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An instinct for growth™



Confederation of Indian Industry

Indian Food & Beverage Sector

The new wave



**Methodology**

We have focused on select sub segments of Food & Beverages (F&B) sector due to their potential for growth in the next few years. We have invited comments from some of the key players in these sub segments on top opportunities and challenges, which have been suitably incorporated in the relevant sections of the report. We highlight that the views of the industry players are their personal views and may not always necessarily reflect the views of the organisation.

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Acknowledgments

We are extremely thankful to CII and industry experts for sharing their views...

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Foreword



Pirus Khambatta

Chairman, Food & Bev Tech 2014 Chairman,
CII National Committee on Food Processing
CMD, Rasna Pvt. Ltd

The Food processing sector is the key link between Agriculture and Manufacturing. In a developing economy like India, it contributes as much as 9 to 10 % of GDP, in Agriculture and Manufacturing sector.

The growth of food processing sector would need to be a significant component of the second green revolution, considering its possible role in achieving increased agricultural production by ensuring better remuneration for farmers. The food processing sector makes it possible by not only ensuring better market access to farmers but also by reducing high level of wastages.

A developed food processing industry will reduce wastages, ensure value addition, generate additional employment opportunities as well as export earnings and thus lead to better socio-economic condition of millions of farm families.

Given its significant contribution to the national economy, CII accords a top priority to the growth and development of the food processing sector in the country.

As part of the 'inclusive growth' agenda of CII, it is anticipated that the optimum development of the food processing sector will contribute

significantly in tackling several developmental concerns, such as disguised unemployment in agriculture, rural poverty, food security, food inflation, improved nutrition, prevention of wastage of food etc.

The CII National Committee on Food Processing is a high-powered industry forum, which works towards the overall vision of positioning India as a Food Factory to the World. The Committee jointly works in close partnership with the Ministry of Food Processing Industries, State Missions on Food Processing, Food Safety Standards Authority of India, as well as all other stakeholders in this regard.

The National Committee has laid out a clear 12 point action plan for the current year.

1. Government Interface:

- Facilitate effective voicing of industry's view on issues faced by the industry in all Government / Semi-Government / Consumer bodies and international forums.
- Develop a newsletter highlighting the key interventions taken by committee for the sector.

2. Engagement at State level Food Processing Mission:

- Responding to state governments' requests that enable Public Private Partnership like developing Vision Document for the state missions, creating a policy dialogue between the private players & the government.
- Promoting private investment in developing cold chain infrastructure across states through the Cold Chain Taskforce.
- Develop a state level action plan for boosting food processing.

3. Research and policy creation:

- To undertake research studies on the topics impacting the food processing sector and are of industrial importance.

4. Budget interventions in Food Processing Sector

5. Goods and Service Tax (GST):

- To encourage minimum Goods and Service Tax (GST) on food processing: This is required to control unnecessary food inflation.
- This is required to control food inflation as well as ensuring inclusive growth and giving better price for its produce to farmers.

6. International Outreach:

- Exhibition for Indian companies to showcase their products and capabilities.
- One to one buyer seller meetings to conduct business.
- Round tables and B2B discussions with countries of importance in terms of exports, technology and innovation for B2B dialogues and study of best practices and operations across the food value chain.

7. Capacity Building

- EDP programs with premier institutes for rural entrepreneurship development.

8. Supplier-Retailer–Processor linkage

- Building linkages among the supplier (trader, machine manufacturer etc), retailers and processors for creating a robust value chain for the sector.

9. Industry Academia linkage:

Building linkages between industry and academia to enable demand driven research as there is an urgent need for building a bridge between agricultural universities, premiere technological and industrial research institute and the private sector to actively undertake collaborative strategic research in this important sector.

10. FAIDA Implementation:

Food processing committee will work jointly with the CII State level Coordination committee on Agriculture. The objective of this Committee is to bring about better alignment and synchronisation of the efforts being put forth both at the national and state level and further consolidate CII's overall position on key policy issues. The Committee will champion the advocacy work at the state and regional levels through active interactions with policymakers, government representatives, and other relevant stakeholders, as enumerated in the FAIDA III report.

11. Performance Recognition:

Introducing a FOOD AWARD for organisations in the food processing sector to recognise their contribution towards the growth of food processing in India. This award would include categories for large players and medium players to begin with.

12. Land Issues

- Common problem of food processing industry is land/revenue related matters
- To act as a spring board to discuss this matter and suggest changes to State and Central Government on these issues.



Foreword



Harish HV

Partner

Grant Thornton India LLP

India's population is growing and so is the economy, and with that the resultant demand for food and beverages is also increasing. This is driving the growth and expected growth of the organised and packaged food and beverage sector. This is also an area where there is considerable potential for innovation and value addition as also the scope for value creation through reduction in waste.

The new government has already identified this sector as one of its priority areas. In its maiden Budget speech, Union Finance Minister Mr Arun Jaitley announced allocation of INR 2,000 crore to meet the credit needs of food processing industry. Also, Ms Harsimrat Kaur Badal, Union Minister for Food Processing Industries sees huge potential in the sector. She has spelled out her plans to develop a national food map and wants to work closely with states to resolve a host of issues faced by businesses operating in the sector.

Food processing in India was earlier limited to food preservation, packaging and transportation. However, over the last two decades, certain sections of the industry have evolved to meet global standards through technological advancements. Developments such as

establishment of cold storage facilities, food parks, packaging centres, irradiation centers and modernised abattoir have helped the sector make significant strides but these still cater to a small fraction of the food production.

A number of policy and procedural initiatives are required to give impetus to this sector. Despite constraints linked to infrastructure, market access and funding, dynamic businesses operating in this sector have made their mark on the global stage. I am confident that the next few years will be the golden years for the food and beverage sector.

We have had some clear success stories for example, in the dairy or poultry segment but the potential in these as also other areas is significant. It is not just the domestic demand but the export potential as well that makes this sector promising for investors. It also has the potential to generate employment for 48 million people (13 million directly and 35 million indirectly), according to India Brand Equity Foundation.

As fresh growth opportunities emerge on the horizon, this is an appropriate time for Grant Thornton and CII to jointly bring out this report, which aims to examine the growth potential of the food processing industry looking at the current situation, scope for modernisation and the policies and regulations that govern the industry. The report also highlights the emerging trends, opportunities and challenges in the key segments of the sector. These include the dairy sector, cold storage, food retail and food services industry. The report has also captured the key global trends in food sector and the investment scenario. The objective of the report is to serve as a backdrop to the deliberations at the summit.

We hope you will find the report useful and share your feedback with us.

Key highlights

- **F&B sector has scope for higher value addition as the current level of processing is lower compared to global experience**
- **Export potential is high as currently it is concentrated only on select food items**
- **Food wastage levels are a key concern, especially in case of fruits and vegetables**
- **Challenges in supply chain due to inefficiencies and inadequate capacities; new business models and initiatives evolved to build capabilities**
- **Product development and innovation focus is lacking, changing consumer preferences are expected to drive innovation**

Indian consumer

- Younger, more than 50% consumer base is below the age of 30 years
- High income earning, change in consumption patterns due to rising dual income groups
- Aspirational, looking for better standard of living – quality, variety, choices and convenience
- Health and hygiene conscious, shift to protein rich and organic foods
- Internet savvy, prefers shopping online for convenience and discounts

Food retail industry

- Traditional retail format dominates the industry, modern format yet to increase the coverage
- Own brands, in fresh foods and staples, form majority of retail sales
- Organised players will place to tap the growth as they can make investments for backend infrastructure and compliance matters
- Higher real estate cost, rising input prices and cost of compliance are a concern
- Emergence of online grocery, lower cost and convenience option

Food services industry

- Largely unorganised sector, scope for brand building
- Quick Service Restaurants (QSR) emerged as the largest segment
- Global cuisines gaining popularity, Mexican, Italian, Thai and Japanese
- Home delivery of food is a new trend addressing the convenience aspect
- Localisation of the menu and also enriching eating out experience is key for success

Cold storage segment

- Current capacity being utilised for high volume and low value opportunities
- Huge gap in the requirement and current and planned capacities
- FSSAI to increase cost for compliance
- Shortage of skilled manpower, particularly drivers for refrigerated vehicles

Dairy sector

- Attractive occupation for farmers, nearly two-thirds of the milk money is received by farmers
- Ultra high temperature (UHT) processing enabled longer shelf life and convenience of packaged milk
- Private players gaining market share and well placed to benefit from the market potential
- Basic processing now, demand for high value products to drive growth
- Investments required in backend infrastructure

Key highlights

While India has favourable supply side dynamics on the back of agriculture base, the F&B sector faces challenges as follows

Rising food prices has been a concern for the sector and expected to impact the demand if not controlled

High percent of food produced is wasted due to inefficiencies in supply chain affecting availability and also food prices

Shortage of skilled manpower with F&B specific skill sets has been a challenge and expected to impact demand

Product development and innovation in the sector has taken a back seat due to lack of investments and incentives

Change in consumption pattern, which is driven by quality (freshness of product), variety (range of products) and convenience (access to product), posing further challenges

The sector is largely unorganised: emergence of modern retail format and food services industry driving the organisation of the sector

Ambiguity in the food regulations and cost of compliance have restricted the growth in the sector

Government initiatives in specific segments have resulted in development of the segments; however new challenges are arising

Key focus areas for government initiatives

Overhaul of regulations to address supply chain inefficiencies like multiple layers and simplify procedures to start business

Attract investments in backend infrastructure, especially cold storage facilities and setting up farm collection centers to address food wastage and prices issue

Encourage employment in the sector through awareness programs, incentive schemes and vocational training programs

Single window clearance for starting a business and low cost finance options aimed at removing bottlenecks in setting and expanding the business can be considered

Aggressive implementation of Food Safety and Standards Authority of India at the ground level and regular audits of the compliance in the sector

Overview of Indian F&B sector

Overview of Indian economy

India is one of the fastest growing economies of the world. It withstood the impact of the slowdown in the global markets post 2008. In FY12, India's Gross Domestic Product (GDP) grew at 6.7% but reduced to 4.5% in FY13 and FY14 (estimated) due to lower growth rates clocked by the industry sector.

While Services sector, which contributes to one-third of the India's GDP, has been the engine for growth (at ~6% in FY13 and FY14), agriculture sector continued to be the anchor of the economy with 4.6% estimated growth in FY14.

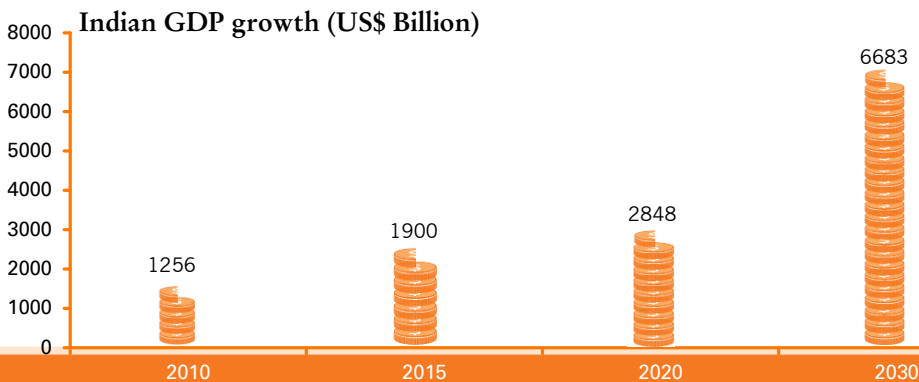
With the burgeoning young and educated middle class, the growth engine for Indian economy, India is expected to become the third largest world economy by 2030, surpassing developed economies like Japan and Germany.

