



Industry Report on

Food & Grocery Retailing and Food Processing

27 March 2024

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Global Macroeconomic Scenario

The global economy, estimated at 3.1% in 2023, is expected to show resilience at 3.1% in 2024 before rising modestly to 3.2% in 2025. Between 2021 – 2022, global banks were carrying a historically high debt burden after COVID-19. Central banks took tight monetary measures to control inflation and spike in commodity prices. Russia's war with Ukraine further affected the global supply chains and inflated the prices of energy and other food items. These factors coupled with war-related economic sanctions impacted the economic activities in Europe. Any further escalation in the war may further affect the rebound of the economy in Europe.

While China, the largest manufacturing hub of world, was facing a crisis in the real estate sector and prices of properties were declining between 2020 - 2023, with the reopening of the economy, consumer demand is picking up again. The Chinese authorities have taken a variety of measures, including additional monetary easing, tax relief for corporates, and new vaccination targets for the elderly. The Chinese Government took several steps to help the real estate sector including cracking down on debt-ridden developers, announcing stimulus for the sector and measures to encourage the completion and delivery of unfinished real estate projects. The sector is now witnessing investments from developers and demand from buyers.

Global headline inflation is set to fall from an estimated 6.8% in CY 2023 to 5.8% in CY 2024 and to 4.4% in CY 2025. This fall is swifter than anticipated across various areas, amid the resolution of supply-related problems and tight monetary policies. Reduced inflation mirrors the diminishing impact of price shocks, particularly in energy, and their subsequent influence on core inflation. This decrease also stems from a relaxation in labour market pressure, characterized by fewer job openings, a slight uptick in unemployment, and increased labour availability, occasionally due to a significant influx of immigrants.

Global GDP Growth Scenario

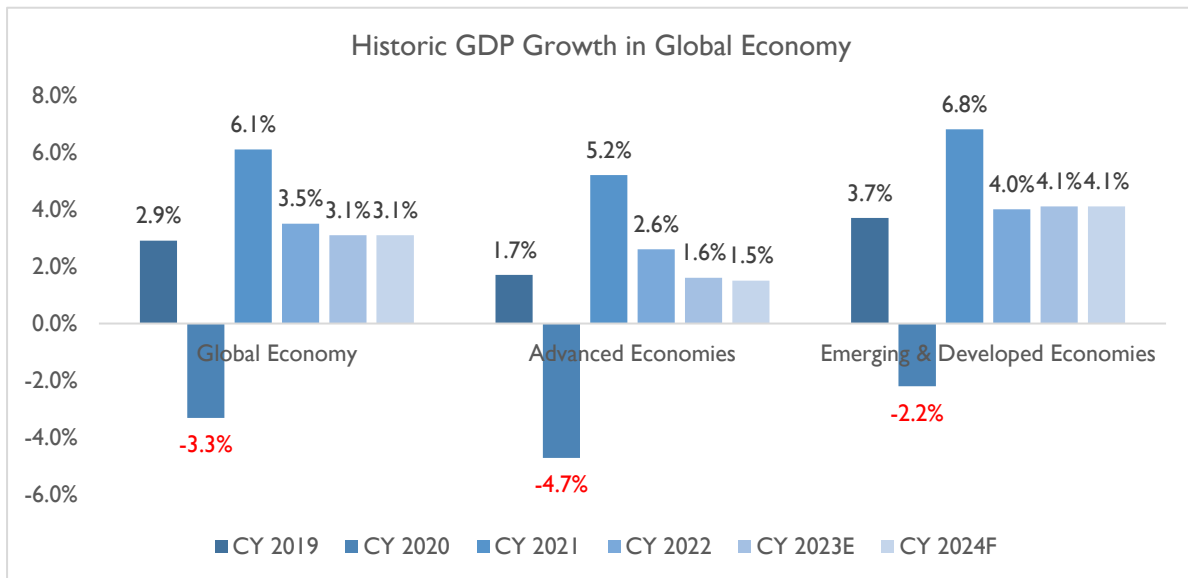
The global economy started to rise from its lowest levels after countries started to lift the lockdown in 2020 and 2021. The pandemic lockdown was a key factor as it affected economic activities resulting in a recession in the year CY 2020, as the GDP growth touched -3.3%.

In CY 2021 disruption in the supply chain affected most of the advanced economies as well as low-income developing economies. The rapid spread of Delta and the threat of new variants in mid of CY 2021 further increased uncertainty in the global economic environment.

Global economic activities experienced a sharper-than-expected slowdown in CY 2022. One of the highest inflations in decades, seen in 2022, forced most of the central banks to tighten their fiscal policies. Russia's invasion of Ukraine affected the global food supply resulting in a further increment in the cost of living.

Further, despite initial resilience earlier in 2023, marked by a rebound in reopening and progress in curbing inflation from the previous year's highs, the situation remained precarious. Economic activity lagged behind its pre-pandemic trajectory, particularly in emerging markets and developing economies, leading to widening

disparities among regions. Numerous factors are impeding the recovery, including the lasting impacts of the pandemic and geopolitical tensions, as well as cyclically driven factors such as tightening monetary policies to combat inflation, the reduction of fiscal support amidst high debt levels, and the occurrence of extreme weather events. As a result, global growth declined from 3.5% in CY 2022 to 3.1% in CY 2023.

