri-commodities
 - **Huge consumer base**
1.3 bn consumers with increasing demand for branded food
 - **Strong economy**
India is the fastest growing largest economy in the world
 - **Conducive policies**
Proactive government policies with attractive fiscal incentives
 - **Atmanirbhar Bharat**
PLI schemes worth INR 10,900 crores introduced under Atmanirbhar Bharat 3.0
 - **One District, One Product (ODOP)**
Under ODOP scheme, 135 district-specific unique products for 728 districts have been identified. across the country

- India ranks 8th in meat production in the world. Meat production in the country has increased from 6.69 MT in 2014-15 to 8.80 MT in 2020-21 (Provisional).
- As per advance estimates, the estimated production of rice is 127.93 MT, Wheat is 111.32 MT & Nutri/Coarse Cereals is 49.86 MT for the year 2021-22.
- Exports of Cereal preparations & miscellaneous processed items values at \$238.04 mn in May 2022 and records positive growth vis-à-vis May 2021 of 43.94%.



INDIAN F&B INDUSTRY INVESTMENT OPPORTUNITIES

Indian Food and Beverage Industry

offers investment opportunities in mainly three major segments:

- Agriculture Growth
- Food Processing Sector
- Fine Dining and Hospitality
- Food E-Commerce

Liberalised foreign direct investment (FDI) policy, strong macro-economic indicators and reforms have resulted in the development of the production, processing, distribution and marketing of food and beverages (F&B) in India. The F&B industry is the fifth-largest sector in terms of production and manufacturing.

AGRICULTURE GROWTH

Agriculture is the backbone of our economy. With globalization and increasing trade across the borders (approximately about 460 Mn tons of food valued at USD 3 Bn is traded annually), the government has established 60 fully equipped Agri-Export Zones (AEZs), in addition to 42 mega food parks and 128 cold chains to boost agricultural and food processing exports. In other words, there is a great potential to conduct business in India as the centre of South East Asia as a trading hub in food and beverages sector.

FOOD PROCESSING SECTOR

Food Processing is a sunrise sector with the advent of large MNC players and increased demand for processed food. Abundance of raw materials and better government policies are also contributing factors for food processing units. Post pandemic, there has been a rise in demand for healthy food, organic products, Ready to Eat and Cook products. Growth in food processing sector is being supported by conducive policy by the government of India.

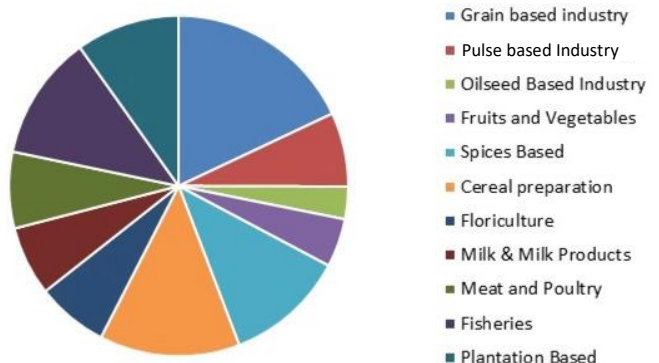
FINE DINING AND HOSPITALITY

Fine Dining and Hospitality sectors were booming before the onset of the Pandemic. The sector is gradually reviving due to opening up of economy. Given the challenges, the sector pioneered the concept of Contactless Dining. Travel and tourism has also picked up in last one year adding to overall mood of revival to fine dining and hospitality sector. This sector is now technology driven wherein we make reservations, browse menus, order food and pay bills online. Additionally, restaurants have begun implementing smart technologies to save time and money which improves the business flexibility, efficiency, and revenue generation. With the advent of new technologies, the food and beverage industry has shifted from imitation to innovation through 'Cloud Kitchen'

FOOD E - COMMERCE

One of the growing e-commerce segment is the food and essential commodities. Through quick transportation and logistic solutions, different aggregator models and increased shelf life, both perishables and non-perishable products are being delivered across markets. This sector has huge investment potential in whole supply chain segment.

India Food Processing Industry Market, By Sector





INDIAN FOOD & BEVERAGE INDUSTRY - CHALLENGES

FOOD SAFETY AND PACKAGING

The food and beverage industry deals with perishable goods that have to be sold quickly to preserve the high quality that buyers expect and that regulations demand. Post pandemic, the preference of consumers for fresh farm products and high quality organic food are driving the market which needs efficient food safety management and packaging along with quick logistic support.

SUPPLY CHAIN WOES

Supply chain management and changing commodity prices make planning, production, and pricing decisions increasingly difficult to make. As hotspots flare up, commodities may become scarce or evaporate. Even moving materials and product within the chain is a challenge.

CHANGING PURCHASE PATTERN

Purchasing patterns continue to shift. Pre-pandemic, online food and beverage purchases were only a little over 3% of online sales. However since March 2020, 80% of shoppers who made a food or beverage purchase online become repeat costumers. Huge inventory is required to address the changing purchase pattern.

Moreover, customers in all sectors are increasingly concerned about their personal health and the safety of their food. This will play out on two fronts. First, products perceived as healthy alternatives will rise in popularity. Second, the concern for end-to-end product traceability is higher than ever. Food and beverage companies will increasingly rely on IoT and blockchain technology to improve food transparency and traceability.