Indian economy has undergone a considerable structural change in the last decade as it has been

moving away from being an agriculture-led economy to a services-led economy. However, agriculture still contributes to 14% of the total GDP & employs 60% of the population.

While, significant strides have been made in agricultural sector, there are quite a few areas of improvements which if addressed would drive the growth in both agriculture and its allied sectors. Addressing these areas would help the agriculture and thereby the food & beverage sector to better equip them to cater to the significant growth expected consumption in India in the next decade.

In line with the growth in economy, Indian total annual household consumption is likely to treble, making India the fifth largest consumer market by 2030. Food and beverage (F&B) is the largest segment of the consumption basket; we examine below the key drivers for the growth in this section.



India Rank
by GDP
(Nominal)

11

8

5

3

Source: CIA World factbook

Indian agriculture needs to be more efficient and increase its yield to much higher than the current levels. It needs to modernise its farming techniques, become less dependent on rain, make huge investments in agri-infrastructure to avoid crop wastage and finally ensure fair price to the farmers for their crops. Overcoming these challenges does require huge investments and government participation.

Dhanraj Bhagat

Partner






Grant Thornton India LLP

Supply side drivers

India is well positioned to leverage on its comparative advantage in terms of large agriculture sector and livestock base on the back of burgeoning consumer base.

With the strong base in agriculture and livestock, India was able to emerge as the largest producer of food - ranked first in production of milk and pulses and ranked second in production of rice, wheat and sugarcane.

FY12 production of key food items in India

	Production (million tonnes)	Share of global production	Global rank
 Milk	127.3	16.9%	1
 Pulses	7.0	19.7%	1
 Rice	155.7	23.6%	2
 Wheat	93.9	10.0%	2
 Sugarcane	277.7	24.0%	2

Source: IBEF Food Processing Industry – June 2014

While, the agricultural base gives the foundation for the growth in the industry, changing social, political and economic factors have provided necessary impetus to F&B sector and is expected to drive the growth in future:

Economic liberalisation: With economic liberalisation in the early 1990s, barriers to doing business were either removed or minimised. Economic reforms helped India attract investments in the sector from foreign companies wanting to enter the Indian market and also from private equity firms.

Improved retail format: With the emergence of modern retail formats, the F&B sector found a new format for operations in the form of food courts in large format malls. These food courts offer consumers, largely a conversion of mall's footfalls, easy access to food at the time of shopping and entertainment activities and also offer a choice of multiple cuisines.

Multi-cuisine: As Indians became mobile and globe trotters on the back of Information Technology age, Indian consumer has become more willing to experiment with different cuisines. This facilitated the sector's foray

Key agricultural statistics

	Units	Global rank
Arable land (million hectares)	157.4	2*
Area under irrigation (million hectares)	66.8	1*
Cattle (million)	205	1*

Source: IBEF Food Processing Industry – June 2014

into a variety of global cuisines. While Indo-Chinese food has been popular, new cuisines such as Mexican, Italian, Thai and Japanese have been gaining prominence on Indian palate. Multi-cuisine have now become easily accessible in major cities, and is expected to increase the frequency of eating out.

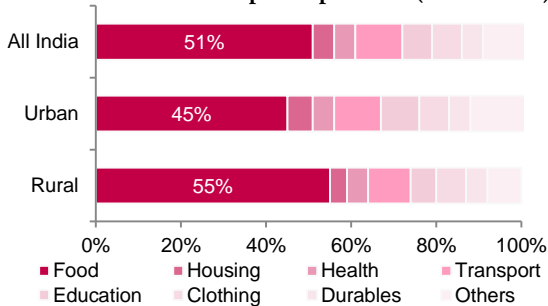
Emergence of contract farming: Availability of raw material and volatility in prices have been key concerns, which led to emergence of contract farming in the sector. Lot of the companies have taken contract farming route to ensure availability of food and at reasonable prices. The companies sign contracts with farmers to grow a specific crop with a guarantee to offtake the crop at an agreed price. Industry sources indicate that McCain Foods, which supplies to McDonald's, has 400 farmers cultivating 2,000 acres in Gujarat and Pepsi Foods has over 2,000 farmers on contract, covering 7,000 acres across Haryana, Punjab, and Uttar Pradesh for crops ranging from potato to chilli and groundnuts.

Infrastructure development: As an offshoot of the growth in this sector, third party logistics providers, which transport the produce and food products from source to destination have also emerged.

Demand side drivers

Household consumption pattern; food take lion's share of the wallet – Food and beverages form the top consumption item in a typical Indian family's consumption basket. While all India average is 51% of the total spend, it is 45% in urban areas and higher at 55% in rural areas.

Household consumption pattern (% of total)

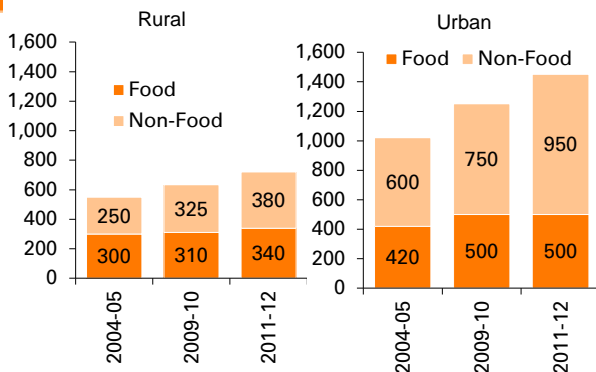


Source: Industry sources

Trend in household consumption expenditure indicate that the share of food in overall consumption has been declining during the last decade.

Despite the decline in overall consumption share, per capita food consumption in real terms has been increasing, particularly in rural areas. Even if the share decreases due to higher expenditure on healthcare, education and transportation, food is expected to be the top spend in the next decade too.

Per capita food consumption in real terms (INR)



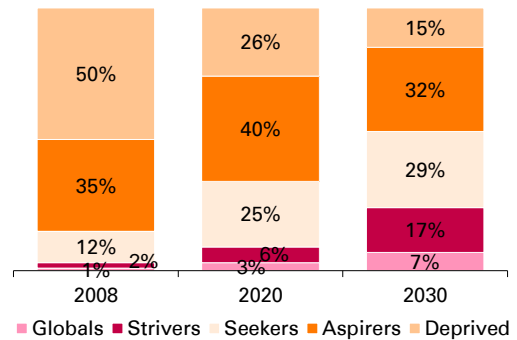
Source: Industry sources

Favourable demographic trends; emergence of urban middle class – More than half of the country's 1.2 billion people are under the age of 30 years. This young population, aspiring to improve its standard of living, is expected to drive the growth of the country's consumption-led food and beverages sector.

India's middle class population is expected to increase three times the current level in the next decade. Out of this, nearly 40% of the population would be living in urban areas.

Indian economy is expected to triple in the next decade. The resultant income growth would lead to a rise in middle class customers. It is expected that the share of this middle class (strivers and seekers) would increase from 14% in 2008 to 46% in 2030 as set out below:

Wealth dynamics of India's population



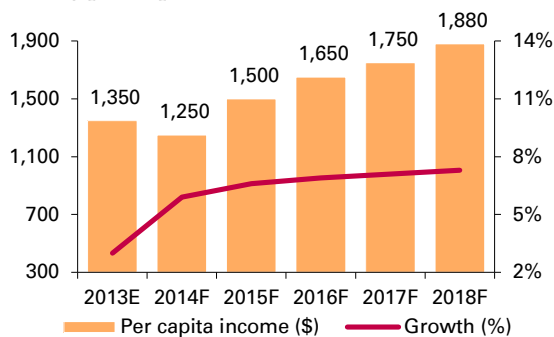
Definition of categories

Category	Income (US\$)
Globals	> 22,065
Strivers	11,303 – 22,065
Seekers	4,413 – 11,303
Aspirers	1,986 – 4,413
Deprived	< 1,986

Source: IBEF Food processing industry - June 2014

Rising disposable incomes; emergence of double income nuclear families - Increase in disposable incomes of middle class families resulted in them spending more on food consumption. Per capita income increased by CAGR 9% to US\$1,350 in 2013 compared to US\$450 in 2000. Rise in number of working women, which is currently ~25% of the labour force has been one of the other key reasons for higher average monthly household income.

Rising per capital income (US\$)



Source: IBEF Food processing industry - June 2014



As indicated in the above chart; by 2018, India's per capita is expected to increase to US\$1,880 a CAGR of 7%. With higher disposable incomes, consumers do not hesitate to spend more on eating out.

With around 50% of the population under the age of 30, an increasing number of Indians are capable of earning and have rising disposable incomes, which are driving up demand for specialty and value-added food products.

Household incomes are expected to rise further in India due to the positive outlook for the country's strong economic growth prospects on the back of change in the central government.

Changing consumer preferences – With the increase in nuclear families with dual incomes and lifestyle challenges in urban areas, there has been a transformation in the consumption pattern, including food habits.

With the changing habits there is an increased preference for convenience and higher instances of eating out. Certain section has been exploring culinary experiences due to the global mobility of the Indian consumer. This resulted in the emergence of the QSR industry and also the ready-to-cook/ ready-to-eat segments of the food & beverages industry.

According to various industry sources, nuclear families and bachelors are turning towards takeout, home delivery and semi-prepared meals (ready-to-eat/ ready-to-cook meals) as these are lower cost and also time saving options

Dilemma of the F&B players

1 - Which segment of pyramid to be targeted as there is potential everywhere? Do we need a product which is stripped down to cut costs and deliver minimalistic values or create a value proposition with a promise of an upgrade through premium positioning, may or may not be through premium pricing.

2 - Health or taste? How do you marry health & taste – often promised by brands across product categories but not been a large success yet.

Devendra Chawla
CEO- Foods & Bazar
Future Group

This is a result of the increased pressures at work and reduced time for household activities, which makes them spend less time in the kitchen.

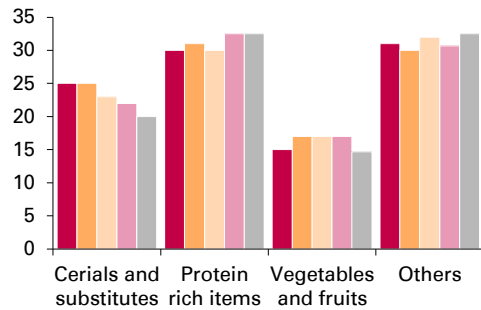
QSR, ready-to-eat and home delivery are poised for tremendous growth in India and estimated to be more than 25% annually in the coming years. Capital in this sector for expansion is available for the established branded players and I believe, the next 5 years look very promising.

S Ramani
Director
Savourites Hospitality Private Limited
(6 Ballygunge Place)

While, this has been a trend across the economy, a certain segment of consumers have become more health and hygiene conscious now, which is driving new trends in the sector, as follows:

- shift in demand from carbohydrates to meat products due to shift in dietary patterns towards protein-rich items and other high value foods (see chart below for share of various items in food expenditure)
- increasing demand for organic and diet foods.