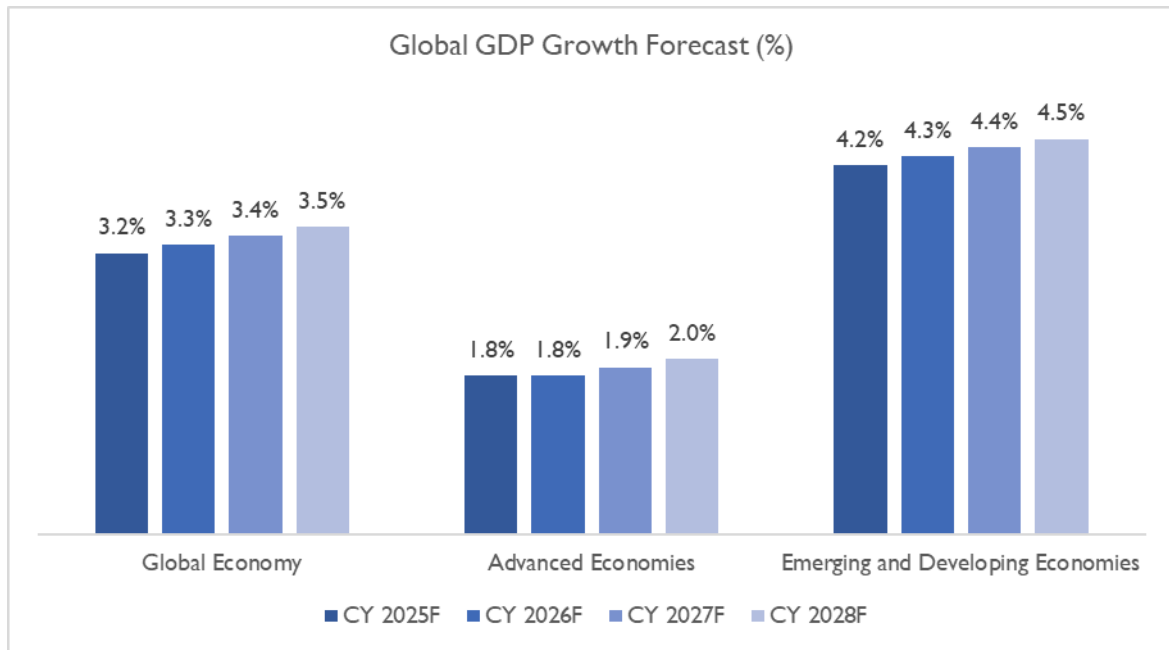


Source – IMF Global GDP Forecast Release 2024, E – Estimates, F - Forecast

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

In the current scenario, global GDP growth is estimated to have recorded a moderate growth of 3.1% in CY 2023 as compared to 3.5% growth in CY 2022. While high inflation and rising borrowing costs are affecting private consumption, on the other hand, fiscal consolidation is affecting government consumption.

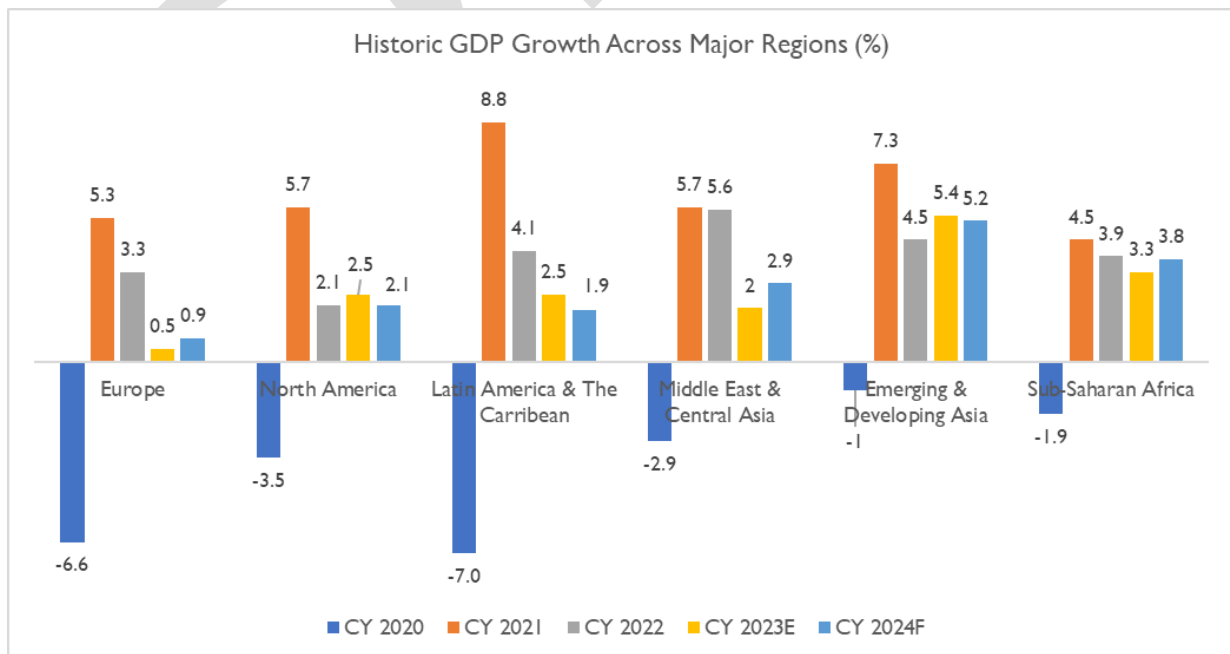
Slowed growth in developed economies will affect the GDP growth in CY 2024 and global GDP is expected to record a flat growth of 3.1% in CY 2024. The crisis in the housing sector, bank lending, and industrial sectors are affecting the growth of global GDP. Inflation forced central banks to adopt tight monetary policies. After touching the peak in 2022, inflationary pressures slowly eased out in 2023. This environment weighs in for interest rate cuts by many monetary authorities.