STATUTORY COMPLIANCE

Operating in different regions require adapting to myriad health and safety rules. The food supply chain continues to require all players to adhere to strict operational practices to ensure food safety and quality. Considering the potential consequences of delivering expired or contaminated food and beverage products to consumers, this is not likely to change in the future.

LOGISTIC CHALLENGES

Logistics is increasingly complicated as drivers must face rules that can vary from a loading dock to a unloading dock, even within a single geographic region. Unforeseen circumstances and logistic breakdown has to be factored in pricing , while keeping food prices affordable is a huge challenge.

Cold chain management and intermediary storage management needs huge infrastructure investment to create logistic ecosystem particularly for perishable goods to avoid wastage.

TAXATION

When restaurants supply through another vendor or an e-commerce aggregator, the input tax credits are not allowed to the aggregator. This causes double taxation for supplies to B2B. This situation has been addressed by the recent rules brought under 9(5) in GST. However, the industry would greatly benefit if, following the ruling on Indirect taxes, the Direct Tax dept. would clarify TDS deduction applicability.



INDIAN F&B INDUSTRY – MAJOR PLAYERS AND INVESTMENT

INDIAN FOOD AND BEVERAGES MARKET KEY PLAYER

- Nestlé India
- PepsiCo India
- GlaxoSmithKline
- Haldiram Foods
- Balaji Wafers
- Britannia Industries
- Patanjali
- Dabur
- Hindustan Unilever
- Al Kabeer Exports
- Bambino Agro Industries
- Gits Food Products
- Innovative Foods
- ITC Foods
- Ferrero India Pvt Ltd
- Kwality
- Parle Agro Pvt Ltd
- Kohinoor Foods
- McCain Foods
- Merino
- MTR Foods
- Venky's

MAJOR INVESTMENT

According to the Department for Promotion of Industry and Internal Trade (DPIIT), the Indian food processing industry has cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US\$ 10.43 billion between April 2000 and June 2021. Some major investments and developments in F&B are as follows:

- From 2017 to 2020, India received US\$ 1 billion in agritech funding. With significant interest from the investors, India ranks third in terms of agritech funding and number of agritech start-ups. By 2025, Indian agritech companies are likely to witness investments worth US\$ 30-35 billion.
- In March 2020, the oldest large-scale fertiliser manufacturer in the country crossed one million production and sales mark.
- Nestle India will invest Rs. 700 crore (US\$ 100.16 million) in construction of its ninth factory in Gujarat.
- In November 2019, Haldiram entered into an agreement for Amazon's global selling program to E-tail its delicacies in the United States.
- In November 2019, Coca-Cola launched 'Rani Float' fruit juices to step out of its trademark fizzy drinks.
- Two diagnostic kits developed by Indian Council of Agricultural Research (ICAR) - Indian Veterinary Research Institute (IVRI) and the Japanese Encephalitis IgM ELISA were launched in October 2019.
- Investments worth Rs. 8,500 crore (US\$ 1.19 billion) have been announced in India for ethanol production.





INDIAN F&B INDUSTRY – IMPACT ON REAL ESTATE

With economy opening up Post-Pandemic, Indian F&B Sector particularly, Hospitality and Dining, Food e-commerce, food supply chain and cloud kitchens are some of the sectors which are poised to boom in coming years.

DEMAND FOR HIGH STREET OUTLETS/ RESTAURANTS AND FOOD COURTS

Almost 60% of the restaurants in India are located on high streets vis a vis 29% in malls. This is largely due to favourable rentals on high-streets, organic expansion opportunities and limited availability of quality space in malls. The demand for the same is set to increase in future with more and more people going back to pre-pandemic lifestyle.

In terms of nationality, almost 82% of the restaurants were domestic standalone outlet/chains with around 18% restaurants being of international origin. International food chains such as McDonalds, KFCs, Dominos, Pizza Huts etc are gradually increasing their footprints beyond Tier I cities. The online food delivery format aptly supported by high street outlets have made these players easily accessible to masses.

Local brands such as Haldirams, Bikaner Bhujia, Venky's, Biryani House, Pista House, Idli Bhawan, Sarvana Bhawan, etc. have geographically delimited their operations and now have outlets in all major cities across India.

DEMAND FOR COLD CHAIN, WAREHOUSING AND MANUFACTURING SPACE

Further, Govt. of India, focussing on food security in coming years is planning to create robust infrastructure to cater to total value chain of food products which includes cold chain, warehousing and storage, regional wholesale marketplaces and logistic support.

Food safety and packaging to increase shelf life of food along with emphasis on food processing industry is set to create demand for warehousing and manufacturing infrastructure across different geographies. There is a huge demand for space to establish cold chains and intermediary storage for perishable goods as well as food grains to avoid wastage.

DEMAND FOR LOGISTIC INFRASTRUCTURE

Logistics sector is increasingly playing an important role in total food value chain management. In the last few years, Govt. of India through policy intervention has established Logistic Parks across India. Many major players are investing in Grade A logistic facilities to cater to demand from 3PLs, E-commerce players and retailers across segments. This is pegged as one of the sunrise sectors that will have a major impact on Real Estate.



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Ahmedabad

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Chennai

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