Change in dietary patterns in urban areas (% share)



■ 1993-94 ■ 1999-2000 ■ 2004-05 ■ 2009-10 ■ 2011-12

Source: Industry sources



The future of the F&B sector looks promising with the growing demand due to change in the consumer's lifestyle and consumption patterns. While the Indian agriculture sector is gearing up with support from Government, food processing is expected to play a key role in bridging the gap between the demand and the supply and addressing the key concerns of the sector – rising food prices and high levels of food wastage. The sector's growth is dependent on the ability to organise, invest and innovate to deliver high value products to the consumer.

Shanthi Vijetha
Director
Grant Thornton India LLP

Food processing industry

Overview of Food processing industry

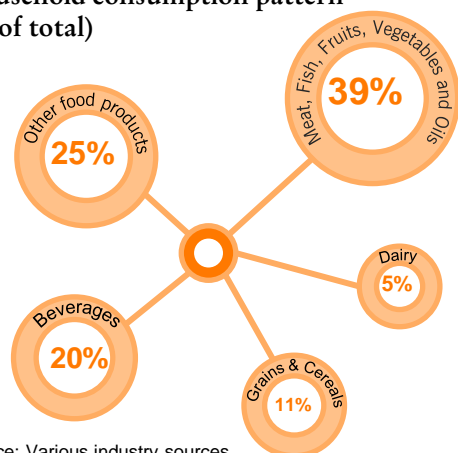
The changing preferences of the upward mobile middle class families from the urban areas have given prominence to food processing sector and also fuelled the growth in the last few years to make the industry the fifth largest in India in terms of production and export growth.

Indian food processing industry was between US\$121 Billion to US\$130 Billion (various sources) and accounts for 30% to 35% of the total food market.

Food processing industry includes the following sub-sectors:

1. Dairy – milk, milk powder, ice cream, butter, cheese and ghee
2. Fruits & Vegetables – Slices, Pulps, Juices, Concentrates, Beverages, Potato wafers/ chips etc
3. Grains & Cereals – Flour, Bakery products, Corn flakes, Starch, Glucose, Malted foods, Vermicelli, Beer and malt extracts
4. Fisheries – Frozen and canned foods mainly in fresh form
5. Meat & Poultry – Frozen and packed foods mainly in fresh form
6. Consumer goods, which includes snack food, biscuits, ready-to-eat foods, alcoholic and non-alcoholic beverages.

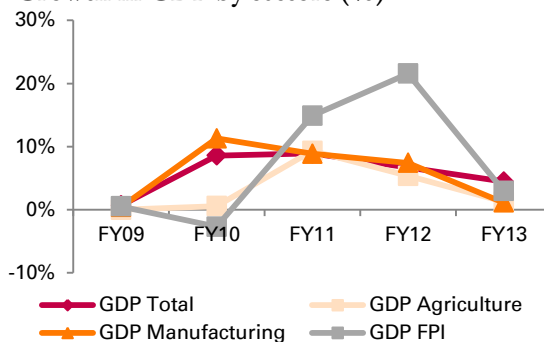
Household consumption pattern (% of total)



Source: Various industry sources

Food processing is an important segment in terms of contribution to GDP, and share in the agriculture and manufacturing sectors. The industry's GDP as a share of agriculture GDP is 12% and that of manufacturing GDP is 10% in FY13, which has increased from 10% and 9%, respectively in FY09.

Growth in GDP by sectors (%)



Source: Ministry of Food Processing Industries - Databank

Food processing industry has been performing better than agriculture and manufacturing. FY13 growth was lower at 3% due to lower growth in agriculture and manufacturing; however the industry has performed marginally better than both those sectors.

Higher growth of food processing industry over agriculture since FY11 indicates that the level of processing has been increasing over the years. Earlier food processing was limited to food preservation, packaging and transportation, whereas the industry has evolved and widened its scope with emerging new trends in consumer preferences and the advancement in technologies adapted to meet those preferences.

These new developments include establishment of cold storage facilities, food parks, packaging centres, irradiation centers and modernised abattoir to offer new products like ready to eat foods, beverages, processed fruits & vegetables, processed marine and meat products, etc.

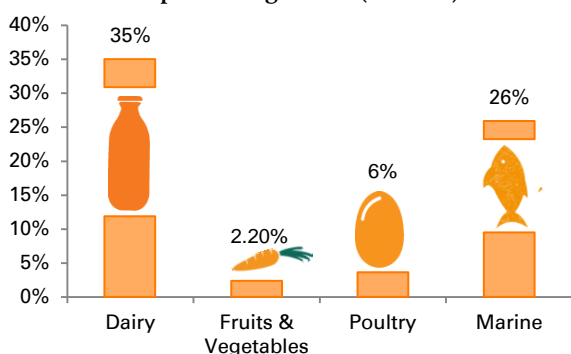
Extent of processing in the industry

The level of processing has been the key driver for growth in the industry. While the current data does not clearly indicate the extent of processing, a look at the composition of the industry indicates the trend. The unorganised sector which primarily does basic processing, accounts for majority of the food processing industry.

The key trends in the industry are:

- While share of processing in dairy is high at around 35% only 15% of the processing is done by organised players. This is after white revolution/ Operation Flood till early 1990s, which saw emergence of cooperative societies. Private sector players started investing post liberalisation in 1992-93
- Only 2% of fruits and vegetables are processed as against 65% in US, 78% in Philippines and 23% in China
- Only 6% of poultry and 26% of marine product as processed after years of focus on their segments
- Rice mills account for the largest share of processing units in the organised sector.

Share of food processing sector (% total)



Source: Ministry of Food Processing Industries

The biggest challenge is that the food processing sector is dominated by unorganised players who contribute to 80% of the food processing industry (by volume) unlike other sectors viz. Pharma, Automobile and IT where over 90% of the sector constitutes organised players. There is a conversion of un-organised to organised sectors but we still need to cover quite a distance.

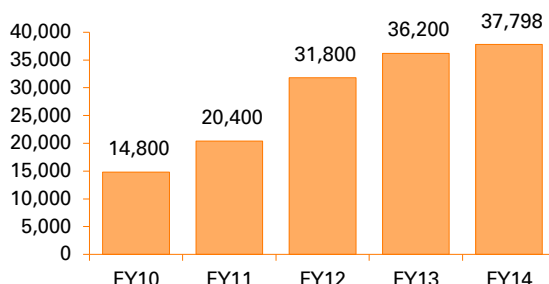
Prabodh Halde

Vice President, Association of Food Scientists and Technologists, Mysore

Export potential of the industry

With the growth in the industry driven by the domestic demand, the industry has also geared up for tapping the export potential. The share of food processing exports in total exports was around 12% in the last few years. This was on the back of significant growth experienced in the sector, exports during the period from FY10 to FY14 is set out below:

Exports of food and related items (US\$'Millions)



Source: Ministry of Food Processing Industries

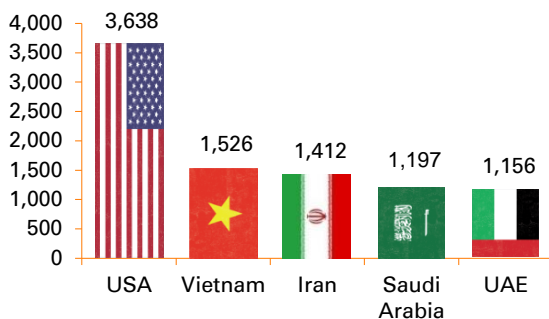
This growth was primarily driven from –

- Location advantage as India is geographically close to some of the top export destinations
- Increased participation of private sector due to investments in the recent past
- Improvements in product and packaging quality

The key trends in food exports are:

- US is the top destination for India's exports of processed food, followed by Vietnam, Iran, Saudi Arabia and UAE
- Rice is the key food product exported by India, followed by meat preparations, gaur gum, wheat and other cereals

Top ten destinations processed food and related product's exports in FY13 (US\$' Millions)



Source: Ministry of Food Processing Industries

Value chain of the industry

The supply chain of the industry involves five stages of inputs, production, procurement, processing and retailing. Food processing industry is a key step in the value chain and it is broadly categorised into two segments:

- Primary processing, which includes basic steps of processing like cleaning, grading, sorting, packing etc to make the products fit for human consumption. Finished products in this case include packed milk, fruits & vegetables, milled rice, flour, pulses, spices and salt largely unbranded.
- Value-added processed food (secondary/ tertiary processing), which includes dairy products (ghee, cheese and butter), bakery products, processed fruits & vegetables, juices, jams, pickles, confectionery, chocolates and alcoholic beverages. These products undergo higher level of processing to convert into new or modified products. This is estimated to account for around 35 to 40% of the total processed food and mostly falls in the organised sector.

Product	Primary processing	Secondary processing	Tertiary processing
Milk	Grading & refrigerating	Cottage cheese, Cream, Simmered and dried milk	Processed milk, spreadable fats (butter and cheese), yogurt
Fruits & Vegetables	Cleaning, sorting, grading & cutting	Slices, pulps, flakes, paste, preserved & flavoured	Ketchups, jams, juices, pickles, preserves, candies, chips, etc
Grains & Seeds	Sorting & grading	Flour, broken, rice, puff, malt & milling Oil cakes	Biscuits, noodles, flakes, cakes, namkeen Sunflower, groundnut, mustard, soya and olive oil
Meat & Poultry	Sorting & refrigerating	Cut, fried, frozen & chilled	Ready-to-eat meals
Marine	Chilling & freezing	Cut, fried, frozen & chilled	Ready-to-eat meals
Beverages	Sorting, bleaching & grading	Leaf, dust & powder	Tea bags, flavoured coffee, soft drinks, alcoholic beverages

Source: Various industry resources

Food processing industry is pivotal to liberating India from the clutches of hunger and malnutrition. Processed food with higher shelf-life will help in controlling food wastage and contribute towards efficient food supply. At one hand, it will provide options of global standards to the aspiring consumers in India, on the other hand it will help in boosting income levels of farmers of India. While consumers in developed nations have 50% to 70% of their daily intake in the form of processed food, in India it is believed to be less than 50%, which provides scope for industry expansion.

Dinesh Shahra
Founder & Managing Director
Ruchi Soya Industries Limited



Technology in the sector

Food processing industry has evolved from the earlier days of crude processing with a purpose of preserving food by cooking, smoking, steaming, fermenting, sun drying and preserving with salt. While the technological change has been gradual, the onset of industrial revolution resulted in major advancements in the food processing techniques which was necessitated and driven by the military needs of nations.

The technological advancements have been rapid with the advent of the space and the information technology age, which gradually required and also facilitated the changes in consumer food habits and preferences across the world. These changes brought in technologies like juice concentrates, preservatives, colorants, self-cooking meals (ready-to-eat/cook foods), reconstituted foods and fruit juices, etc.

Food and Beverages constitutes one of the most exciting and interesting sectors today. The combination of recent developments in our scientific understanding of nutrition, the burgeoning field of genomics and the large-scale challenge around nutrition security creates a potent canvas for market and technology led innovations.