Source – IMF Global GDP Forecast Release 2024, D&B Estimates, E- Estimates, F - Forecast

GDP Growth Across Major Regions

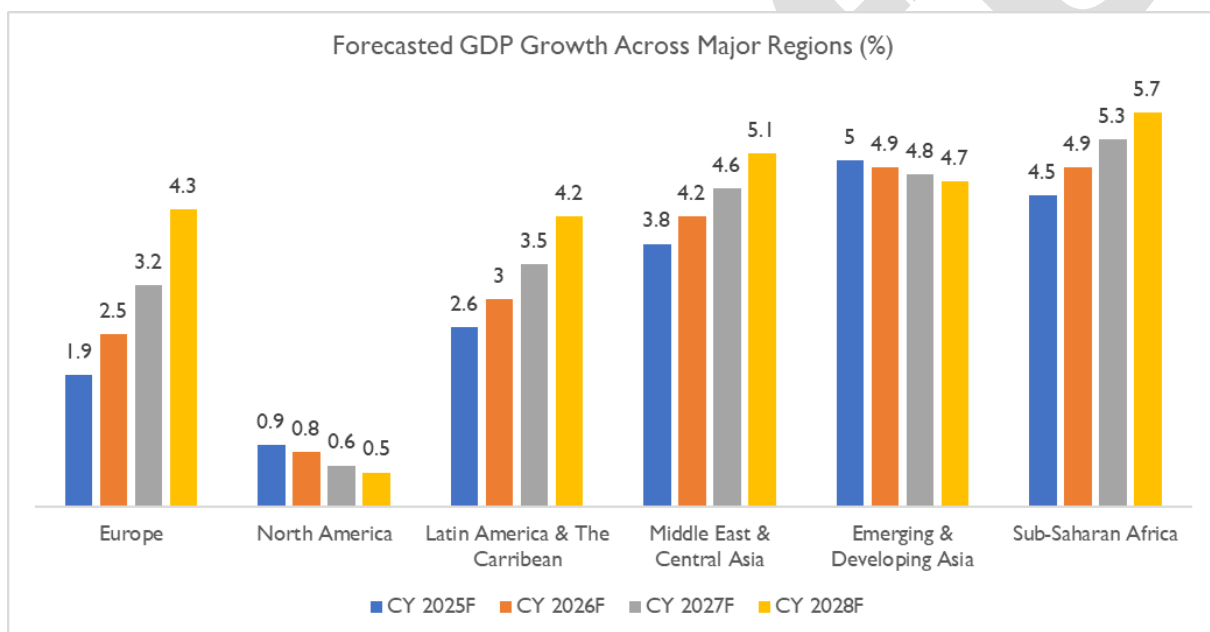
GDP growth of major regions including Europe, Latin America & The Caribbean, Middle East & Central Asia, and Sub-Saharan Africa, were showing signs of slow growth and recession between 2020 – 2023, but leaving Latin America & The Caribbean, 2024 is expected to show resilience and growth. Meanwhile, GDP growth in Emerging and Developing Asia (India, China, Indonesia, Malaysia etc.) is expected to decrease from 5.4% in CY 2023 to 5.2% in CY 2024, while in the United States, it is expected to decrease from 2.5% in CY 2023 to 2.1% in CY 2024.



Source-IMF World Economic Outlook January 2024 update, E- Estimates, F - Forecast

Except for Emerging and Developing Asia, Latin America & The Caribbean and the United States, all other regions are expected to record an increase in GDP growth rate in CY 2024 as compared to CY 2023. GDP growth in Latin America & The Caribbean is expected to decline due to negative growth in Argentina. Further, growth in the United States is expected to come down at 2.1% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand.