In India there is the added dimension of a tacit societal understanding and respect for traditional nutritive practices and hence the interplay of these facets can create significant value. For this sector to reach its full potential, reforms are needed in more than one part of the value chain; for example the regulatory infrastructure needs to be re-crafted logically and scientifically with some urgency

Dr Arup Basu

Vice - Chairman, CII Maharashtra State Council
President and New Businesses & Innovation Centre, Tata Chemicals Limited

While the global industry has embraced these technological advancements, India is yet to embrace them fully. It is imperative for India to

Cumulative wastage as % of production

Crop	% of production
Cereals	3.9 to 6.0
Pulses	4.3 to 6.1
Oil seeds	2.8 to 10.1
Fruits & Vegetables	5.8 to 18.0
Milk	0.8
Fisheries	2.9 to 6.9
Meat	2.3
Poultry	3.7

Source: Ministry of Food Processing Industries

adopt the best practices in global markets to address/ find solutions for the burning issue of wastage at harvest and post-harvest of major agricultural products, especially in fruits & vegetables segment, which has witnessed higher wastage.

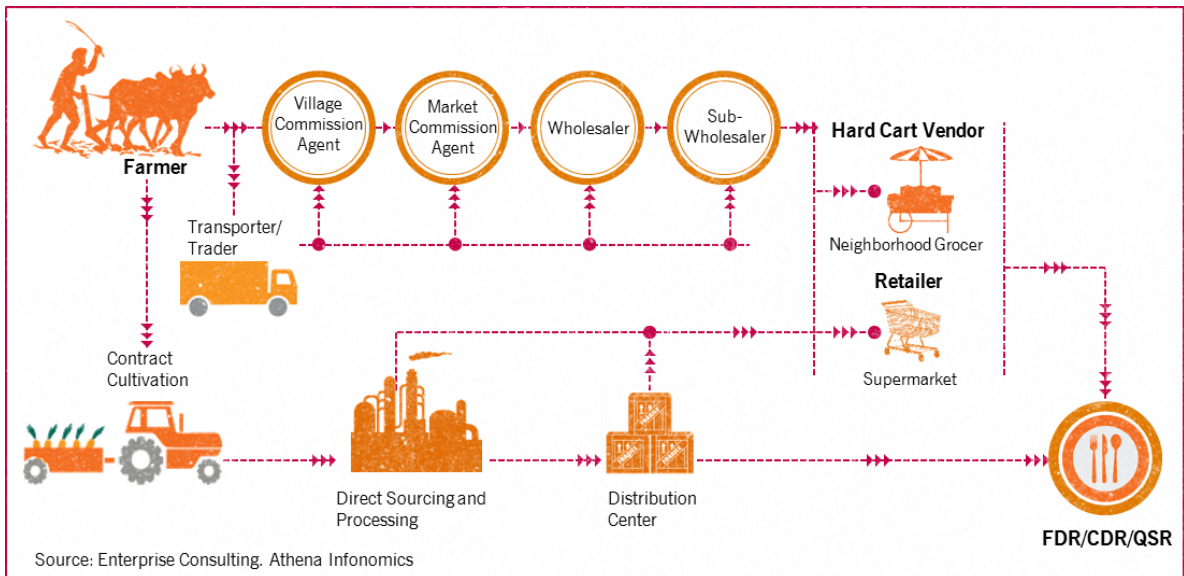
Huge losses – both during harvest and post harvest – dent the Indian exchequer. The focus of the post-harvest technology has been loss-prevention through processing of raw food products, which brought in change in food technologies from manual to mechanical or power operated processes or use of solar or air dryers instead of sun drying, etc.

While some of the Indian players are making use of the newer technologies to increase production, meet international quality standards and thereby increase profitability, since the industry is largely unorganised the adoption has been sporadic. Even though, the market opportunities have been emerging in the recent past, requirement of investments, lack of bank credit facility and long gestation period have been impeding the adoption of newer technologies.



Supply chain in the sector

While the supply chain is dominated by the traditional set up of traders and intermediaries, a lot of venture capital and private equity activity has been taking place in developing robust food supply chains with modernisation of cold storage and transportation.



Challenges in the sector

Food processing industry is key for the overall development of the economy as it is a critical linkage between the agriculture sector, which is yet to achieve the target yields, and the emerging Indian consumer, whose aspirations and commitments are driving a fundamental shift in his lifestyle preferences, including food habits.

Historically, food processing industry has witnessed low margins due to the investments which need to be made in processing facilities, volatility in material prices due to scarcity of resources and uncertainty in consumer preferences.

Hence, it has been facing lack of funds as banks are reluctant to extend loan to the industry as this is perceived to be a high risk, high gestation period and low returns business.

Various industry studies indicate that the top challenges faced by the industry are as follows:

- Ambiguity in the regulations as there is no comprehensive national level policy on food processing sector and also as there are inconsistencies in the centre and state policies
- Shortage of skilled manpower is a concern as it is a labour intensive operations
- Supply chain is not geared up for the scale of the sector
- Rising food prices would have an impact on the demand for the sector
- Lack of product development and innovation

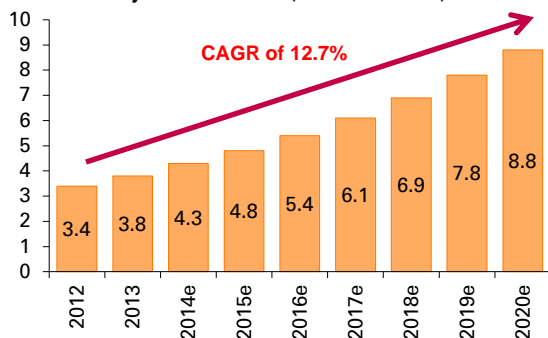
These challenges are still relevant in the current stage of the food processing industry. While there is scope for growth in the industry, there will be restricted growth due to these challenges.



Trends - Dairy

India produces the highest number of dairy products in the world and the size of the industry is expected to be INR 3.8 trillion in 2013. There has been substantial growth in this industry due to increased popularity of dairy products among consumers on the back of increasing income and changes in lifestyles.

Indian dairy market size (INR Trillion)



Source: Dairy Market – India 2014 report by netscribes

The growth in the sector was driven by the successful initiatives of white revolution era, which witnessed building milk grid between producers and consumers, strengthening procurement facilities, infrastructure and technological support.

These initiatives have benefitted the farmers and made dairy production attractive, especially for marginal farmers, as this is the only occupation, where the farmer realises 60-70% of consumer price against 20% or so in fruits and vegetables.

The Indian milk industry is expected to reach 180 million tons and INR 8.8 trillion by 2020 as there is scope for value added products and increased sales through organised players of food industry. Currently, 250% of the milk sold is in fluid state and only 5% in retail chains

Since the consumption is growing, many foreign companies are coming to India with a variety of dairy products. However, there is scope for growth for other players as the value added products form only 15% to 20% of the total dairy production.

Key technology developments:

With the advent of the new technologies, the dairy sector would be able to add more value to the milk and milk products. Some of the dairy related technologies and the potential they bring in are highlighted below:

- **Ultra High Temperature (UHT) processing and aseptic packaging:** This technology has transformed dairy industry as it involves producing dairy products with longer shelf life by sterilising the product. As people become more and more health conscious, UHT milk has gained popularity as it is safe, convenient and has a longer shelf life. Although in terms of percentage, UHT milk occupies a very small share in the dairy segment; it is growing at a rapid rate.
- **Scraped Surface Heat Exchangers And Higher Pasteurisation:** With this technology along with higher pasteurisation and modernised mechanical systems, the Indian dairy industry can manufacture traditional sweets and cater to the ever increasing demand from the export markets of US, UK, South Asian and African countries.
- **Membrane processing:** This technology is gaining importance over conventional processes for its advantages and also new possibilities of producing newer intermediate dairy products.
- **New whey products:** Lastly, whey, a by-product in manufacturing dairy products like paneer, casein and shrikhand has not been fully utilised by Indian dairy industry. Due to its nutritious content, it can be used in manufacturing infant foods, weaning foods, bakery products, confectionery products, dairy products etc. With current technologies, whey can be converted into whey powder, lactose, high protein whey powders, whey protein concentrate, and granulated high protein whey powders.

Key opportunities:

- The last few decades witnessed significant increase in per capita availability of milk. While it is the highest in Asia region, it is still lower than the global availability
- In order to keep pace with the demand for milk of the rising population, production has to increase at the rate of 5.5% to 180 million tons by 2020. If that does not happen, India will have to import milk
- Huge demand of milk and milk products is being catered by unorganised retail, so there is potential for organised players to expand
- Large dairies are feeling the need to invest in backward integration and also looking for developing large herd farms
- While new markets from South East Asia, Far East and North Africa are opening up for the Indian exporters, exports are not rising as the domestic market is absorbing the production and also due to ban on export of milk powder imposed by government to control inflation
- Considering the higher purchasing power, higher awareness and preference for tertiary processed milk products coupled with low availability, there is an opportunity to grow the spending on this category
- More importantly, farmers consider dairy farming as a viable occupation, especially for marginal and women farmers, as the farmer realises 60-70% of consumer price against 20% or so in fruits and vegetables

Consumers have moved up the value chain to value added dairy – milk, butter and cheese, the mainstay for the last so many decades are now finding sleeker and smarter product options in this space – flavoured milk, yoghurts, packaged lassi, etc.

Devendra Chawla
CEO- Food & Bazar
Future Group

Key challenges:

- The prices of fodder have increased significantly in the last two years because of which an average farmer finds it difficult to feed his cattle with quality fodder. Moreover, in India, the availability of fodder is substantially lower compared to the demand. This has in turn affected yield rates
- Productivity of Indian cows and buffaloes are much lower than the global standards, which is primarily because the fodder given to the cattle is of poor quality, drought in different parts of the country affecting the fodder supply, health of the cattle is not maintained and best practices are not followed in the dairy industry
- Ambiguity in the new FSSAI guidelines with respect to the dairy business's value chain
- Demand is expected to get affected as prices are continuously rising due to
 - increase in prices of fodder on the back of unavailability of fodder
 - increase in fuel prices which has a cascading effect on the entire chain from collection of milk to the last mile distribution
 - cost of cattle as well as the cost of veterinary services have also increased
- Maintaining quality amongst stiff competition within the industry is a major challenge for the dairy segment players

Private players are well placed to gain from the potential growth in the dairy industry as it is largely unorganised and there is scope for value added products. This growth will be adequately supported by National Dairy Plan, which is an ambitious program.

Vivek Nirmal
Managing Director and CEO
Prabhat Dairy



Trends - Cold storage

The current cold storage capacity of ~30 million tonnes is dominated by storage facilities for potatoes, followed by multi-purpose cold storage facilities. While potato cold storage is high in volume, it is low revenue generating. In contrast, multi-purpose storage capacity is low in volume but high in revenue generation. This increased the focus towards the multi-purpose cold storages.

There are 6,000+ total cold chain storages (which are mostly temperature controlled facilities) in India, with 95% of them under private players. Also 50%+ of the total is below 1000 MT capacity.