Although Europe experienced a less robust performance in 2023, the recovery in 2024 is expected to be driven by increased household consumption as the impact of energy price shocks diminishes and inflation decreases, thereby bolstering real income growth. Meanwhile, India and China saw greater-than-anticipated growth in 2023 due to heightened government spending and robust domestic demand, respectively. Sub-Saharan Africa's expected growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply issues.



Source-IMF, OECD, and World Bank, D&B Estimates, E- Estimates, F - Forecast

Global Economic Outlook

The global economy avoided a widely anticipated recession in 2023 and will likely not see one in 2024. Looking at the current inflation trajectory, no one is guessing how much higher interest rates will go from here, which is a good outcome for both businesses and policymakers. Instead, financial markets are now betting on the timing and magnitude of rate cuts – and this is where we recommend caution for businesses. There are a few things to consider; first, rate cuts will likely follow an evident deterioration in economic conditions, i.e., after the economic damage is visible in data, which usually comes with a lag. By that logic, rate cuts by themselves may not be a positive outcome but only a means to offer relief from economic pain. Second, for most central banks that have been grappling with high inflation, higher expectations of rate cuts from financial markets will make them harder and riskier to deliver. Loosening too soon risks reversing the inflation trajectory and if key central banks get their inflation projections wrong for a second time, it will only spell more trouble.

The violence that began in the Middle East on October 7 continues to escalate. Apart from Israel and the Palestinian territories, Yemen, Syria, Iraq, Jordan, Iran, and Pakistan have all become embroiled in some form of violence over the past four months, including cross-border fire. This can be largely attributed to the heavy presence of militias and terrorist groups in these countries. Consequently, security threat levels are elevated across the region and business operations are difficult. The most obvious impact on commercial activity has been on shipments passing through the Red Sea, which have been forced to re-route under attacks from Houthi rebel groups, elevating shipping costs and stretching delivery timelines. It has also added to volatility in the global energy markets. More importantly, the escalating conflict has reversed the gains made on global supply-side normalization and remains the biggest risk to hard-earned global disinflation – the two big economic accomplishments of 2023. Dun & Bradstreet's Global Supply Chain Continuity Index captured this dynamic as it fell 6.3% for Q1 2024, with suppliers' delivery time and delivery cost indices both deteriorating. In this context, for the global economy, a lot is riding on the ceasefire discussions that are currently underway between Israel and Hamas.

February marked the second anniversary of the start of the Russia-Ukraine conflict, which, at present, seems to be at a stalemate. From a business impact standpoint, events outside the zone of action, particularly in the EU, have gained more prominence than the conflict itself. These impacts range from immediate concerns about manufacturing performance, the cost of living, and energy security in the largest European economies, and go on to cover longer-term themes such as the bloc's first serious attempt at expansion in years, which includes Ukraine's bid for membership.

Geopolitical rumblings are also on the rise in the Asia-Pacific region, with North Korea issuing fresh threats, in words and in actions. Incessant sabre-rattling may not necessarily lead to a conflict, but such posturing is unhelpful for the business and investment climates. In summary, geopolitics remains the biggest risk to the global economy today, dampening investments, disrupting supplies, and weakening the fight against inflation. There is one silver lining in all of this. High geopolitical temperatures around the world seem to have raised the stakes of stability for the U.S. and Mainland China. This was evidenced in their willingness to diffuse the Middle East, in keeping North Korea in check, and in Beijing's relatively muted reaction to a Democratic Progressive Party (DPP) victory in Taiwan Region's January 2024 polls. Mainland China may be keen to hold on to this new equilibrium until its economy fully stabilizes. As for the U.S., the outcome of the nomination races and the presidential election in November 2024 will be the key determinant of its foreign policy direction.

India Macroeconomic Analysis

GDP Growth Scenario

India's economy is showing signs of resilience with GDP growing to estimated 7.3% in FY 2024. Although this translates into only a slight uptick in demand (compared to FY 2023- 7.2%), the GDP growth in FY 2023 represents a return to pre pandemic era growth path. Despite this moderation in growth, India continues to remain one of the fastest growing economies in the world.

Country	Real GDP Growth (2023)
India	6.3%
United Kingdom	0.5%
Italy	0.7%
Canada	1.3%
China	5.0%
Brazil	3.1%
France	1.3%
United States	2.1%
South Africa	0.9%
Germany	-0.5%
Japan	2.0%
Russia	2.2%