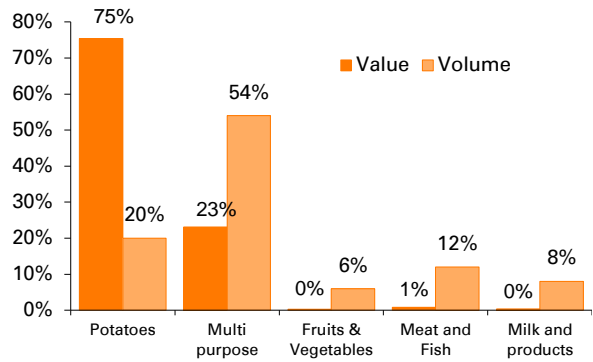
Key opportunities:

- The demand for cold storage is expected to grow to 47 million tonnes as food sector (retail and service) is getting organised with support from Government initiatives on the back of demand for processed & frozen food
- 133 million tons of milk produced in FY13, but cold storage capacity is only available for 70,000-80,000 tons of milk
- As 20%-30% of fish production is annually wasted in India. It offers an opportunity to cold storage business to play a key role in reducing the wastage
- ~25,000 unregistered slaughter houses are present in India, which generally lacks chilling facilities
- Since the concept of eating out and packaging food is growing, there is huge opportunity for cold chain companies to match consumer demand

Key challenges:

- While, implementation of FSSAI in August 2012 is a positive step and needs to be more effective, the cost of compliance is evolving and is expected to be high at transaction level. This has been one of the serious concerns in the industry

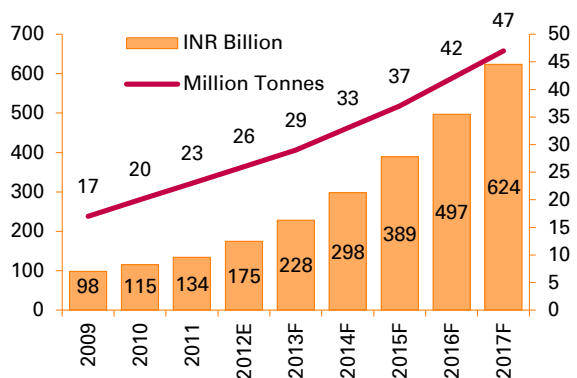
Current capacity utilisation (% total) by value and volume



Source: Industry Sources

- The current infrastructure is poor and the operating procedures followed needs improvement for the industry to evolve as a critical linkage
- As this is a nascent industry on the trajectory of growth, availability of skilled manpower is a challenge as it is a specialist's job which requires training and sensitising them on various aspects of food handling. There is a shortage of blue collar staff, particularly drivers, who can drive refrigerated vehicles

Cold chain storage market size by value (INR billion) and by capacity (million tonnes)



Source: Industry Sources



Key government initiatives :

100% FDI and Excise Benefit	<ul style="list-style-type: none">• FDI allowed through automatic route• Excise waived on F&V, meat preparations, ice cream, and other RTE food mixes
Infrastructure Status	<ul style="list-style-type: none">• In the Annual Budget of 2011-12, cold chain has been given infrastructure status• Priority lending status for cold chain
Viability Gap Funding	<ul style="list-style-type: none">• Up to 40% of the cost
Monetary & Tax Benefits	<ul style="list-style-type: none">• 5% concession on import duty, service tax exemption, excises duty exemption on several items. Subsidy of over 25% to 33.3% on cold storage project cost
National Centre for Cold Chain Development	<ul style="list-style-type: none">• Established in 2011, to look into matters related to cold chain infrastructure
Growing Emphasis On Food Parks & Integrated Cold Chain Development	<ul style="list-style-type: none">• Proposed financial outlay for cold chain infrastructure & Mega Food Parks of around INR 1,675 CR & INR 3,250 CR respectively• Capital subsidy to the tune of 50% of capital cost of project. Around 40 Food Parks and over 100 cold chain to be set up in the country

Other areas which needs further schemes/ plans from Government:

- provide low cost finance options for setting up end-to-end cold chain solutions.
- ensure food related regulations are implemented at the ground level and audited to ensure that there is no solution provided at lower cost by violating the law
- set up institutions for training and certification of manpower

Government should look beyond agriculture and play a bigger role in food logistics through low cost finance options for setting up end-to-end cold chain solutions, implementation of regulations at the ground level and regular audits to ensure that services are not provided at the cost of non-compliance with law.

Gaurav Jain
Managing Director
ColdEX

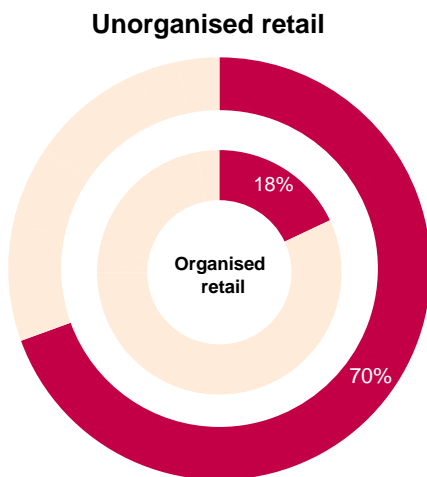
Trends - Food retail

Food processing industry caters to the food retail and food service industries. With the Indian economy and the Indian total annual household consumption expected to triple in the next decade there is potential for growth in food retailing (the food retail industry is growing at a rapid pace on the back of consumer demand).

The key highlights are as follows:

- Indian retail has evolved over the years, modern retail formats are gaining popularity across India, although the traditional formats still hold their importance for a large population base, food and beverage segment constitutes the highest share of two-thirds of the total retail pie
- Food retail constitutes 15% to 20% of organised retail industry, whereas it constitutes 70% of unorganised retail industry
- Traditional retail dominates food, grocery and allied products sector, with grocery and staples largely sourced from the “Kiranas” and push-cart vendors
- Growth in food retail has been a result of higher disposable incomes and easy availability of credit.
- High exposure in media has considerably increased the average propensity to consume over the years.

Food retail composition as a percentage of total organised and unorganised retail market



Source: Various industry sources

Going forward, the organised food sector is expected to drive growth in F&B market on the back of favourable demographics (middle class, urbanisation), rising disposable incomes (per capita income, double income groups) and changing lifestyle preferences (convenience necessitated by professional commitments, rising aspirations) and specifically in the organised retail market as the average propensity to consume is expected to increase further.

Key opportunities:

- Traditional retail dominates food, grocery and allied products sector, with grocery and staples largely sourced from the local stores (Kiranas) and push-cart vendors. The organised food retail accounts for the 15% to 20% of the total retail pie, whereas it accounts for around 70% of the unorganised retail industry
- One of the key drivers for changes in consumer preferences is the aspirational aspects which translate into variety, choices and convenience in shopping. The organised retail is yet to address the basic requirements. Hence, there is a need for scientific management of categories and upgradation of stores to fulfil and drive the demand from these customers
- Since food retailers have the ability to attract and retain customers, the contribution of own brands has been increasing over the years and has become the largest segment of retailer's revenue. These brands are essentially in the fresh and staples segments and have been key to improving margins and helping retailers grow their business
- Major shift in consumer preferences is not only true in metros and cities but also true in small towns, which have emerged as attractive markets for retailers to expand their presence.
- Food safety and hygiene has been a critical development with FSSA coming into operation. Only a modern retailer can comply with these provisions as this would increase the cost of product as well as delivery
- Effective pricing to meet customer needs is critical which requires investment as an efficient food supply chain needs to be developed. Organised retail is best placed to make such investments.

Key challenges:

- Expensive real estate (per square feet rentals) in major cities and towns is a deterrent as food retail is a low margin business
- As organised retail needs to comply with various regulations including FSSA, APMC, and other local regulations, this leads to unfair competition with unorganised retail as the cost of compliance adds additional burden to the low margins
- An efficient food supply chain is critical for organised food retail as food products need to be made available fresh and at good quality. Currently, this is turning out to be expensive due to lack of adequate cold storage/ chillers and cost of power
- The supply of foodgrain and fruits & vegetables is still under the old system of goods brought to mandis and the process is controlled by local bodies. This system restricts movement and handling of food products and also results in increase in prices of these products. The system needs to be overhauled to remove the bottlenecks in supply chain and reduce wastage
- Foodgrain and edible oils are still covered under the old laws like Essential Commodities Act, relevancy of these laws needs to be relooked in the current context of modern consumption patterns and retailing



The biggest opportunity for modern retail is provided by increasingly discerning and aware urban customer who is willing to pay more for better products. If the links in the food grain, fruits and vegetables value chain are simplified, this will lead to better price realisation for farmer producers as well.

Damodar Mall
CEO, Grocery Retail
Reliance Retail

Key government initiatives:

- Faster time to market, cutting down multiple layers (less intermediaries) and also lower wastage is the need of the hour, which requires overhaul of regulations. Currently, the supply chain of fresh produce and staples, dominated by local bodies, have inefficiencies, which need to be addressed
- Building of adequate cold chain and setting up of farm collection centres needs to be encouraged to reduce wastages and bring fresh food products to consumers
- FSSA needs to be implemented aggressively to improve food retailing in India after creating awareness and training small retailers. It needs to be ensured that the regime is pro-retailing. This will improve the hygiene standards required in food retailing .



Organised players are better placed to meet the needs of the discerning and aspirational customers, to invest in backend infrastructure and to ensure compliance with food safety and hygiene regulations. High cost of real estate and high cost of compliance will remain the key challenges for the players. While they may be at a disadvantage compared to the unorganised players, if FSSA is implemented aggressively, it would usher in a new phase for organised food retailing.

K K Rathi
CEO
Future Consumer Enterprise

Trends - Online grocery

Food retail is the largest retail category by revenue and conversion in this category from traditional retail to modern retail has gathered significant momentum. Today, modern retail accounts for more than 25-30% of grocery retail in large cities in India, of which online retail is the fastest growing channel among modern retail.

While this channel is enabled by the web capabilities and online platforms, the essence of the business still remains understanding the consumption patterns and delivering through an efficient supply chain management. Online grocery market forms only a small share of the organised retail pie and it is expected to grow rapidly in near future on the back of unique service offerings around discounts, convenience and value added services.

Since Indian consumer is price sensitive and since online grocery's operational and inventory costs are much less than those of offline retailers, discounts were one of the key marketing strategies for online retailers. In addition, online groceries have been attracting the Indian consumer to online shopping by providing various value-added services such as free shipping, wide range of products not normally available with local retailers, product returns and user reviews.

While these strategies have been aimed at retaining and expanding customer base, the key driver for online retailing has been the convenience factor. Increase in fuel prices coupled with time required to shop in an offline retailer (traffic, parking problems and footfall in shops) have led consumers to purchase goods online.

The online grocery market presents an attractive opportunity for entrepreneurs for building brands and tapping new opportunities like logistics business. This channel gives a direct access to the consumers without spending on marketing which enables entrepreneurs to build brands, market products and expand operations. Especially for local entrepreneurs supplying perishable goods and no access to "Kirana" channel.

Key opportunities:

- Online grocery is expected to be the convenience channel for food & beverages sector, due to the increased stress requiring focus on work life balances and also freeing time for family or leisure activities. Avoiding trips to local grocery shops has become one of the common trends
- Internet penetration is expected to increase further in future, which will equip more consumers to transact online. This augurs well for the online businesses including online grocery. In addition, the new generation is more internet savvy compared to the earlier one. Online purchasing has become second nature for this generation as they have been used to internet since early days
- Emergence of various payment gateways and also confidence in Indian consumer to bank and transact online is expected to increase the customer base
- While the potential for organised retail market is established, availability of quality property and travel related issues like traffic and parking problems and time required to do regular grocery shopping has created and expanded the online retail market
- Online retailers have an edge over physical retailers as the capex investments are less, which can be diverted into improving the range and quality of products and also their customer experience
- With the data collected online, the online groceries can customise offerings to customers (whether it is convenience of ordering regular cart or product recommendations or targeted promotional schemes). There is scope for online groceries to take advantage of this by creating personalised preferences/ dashboards .



Key challenges:

- Most Indian consumers prefer to sample a product before making a purchase, which is true for grocery, especially perishables. Lack of touch and feel in online shopping could lead to a mental barrier for consumers to shop online
- Online retailers need to maintain a similar range of products, if not more to compete with physical retailers and build large customer base and turn profitable. Large range of products brings its own operational difficulties in terms of sourcing and delivering, which requires a complex but efficient supply chain infrastructure and management. Complexity involves managing unorganised players, dealing with non-branded products like fresh fruits and vegetables, managing inventory efficiently, delivering to thousands of customers every day on time and at a reasonable cost
- Online retail operations require high level of automated capabilities due to high number of deliveries. The key processes which need to be automated are picking, packing and storage at the warehouses and delivery and transport activities which needs GPS and route optimisation capabilities
- Similar to physical retailer, an online retailer faces the challenge of what and when to buy, quality and pricing of own brands and building brands for customer acceptance and loyalty
- Customer acquisition and retention for online retailer is the biggest challenge as the cost involved in acquisition is high. So effective use of digital media along with the traditional media and ability to use data to make decisions is critical

Key government initiatives:

- FDI in online food retail can be considered as it will improve supply chain by bringing in investments into backend infrastructure (cold chains and storage facilities) which will address the key concerns of the food sector ie food wastage and food prices. This will result in bringing in fresh and good quality of wide range of products to the customer, provide opportunities to food manufacturers and lastly will also result in farmers receiving higher prices for the products
- There is a shortage of trained manpower for warehousing, delivery and operations. The Government can create awareness among the youth and also encourage vocational skill development for such youth to undergo training and seek employment
- Currently, the food retail category is required to obtain many licenses. The Government can consider setting up a single-window clearance for food retail business, which would remove the bottlenecks in setting up and expanding this business

Online retailing offers a direct link between the farmer and the home by cutting through the layers in the supply chain and helps reduce food inflation, wastage and supply chain inefficiencies - farmers get direct access to consumers, consumers gets the freshness of the farm produce and eliminates middlemen who can inflate prices during shortages. As this gives scope for building brands and also setting up backend infrastructure, it has potential for employment generation for entrepreneurs and workers.

Sudhakar V S
Director
bigbasket.com

Trends - Food service

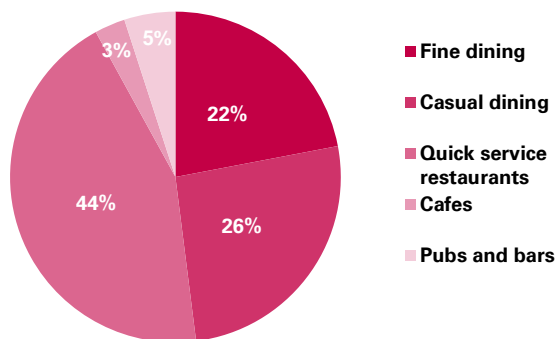
With the increase in disposable income and changes in consumption patterns, Indians are increasingly eating out. This drove the growth in the food service industry and is expected to continue to grow in the near future.

According to 'India Food Service Report 2013' by the National Restaurant Association of India (NRAI), Indian food service industry is worth US\$ 41 billion and is expected to grow at the rate of CAGR 11% and reach USD 68 billion by 2018.

The key trends in the food services industry are:

- Quick Services Restaurants (QSR): There has been an increase in spending on fast food in Tier 1 and Tier 2 cities in the last few years. It is expected to grow at a CAGR of 25% by 2018 as the segment is largely unorganised and more foreign brands are expected to enter India
- Fine Dining Restaurants: This format is concentrated in metropolitan cities and is expected to grow at around 18-20%
- Casual Dining Restaurants: This format also is highest in metropolitan cities and is expected to grow at around 18%
- Cafes: Small share of the market but expanding in tier II and tier III cities; hence expected to grow at a CAGR of ~30%

Food service industry composition (% total)



Source: Industry sources

Key opportunities:

- The emergence of valuable mid-market food services segments, such as casual dining, fast casual, etc and affordable international cuisine
- Home delivery of food is gaining popularity, with many full service and quick service restaurants establishing outlets exclusively for this purpose
- Franchising of outlets is expected to become the most preferred mode of expansion
- Young generation has become the driver for growth. Hence, fast food outlets target them through innovative marketing strategies
- Value added technology services can facilitate continuous improvement and can maintain food products fresh for a longer period of time
- Localisation of the menu and also enriching eating out experience would help in attracting and retaining customers

Key challenges:

- Access to suitable and economical real-estate. The biggest challenge is of real estate costs, which is proving detrimental to the growth of the sector

The industry is feeling cautiously optimistic after a few tough years and there are many opportunities for smart operators and investors. The F&B sector can be a major engine of growth for the India economy and should be considered a peer of the manufacturing and services sectors. India has one of the world's great culinary traditions; we are a nation of foodies and our F&B industry can be a true world leader.

Sanjay Chabra

Director
Carnation Hospitality

- The industry requires employees with specific skill sets. The current system of training does not produce enough English speaking graduates with basic service skills. Also, finding and retaining quality management team is a challenge as they are in short supply
- Irregular supply of electricity and access to pure water are major challenges as it results in high costs for backup power (diesel-based generators)
- Transportation logistics in India are not geared up to meet the demands of the growing industry. Cold storage facilities and refrigerated transportation services are yet to be developed
- Number of licenses required to set up a restaurant are several, depending on the state in which it operates. In addition, license fees are variable and are a burden on new establishment



There is significant opportunity in health foods as there is need to move up the value chain from manufacturing health foods to healthy ready-to-eat processed foods. These will also be consumed in their finished form through the quick service restaurants / kiosks route.

Ashwini Malhotra
Chairman – CII Maharashtra State Council
Managing Director
Weikfield Foods

Key government initiatives:

- Initiatives need to focus on reducing layers and complexity in the supply chain. Customers will benefit from lower prices and government will benefit from reducing food inflation
- It is essential that government agencies take corrective measures to check rising real estate and input costs to enable businesses in offering the most affordable experiences to their guests



Special sectors like nutraceuticals / post-harvest sector / traditional food / convenience food can bring good value addition to farmers, processors and consumers. This is best for overall growth of the economy.

Prabodh Halde
Vice President
Association of Food Scientists and Technologists
Mysore



While the Indian F&B space has seen rapid growth in the past few years, the rising real estate costs and inflation, leading to increasing input costs, are proving detrimental to the holistic growth of the industry. It is essential that government agencies take corrective measures to put these in check to enable businesses to offer the finest, most affordable experience to their guests.

Zorawar Kalra
Founder & Managing Director
Massive Restaurant

Trends in global F&B sector

The F&B sector is poised for growth around the world. The emergence of new economies and increased purchasing power in developing nations are driving strong growth, which is evident by the increased M&A activity in the sector. Consumer focus is changing, with an increased preference for healthy products with responsibly sourced ingredients.

This is leading to a need for companies to come up with a diversified product portfolio. Technological innovation is also a key growth driver for this sector. The use of digital devices and growth of social media have led to the importance of adopting e-commerce and digital marketing strategies.

These trends have been captured from Grant Thornton International report on Industry trend analysis- F&B sector 2014.

Key trends in the global F&B sector

Standardisation of labelling regulations

Highlights

Governments across the globe are focusing on introduction of standardised labeling on food and beverage packaging. In addition, consumers have become more conscious of ingredients and labeling as a result of recent scandals in this industry.

- EU adopted a voluntary standardised "Front-of-Pack" labeling policy in 2011. Such policies are now being considered for adoption in several countries including Australia, New Zealand and the USA
- mandatory nutrition labeling has recently been adopted in several countries in the Americas including Mexico, Ecuador, Chile and Peru

Impact & Challenges

Retailers need to establish or restructure processes to ensure compliance with regulatory standards, which would

- increase pressure on costs resulting from restructuring of labeling processes
- attract non-compliance, and mislabeling can trigger regulatory fines and recall, leading to loss of revenue and reputation

Government engagement in promoting healthy food habits

Highlights

Governments are taking stronger steps to combat obesity by introducing taxes on unhealthy food and promoting healthy food habits

- in November 2013, Mexico passed a law imposing taxes on junk food and sugary drinks, increasing prices of food considered unhealthy
- in March 2013, South Africa has signed into legislation a salt reduction policy for certain foods, including imported food to regulate the levels of salt in processed food

Impact & Challenges

Impact

opportunities to leverage regulatory benefits by diversifying product mix to include healthy options

Challenges

- companies need to be mindful of adhering to food standards
- cost increases resulting from reassessment and modification of ingredient mix



Increased consumer focus on healthy product offerings

Highlights

Consumers are now increasingly aware of health problems associated with poor diet and prefer healthy food.

- obesity rates have nearly doubled in China and Mexico, and risen by one-third in South Africa since 1980. Overweight and obesity rates in North Africa, the Middle East and Latin America have caught up with Euro
- rising consumer interest in eating healthy food is expected to drive the global health food market to US\$ 1 trillion by 2017. The health drinks market is set to grow at 7.5% year-on-year until 2016 and reach an estimated US\$ 400 billion
- key markets expected to drive this growth are China, Brazil, USA, Mexico, Venezuela, Argentina, Indonesia, UK, India, Canada, Germany, Australia, Colombia, South Korea, France, Italy and Saudi Arabia

Impact & Challenges

Impact

- need for companies to expand product offerings to include more healthy options that will meet consumer preferences across geographies and market segments
- consumers are preferring fresh and locally sourced produce promoting the concept of 'farm to table'

Challenges

- increased competition in the health food segment
- pressure on margins due to investment needed to diversify product portfolio

Growth in the organic food market

Highlights

The organic food market is showing signs of growth, illustrating consumer willingness to pay more for food that is organically produced

- North America was the leading consumer of organic food and beverages accounting for 48% of the total market in 2013, followed by Europe that accounted for 45%. Asia Pacific is the fastest growing market for organic food and beverages
- governments are recognising the demand for organic produce. The government of India has set aside US\$ 16.7 million in 2014 for the development of organic food

Impact & Challenges

Impact

Opportunity for companies in the organic food segment to increase sales and profitability. Companies can expand their market base by introducing a more diverse product mix

Challenges

- organic ingredients are more expensive with limited number of suppliers

Emerging markets continue to drive future growth

Highlights

Research indicates that the 10 fastest growing food and non-alcoholic beverages markets in the next 5 years will be emerging markets

- key markets poised for growth in the coming years are China, India, Brazil, Indonesia, South Africa and Mexico

Impact & Challenges

Impact

- opportunities for companies to develop strategic partnerships or acquire local firms in emerging markets
- companies are also adopting the e-commerce route to reach customers in emerging markets

Challenges

- localisation of products to meet consumer taste and compete with domestic players
- competition from other international players looking to enter attractive markets
- regulatory hurdles related to tax law, land acquisition, labour law and exchange rate risk need to be tackled

Focus on higher process efficiencies

Highlights

Due to the effect of climate change and increasing scarcity of resources, efficient use of resources will play a greater role in the seamless functioning of the manufacturing operation of food and beverage firms.