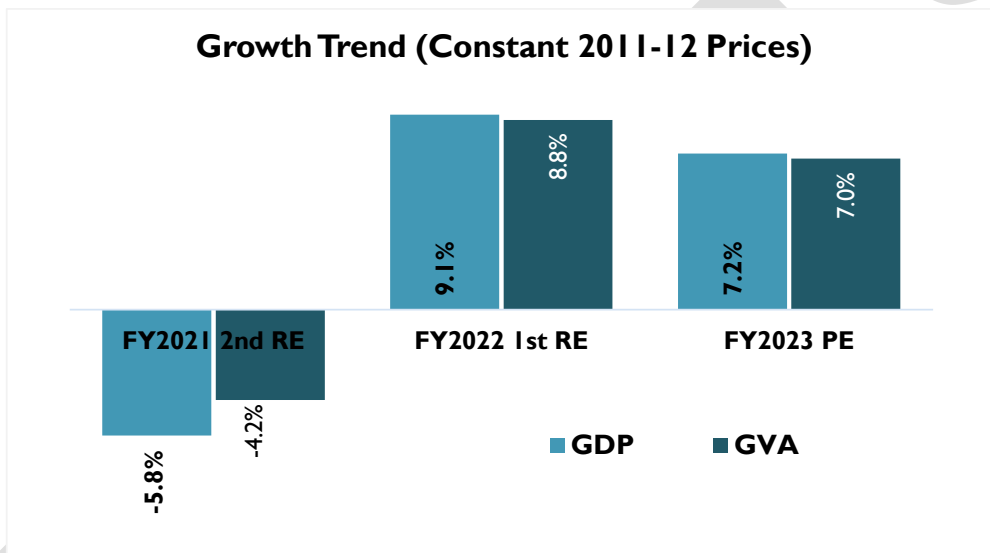
Source: The International Monetary Fund
 Countries considered include - Largest Developed Economies and BRICS (Brazil, Russia, India, China, and South)
 Countries have been arranged in descending order of GDP growth.

There are quite a few factors aiding India's economic recovery – notably its resilience to external shocks (Russia – Ukraine conflict) and rebound in private consumption. This rebound in private consumption is bringing back the focus on improvements in domestic demand, which together with revival in export demand is a precursor to higher industrial activity. Already the capacity utilization rates in Indian manufacturing sector are recovering as industries have stepped up their production volumes. As this momentum sustains, the country may enter a new capex cycle. The universal vaccination program by the Government has played a big part in reinstating confidence among the population, in turn helped to revive private consumption.

Realizing the need to impart external stimuli, the Government stepped up its spending on infrastructure projects which in turn had a positive impact on economic growth. The capital expenditure of central government increased by nearly 24.5% during FY 2023 as compared to the previous fiscal. The improvement was accentuated further as the Union Budget 2023-2024 announced 37.4% increase in capital expenditure (budget estimates), to the tune of Rs 10 trillion. The announcement also included 30% increase in financial assistance to states at Rs 1.3 trillion for capex. This has provided the much-needed confidence to private sector, and in turn attracted private investment.

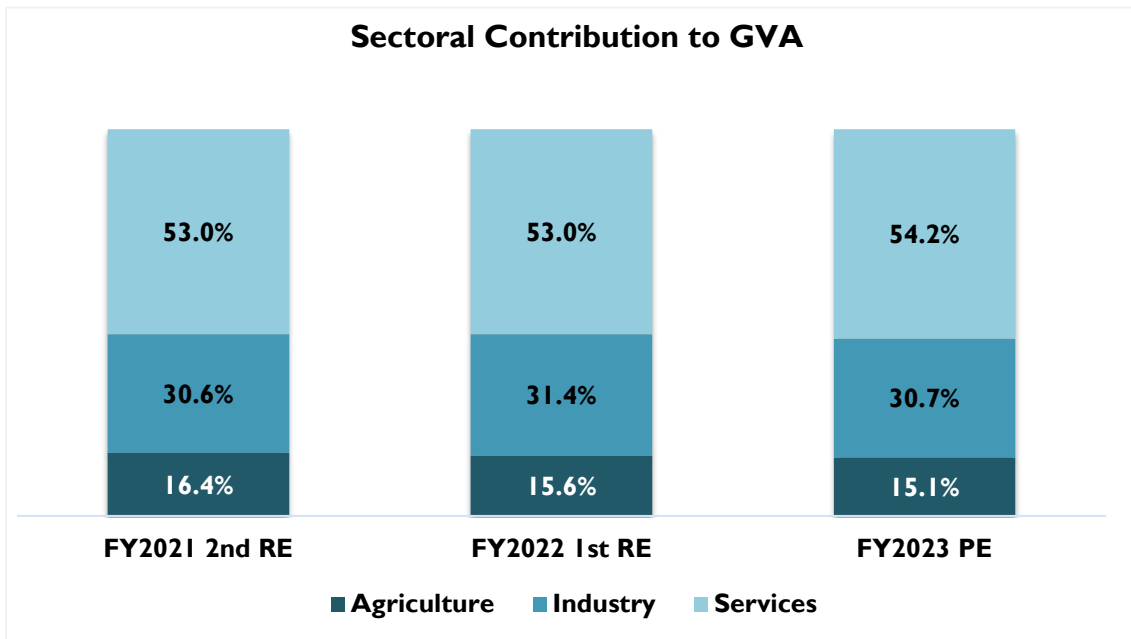
On the lending side, the financial health of major banks has witnessed an improvement which has helped in improving the credit supply. With capacity utilization improving, there would be demand for credit from corporate sector to fund the next round of expansion plans. Banking industry is well poised to address that demand. Underlining the improving credit scenario is the credit growth to micro, small and medium enterprise (MSME) sector as the credit outstanding to the MSME sector by scheduled commercial banks in the financial year FY 2023 grew by 12.3% to Rs 22.6 trillion compared to FY 2022. The extended Emergency Credit Linked Guarantee Scheme (ECLGS) by the Union Government has played a major role in improving this credit supply.

India's GDP in FY 2023 grew as per provision data grew by 7.2% compared to 9.1% in the previous fiscal on the back of slowing domestic as well as external demand owing to series of interest rate hikes globally to tackle high inflation. The year-on-year moderation in growth rate is also partly due to a fading impact of pandemic-induced base effects which had contributed towards higher growth in FY 2022.

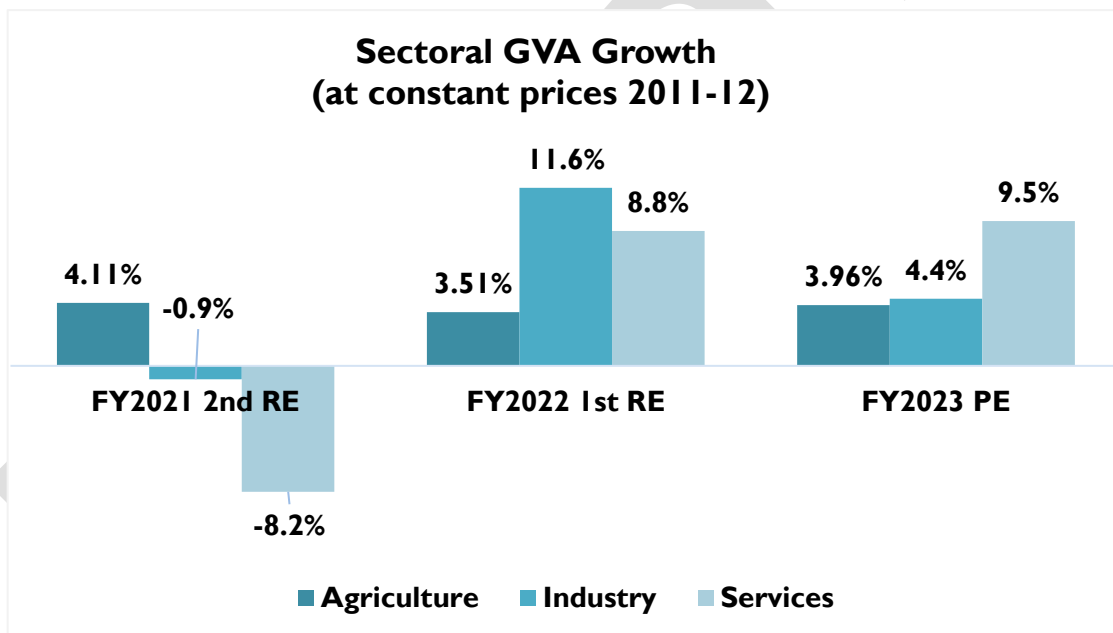


Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics, 2023
RE stands for Revised Estimates, PE stands for Provisional Estimates

Sectoral Contribution to GVA and annual growth trend



Source: Ministry of Statistics & Programme Implementation (MOSPI),
RE stands for Revised Estimates, PE stands for Provisional Estimates



Source: Ministry of Statistics & Programme Implementation (MOSPI),
RE stands for Revised Estimates, PE stands for Provisional Estimates

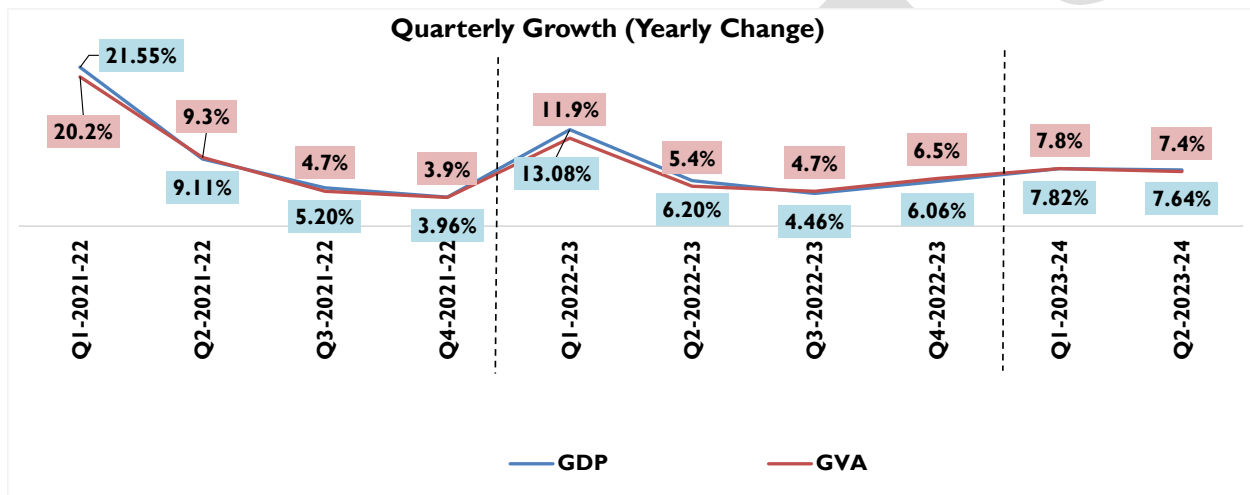
Sectoral analysis of GVA reveals growth tapered sharply in industrial sector which is estimated to have grown by just 4.4% against 11.6% in the previous fiscal. In the industrial sector, growth across major economic activity such as mining, manufacturing, construction sector slowed and it registered a growth of 4.6%, 1.3% and 10% in FY 2023 against a growth of 7.1%, 11.1% and 14.8% in FY 2022, respectively. Utilities sector too observed a marginal moderation in y-o-y growth to 9% against a 9.9% in the previous years.