- prices of internationally traded food commodities show signs of volatility, as rising demand and weather concerns continue to exert upward pressure on prices
- to combat the volatile price and supply factors, food and beverage manufacturers are looking to adopt more efficient and sustainable practices that focus on reducing resource loss and wastage, both during production as well as at the distribution stage
- companies are facing increasing regulatory pressure and scrutiny to reduce carbon emissions and adopt environment friendly practices

Impact & Challenges

Impact

- need for companies to incorporate sustainable practices across their value chains to reduce wastage and increase operational efficiencies
- companies could look at strategic partnerships/ acquisition of smaller suppliers, allowing vertical integration in their supply chain. This will ensure that the downstream operations have sufficient supply under all demand conditions

Challenges

- companies need to adopt efficient risk management processes to hedge price volatility
- need to develop strategies to hedge exchange rate fluctuation

Rising digital influence on consumer decision making

Highlights

Growth in online information accessibility and the ability to compare products is influencing consumer decision making.

- growth in the use of digital devices has resulted in rising digital influence on food and beverage purchases

Impact & Challenges

Impact

Companies must design a clear digital commerce strategy, which includes strong digital advertising

Focus on data driven decision making

Highlights

Executives at food and beverage firms are leveraging benefits offered by advances in information technology to make more informed decisions

- companies have adopted or plan to adopt cloud computing technology in their business strategy
- they are also utilising data and analytic technologies to extract intelligence from market data

Impact & Challenges

Impact

- companies should implement a strong IT strategy in order to avail the benefits offered by advancements in technology
- need for a robust process around collection and analysis of consumer data in order to make more informed decision around consumer preferences, production and inventory control

Challenges

- restructuring processes to incorporate new technology into the value chain
- managing risk associated with data security
- high level of investment required to upgrade technology infrastructure



Sustainability initiatives

A recent study by WWF-India in 2014 has highlighted the need for focus on sustainability initiatives by Indian retail industry. While it indicates that the global retailers have been adopting environmentally sustainable practices to run the retail setups, Indian retail is yet to gear up for the transformation. The key highlights of the study are highlighted in this section.

- The key reasons for global retailers to adopt sustainability initiatives include factors like cost reduction, risk mitigation, enhancing reputation, pressures by regulator, NGOs and/ or media
- The above factors have necessitated certain global food retailers to adopt sustainability initiatives, as follows:
 - **Energy conservation:** Energy expense for a grocery retailer is one of the key operating expenses and is high primarily on account of refrigeration. The large global retailers have realised the importance of conserving energy to improve profit margins. So, they have adopted energy saving/ alternative measures and efficient technologies. In addition, there has been an increased use of renewable sources of energy like solar and wind for electricity.
 - **Packaging:** Packaging is another key operating cost which adds to the cost of the product packaged. Retailers and manufacturers are attempting to control the packing cost either by reducing the packing material used or using recyclable materials to produce these packages.
 - **Waste reduction and recycling:** Waste management has been one of the key focuses of retailers due to the high levels of wastage in the sector. Retailers are following strategies of reduce, reuse and recycle, which promotes avoidance instead of focussing on recycling/ disposal.
 - **Water recycling/ harvesting:** Water usage is either reduced or the water is recycled to bring in water stewardship.

- **Green buildings:** Greenhouse gas emissions are reduced by using LEDs, natural refrigeration, solar panels, CO2 refrigeration and improving the energy efficiency of their buildings.
- **Sustainable products:** Due to the consumers' conscious effort to the impact of their purchase on environmental and social issues, there has been an increased demand for environment-friendly products – organic, natural, non-genetically modified foods.
- **Environmental policy and reporting:** Most of the large global retailers have formalised an environment policy carrying the above mentioned factors. They have also been reporting the policies and initiatives taken up during a financial year.
- Indian retail sector is yet to embrace fully the sustainability initiatives as the industry is yet to realise its full potential in terms of market scale and penetration. The key drivers which would bring in commitment from Indian retailers:
 - Customer awareness which also brings in acceptability of premium pricing
 - Reduction of costs would require ideating for cost saving measures
 - Impact of scarce natural resource; price volatility would make industry recognise the need for such initiatives
 - Regulatory pressure from government would bring in compliance requirements
- The entry of more global retail giants will bring in global practices to India and along with it competition and peer pressure, which will bring more focus on environmental sustainability aspect of retail industry. However, the challenge for the industry and to the global retail industry is to identify the initiatives relevant for India. Therein lies the role of government to bring in necessary regulations and compliances in this regard.

Key government policies

Food processing sector is estimated to generate employment for 48 million (13 million directly and 35 million indirectly). In addition, food processing industry is seen as to have the potential to provide alternate employment opportunities to rural youth, who are currently dependent on agriculture or moving to urban areas for employment. Since a large section of the population is dependent on agriculture and allied sectors, the income enhancement of such a large section of population is possible only through adding value in the food chain.

Government of India has accorded high priority status to food industry with an objective to reduce inefficiencies resulting in wastages/ losses by setting up infrastructure (except cold storage facilities) and generate huge employment in this sector.

Government initiatives for food industry

- Entities in infrastructure development are given a deduction of 100% for the first 5 years & 30% for the next 5 years for the calculation of taxable income
- Customs duty on all imported capital goods and raw materials & other inputs is exempted, in addition to excise duty & sales tax on domestic inputs, for all export oriented units
- There is a provision for duty-free import replenishment of inputs, subject to basic input-output norms for approximately 600 export categories
- Encouragement to private sector – 100% export-oriented units are allowed to sell up to 50% of their produce in the domestic market. Export earnings are exempted from corporate taxes
- Tax incentives and Sops - Import duty scrapped on capital goods and raw materials for 100% export-oriented units. 100% tax exemption for 5 years followed by 25% in subsequent years
- Tax exemption for the next 5 years for new agro-processing industries. Full excise duty exemption for goods that are used in installation of cold storage facilities
- Relaxed FDI norms – 100% FDI under automatic route (except for alcohol, beer, and sectors reserved for small scale industries). Repatriation of capital and profits permitted
- Focus on infrastructure - Assigned priority sector for bank credit. 60 Agri Export Zones (AEZ) have been set up across the country. According to Vision 2015, formulated by MoFPI, the government plans to establish 30 mega food parks in public-private partnership mode across the country; out of these 10 have already been approved in the first phase. Government has also announced setting up of 15 Mega Food Parks in its FY12 Budget, as part of the third phase of Mega Food Park Scheme
- Incentives for development of storage facilities - Investment-linked tax incentive of 100% deduction of capital expenditure for setting up and operating cold chain facilities (for specified products), and for setting up and operating warehousing facilities (for storage of agricultural produce)
- Focus on R&D and modernisation - The government launched initiatives such as the Setting Up/Upgradation of Quality Control/Food Testing Laboratory, R&D and Promotional Activity scheme and the Technology Upgradation/Setting Up/Modernisation/Expansion of Food Processing Industries Scheme



Key highlights of Central government schemes for food industry:

Schemes	Details	Financial Assistance
Ministry of Food processing Industries (12th Plan : 2012-13: under NMFP)		
Technology Up-gradation, Establishment, Modernisation of Industries	Entrepreneurs for modernisation and setting up of processing units for fruits & vegetables, meat, milk, fish, grain (oil mill; Rice, pulse & flour milling) alcoholic beverages, consumer products (including bakery units) etc.	25% of the cost of plant and machinery and technical civil works subject to a maximum of Rs.50.00 lakhs in general areas and @ 33.33% subject to maximum of 75.00 lakhs in difficult areas
Cold Chain, Value Addition and Preservation Infrastructure (for horticulture produce)	<ul style="list-style-type: none"> The scheme seeks to provide integrated and complete cold chain facilities without any break from the farm gate to the consumer. Pre-cooling facilities at production sites, reefer vans, and mobile cooling units can be covered. Components of scheme <ul style="list-style-type: none"> Minimal Processing Centre at the farm level with facility for weighing, sorting, grading waxing, packing, pre-cooling, CA / MA cold storage, normal storage and IQF; Mobile pre-cooling vans and reefer trucks Distribution hubs with CA/ MA chambers/ cold storage/ Variable Humidity Chambers, Packing facility, CIP Fog treatment, IQF and blast freezing Irradiation facility 	<p>50% of the total cost of plant and machinery and technical civil works limited to INR 10 CR in General Areas;</p> <p>75% of project cost limited to INR 10 CR for NE region and difficult areas (North East including Sikkim and J&K, Himachal Pradesh and Uttarakhand)</p>
Cold Chain, Value Addition and Preservation Infrastructure (for non-horticultural products such as meat, dairy, aquaculture and marine products)	<ul style="list-style-type: none"> The scheme seeks to provide integrated and complete cold chain facilities without any break from the farm gate to the consumer. Pre-cooling facilities at production sites, reefer vans, and mobile cooling units can be covered. Components of scheme <ul style="list-style-type: none"> Minimal Processing Centre at the farm level with facility for weighing, sorting, grading waxing, packing, pre-cooling, CA / MA cold storage, normal storage and IQF; Mobile pre-cooling vans and reefer trucks Distribution hubs with CA/ MA chambers/ cold storage/ Variable Humidity Chambers, Packing facility, CIP Fog treatment, IQF and blast freezing Irradiation facility 	<p>50% of the total cost of plant and machinery and technical civil works limited to INR 10 CR in General Areas;</p> <p>75% of project cost limited to INR 10 CR for NE region and difficult areas (North East including Sikkim and J&K, Himachal Pradesh and Uttarakhand)</p>
Modernisation of Abattoirs (as per XI plan scheme)	Establishing new abattoirs & modernisation of old abattoirs	<p>50% of the total cost of plant and machinery and technical civil works limited to INR 10 CR in General Areas;</p> <p>75% of project cost limited to INR 10 CR for NE region and difficult areas (North East including Sikkim and J&K, Himachal Pradesh and Uttarakhand)</p>



Schemes	Details	Financial Assistance
Ministry of Food processing Industries (11th Plan)		
Implementation of HACCP/ ISO 22000, ISO 14000/ GHP/ GMP Etc.	Adoption of food safety and quality assurance mechanisms such as TQM including ISO 14000, ISO 22000, HACCP, GMP, GHP	Re-imbusement of expenditure is provided to the extent of 50% of the cost of consultant fee, fee charged by Certification Agency, plant and machinery, technical civil works and other expenditure towards implementation of Total Quality Management System including ISO 14000, ISO 22000, HACCP, GMP & GHP in general areas subject to maximum limit of INR. 15 lakh and 75% in difficult areas subject to a maximum of INR. 20 lakh.
Agriculture Produce Export Development Authority (www.apeda.gov.in)		
Establishment of common infrastructure facilities	<ul style="list-style-type: none"> • Establishment of common infrastructure facilities by APEDA or any other Government or Public Sector agency like Airport Authority of India or Port Trust etc. • Assistance to exporters /producers/growers/ cooperative organisation and federations for horticulture and floriculture sector for <ul style="list-style-type: none"> – Setting up of mechanised handling facilities including sorting, grading, washing, waxing, ripening, packaging & palletisation etc. – Setting up of both pre-cooling facilities with proper handling system as well as cold storage for storing – Providing facilities for preshipment treatment such as fumigation, X-ray screening, hot water dip treatment, Water softening Plant – Setting up of integrated post harvest-handling system (pack houses / green houses with any two or more of the above facilities) – Assistance for setting up of environment control system e.g. pollution control, effluent treatment etc – Setting up of specialised storage facilities such as high humidity cold storage deep freezers, controlled atmosphere (CA) or modified atmosphere (MA) storage etc. 	<p>100% grant-in-aid</p> <p>25% of the cost of equipment subject to a ceiling of Rs.10.00 lakh per beneficiary</p> <p>25% of the cost of equipment subject to a ceiling of Rs.10.00 lakh per beneficiary</p> <p>25% of the cost of equipment subject to a ceiling of Rs.10.00 lakh per beneficiary</p> <p>25% of the cost subject to a ceiling of Rs.25.00 lakh per beneficiary</p> <p>25% of the cost subject to a ceiling of Rs.25 lakh per beneficiary</p> <p>25% of the cost subject to a ceiling of Rs.10 lakh per beneficiary</p>

The regulatory environment for this sector is quite complex in the country, with as many as 40 licenses required from various authorities and the rules vary from State to State. Some of our rules have become archaic and have not kept pace with the growth and developments in the industries; (for example Food & Grocery is a business of daily needs and yet a permission is required to operate the stores 365 days a year). A single window clearance and a standard set of licenses across the states will go a long way to enable a transparent. The regulatory environment should be simple and pro-development for the industry, which will help organised retail to expand rapidly.