Talking about the services sectors performance, with major relaxation in covid restriction, progress on covid vaccination and living with virus attitude, business in service sector gradually returned to normalcy in FY

2023. Economic recovery was supported by the service sector as individual mobility returned to pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen and grow by 14 % in FY 2023 against 13.8% in the previous year and financial services, real estate and professional services sector recorded 7.1% y-o-y growth against 4.7% y-o-y growth in the previous year. However, overall service sector growth was curbed by moderation in public administration and defence services sector which recorded 7.2% yearly increase against 9.7% increase in the previous year.

Quarterly Sectoral Growth Trend

On quarterly basis, the country growth moderated in Q2 and Q3 of FY 2023 which highlights impact of slowing economy on the back of monetary tightening. During Q3 FY 2023, the country’s GDP grew by 4.7% against 5.4%% y-o-y increase in the previous quarter. However, the fourth quarter of FY 2023 saw a rebound in growth rate, indicating an optimistic scenario. GDP growth strengthened further in Q1 FY 2024 to 7.8%, and it managed to growth above 7% in Q2 FY 2024.

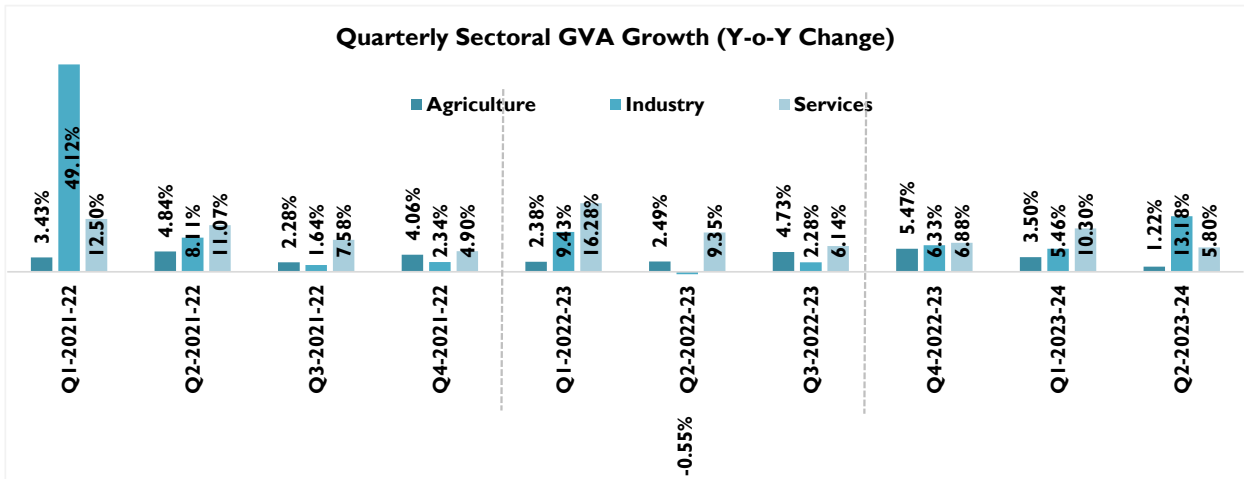


Source: Ministry of Statistics & Programme Implementation (MOSPI)

Q2 FY 2024 Quarterly GVA number indicated revival as it registered 7.4% growth compared to 5.4% in Q2 FY 2023. Industrial sector emerged as a bright spot which supported overall GVA to grow above 7%. The industrial sector GVA grew by 13.18% in Q2 FY 2024 against a decline of 0.55% in corresponding quarter previous year. Within industrial sector, India's manufacturing sector exhibited sharp improvement by registering 13.9% y-o-y growth against a decline 3.8% in the same quarter previous year. Construction sector too exhibited 13.3% y-o-y growth in Q2 of FY 2024 against 5.7% y-o-y growth in the previous quarter, mining and quarrying sector, and Electricity, gas, water supply & other utility services sector registered 10% and 10.1% y-o-y growth respectively. In Q2 FY 2023, yearly growth stood as -0.1% and 6% in mining and quarrying and Electricity, gas, water supply & other utility services sector, respectively.