Atul Daga
 Chief Financial Officer
 Aditya Birla Retail Limited



Schemes**Details****Financial Assistance****National Horticulture Board (www.nhb.gov.in)****Post Harvest Management of Horticulture Crops****Primary Processing related components**

- Washing, drying, sorting, grading, waxing, packing, palletising, freezing units etc.
- Pre-cooling units / Cool Stores
- Reefer Van / Containers
- Specialised Transport Vehicle
- Retail outlets
- Auction platform
- Ripening / curing chamber
- Market yards / rope ways
- Irradiation / Vapour Heat Treatment unit
- Primary processing of products (fermentation, extraction, distillation, juice vending, pulping, dressing, cutting, chopping, dehydration etc.)
- Natural colour and dyes extraction
- Essential oils, perfumery and cosmetics out of horticulture products
- Products out of horticulture waste
- Horticulture ancillary industry for promoting indigenous manufacturing of horticulture related farm tools &
- Machineries, equipment, plastics containers, packaging etc.
- Adoption of Quality Assurance Systems (HACCP, TQM, ISO, Euro-GAP etc.)
- Plastic Crates and Bins, Cartons, Aseptic Packaging and Nets

Credit linked back-ended subsidy @ 40% of the total project cost limited to INR 50 lakh per project in general area and @ 55% of project cost limited to INR 60.00 lakh in Hilly and Scheduled areas. Pattern of assistance for plastic crates will be 50% of the total cost.

Construction/ expansion/modernisation of Cold Storages/ of Horticulture Produce

Credit linked projects relating to Cold Storages including Controlled Atmosphere (CA) and Modified Atmosphere (MA) Stores, pre-cooling units, other Storages for onion, etc., their modernisation are eligible for assistance under this component

Credit linked back-ended subsidy @ 40% of the capital cost of project in general areas and 55% in case of Hilly & Scheduled Areas @ INR 6000 per MT for Multi-chamber cold storages INR 7000 per MT for PEB Cold Stores INR 8000 per MT for Cold Stores and Packhouse

Assistance to States for Infrastructure Development of Exports (www.commerce.nic.in)**Infrastructure for Exports**

The scheme shall provide an outlay for development of export infrastructure which will be distributed to the States according to pre-defined criteria. The proposals must show a direct linkage with exports

ASIDE contribution shall be a minimum of INR 10 CR for large / Medium States and INR 5 CR for Small / North Eastern States including Sikkim.

Up to 50% cost of the construction of Central Effluent Treatment Plant would be given as assistance under this Scheme and remaining 50% would be provided by the State Government/organisation concerned. or financial institution



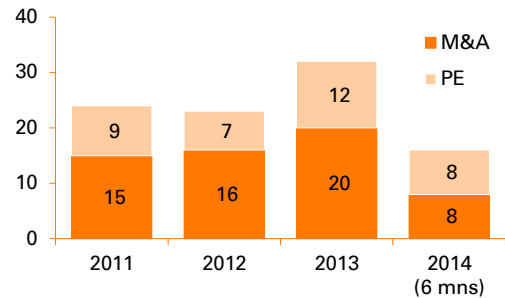
Investments in F&B sector

Deals in food processing industry

With the increase in attractiveness of the food processing industry, there has been significant deal activity in this space with mixed contribution from corporate M&A and private equity investments.

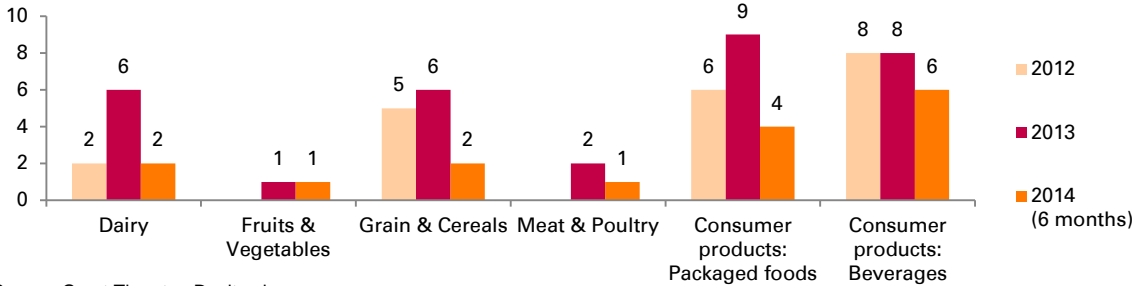
M&A deals increased from 15-16 deals in 2011 and 2012 to 20 in 2013. Similarly PE deals increased to 12 in 2013. The current year deals indicate sustained interest on deal street.

Number of transactions in F&B sector



Source: Grant Thornton Dealtracker

The key trends in the deals by segments are:



Source: Grant Thornton Dealtracker

- Dairy segment has witnessed primarily PE deals with few M&A. While, PE deals indicate the attractiveness of the consumption sectors (due to growth potential) to PE community, M&A deals, which includes inbound deals, indicate the consolidation trend expected in the sector on the back of growth potential
- Fruits & Vegetables as a segment is yet to evolve for food processing industry. This is evident from the deal space where only two PE transactions took place in the last 3 years
- Grain & Cereals segment has witnessed deals primarily relating to businesses in oil seeds extraction and export of rice
- Consumer products (packaged and beverages) segment witnessed the highest number of deals i.e. 41 in 3 years, of which 22 pertain to beverages and 19 pertain to packaged foods
 - Higher activity in packaged foods is due to the emergence of ready-to-eat/ cook and branded products addressing the convenience aspect of consumer preferences

- Higher activity in beverages is driven by the deals in alcoholic beverage space involving leading players in the segment - Diageo plc, United Spirits Ltd, Tilaknagar Industries, etc

Deals in supply chain and logistics space

As supply chain linkage between the agriculture sector and food processing sector was critical for driving the growth in food processing industry, there have been deals in supply chain and especially cold chain space. The key highlights of the deals in the supply chain and logistics space

- the theme for these transactions has been storage and preservation
- cold storage and logistics have witnessed more transactions, primarily private equity investments
- agri-warehousing is the next segment which witnessed private equity investments in Sohanlal Commodity Management and Gramco Infretech

Top M&A deals in the last 3 years

Year	Month	Acquirer	Target	US US\$ Mn	Deal Type	% Stake
2012	November	Diageo Plc	United Spirits Ltd	882.00	Strategic Stake	25.02%
2012	April	India Hospitality Corp	Adelie Food Holdings Ltd	350.00	Acquisition	100%
2014	January	Groupe Lactalis SA	Thirumala Milk Products Private Limited	275.00	Acquisition	100%
2014	February	Wilmar International	Shree Renuka Sugars	200.00	Controlling Stake	N.A.
2012	April	Roquette Freres	Riddhi Siddhi Corn Processing Private Limited- Starch business of Riddhi Siddhi Gluco Biols	190.00	Majority Stake	60.00%
2014	January	Diageo Plc	United Spirits Ltd	138.00	Increasing Stake to 28.7%	2.40%
2013	April	Hassad Food Co	Bush Foods Overseas Pvt Ltd	100.00	Majority Stake	51.00%
2011	December	Bunge Ltd	Amrit Banaspati Company Ltd-edible oil business	78.00	Acquisition	100%

Source: Grant Thornton Dealtracker

Top PE deals in the last 3 years

Year	Month	Investor	Investee	% Stake	USUS\$ Mn
2012	December	Temasek	Godrej Agrovet Ltd	19.99%	105.00
2014	February	Goldman Sachs, Mitsui Global Investment	Global Beverages and Foods Pvt. Ltd	N.A.	50.8
2013	July	India Value Fund Advisors	VKL Seasoning & Flavors Pvt Ltd	N.A.	40.00
2014	April	International Finance Corporation	Lucid Colloids Ltd	N.A.	30.00
2011	June	Sequoia Capital	Prakash Snacks	N.A.	30.00
2013	December	The Invus Group LLC, Artal	Capital Foods Pvt. Ltd.	43.70%	29.03
2012	September	IDFC Private Equity	Parag Milk Foods Pvt Ltd	N.A.	29.00
2011	April	Standard Chartered PE	Bush Foods Overseas	N.A.	25.00

Source: Grant Thornton Dealtracker

The number of transactions and emergence of new brands and players in the food and beverage space in the last few years is a testament that both the consumer and the investor are actively participating in the growth of this sector which has a strong growth potential. Government's support and push to bring about real estate correction and supportive logistics infrastructure will further boost the growth. Also, appropriate human resource talent for service and technology for production is the need of the hour. All this together will perhaps will help create a truly national brand in India, something which we have only a handful today.

Prashant Mehra
Partner
Grant Thornton India LLP



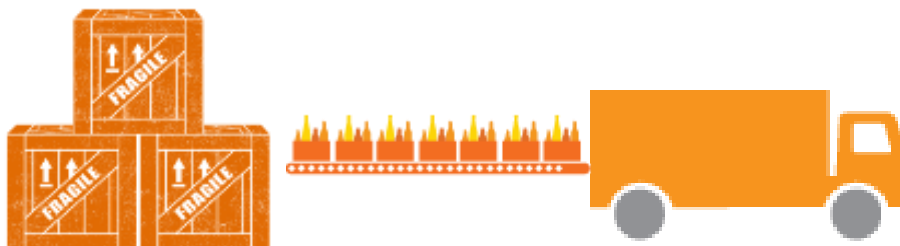
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Grant Thornton India LLP is a leading professional services firm providing assurance, tax and advisory services to dynamic Indian businesses. "The firm's mission is to be the adviser of choice to dynamic Indian businesses with global ambitions."

With a partner led approach and sound technical expertise the Firm has extensive experience across many industries and businesses of various sizes. We provide focused practice groups in a range of industries, sectors and market segments. We have extensive experience in the Food & Beverage industry providing end to end compliance and advisory solutions to several prominent players.

Moreover, with our robust compliance solutions and ability to navigate complexities we help dynamic organisations unlock their potential for growth through global expansion, global capital or global acquisitions. With over 2000 people, the Firm is recognised as one of the largest accountancy and advisory firms in India with offices in New Delhi, Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Kolkata, Kochi, Mumbai, Noida and Pune, and affiliate arrangements in most of the major towns and cities across the country.

We provide meaningful, actionable advice, every step of the way.



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