While quarterly growth in industrial sector exhibited improvement, both agriculture and services sector indicated moderation during Q2 FY 2024. Agriculture sector GVA moderated to 1.22% in Q2 FY 2024 from 2.49% in the same quarter previous year.

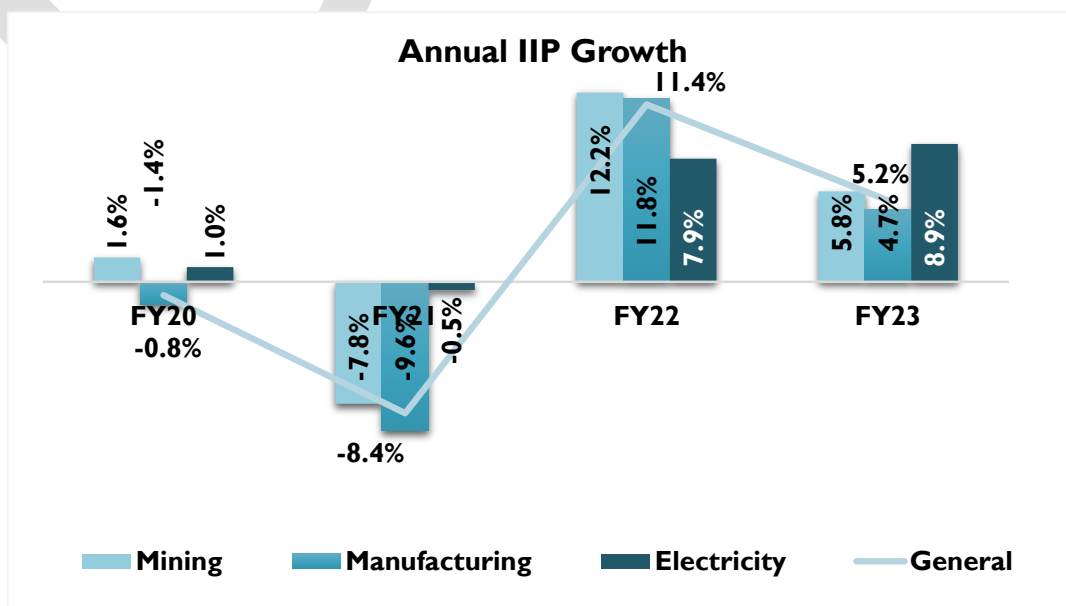
Within service sector, quarterly growth moderated to 5.8% in Q2 FY 2024 from 9.43% in Q2 FY 2023. Trade, hotel, transport, communication, and broadcasting segment observed sharp moderation in growth which registered merely 4.3% y-o-y growth in Q2 FY 2024 as compared to 15.6% growth in the Q2 FY 2023. Other services sector broadly classified as Financial, Real Estate & Professional Services too reported moderation and observed 6% y-o-y growth in Q2 FY 2024 against 7.1% (Q2 FY 2023) while Public Admin, Defence & Other Services registered 7.4% y-o-y growth against 5.4% during the previous period, respectively.



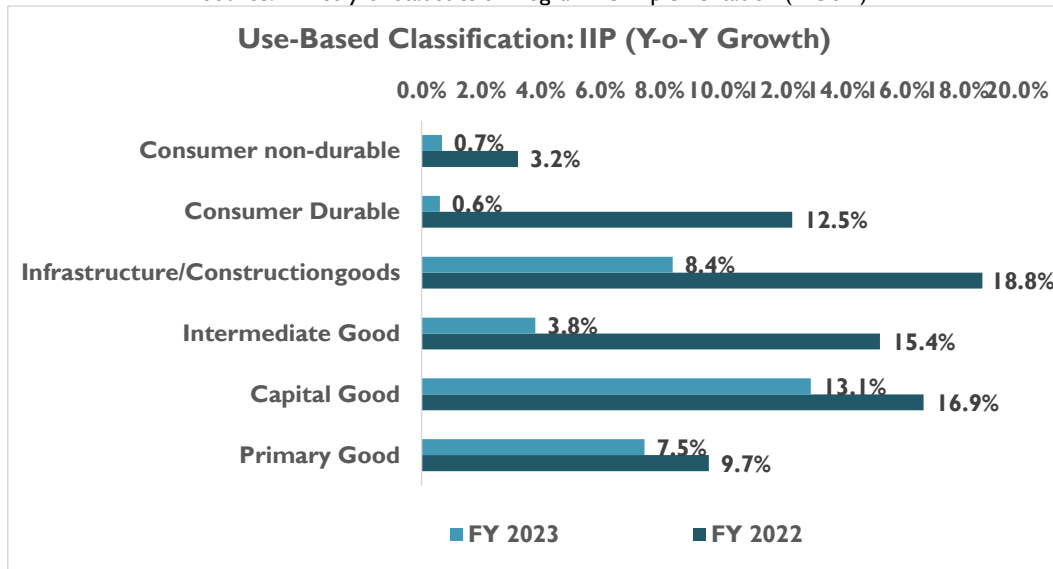
Source: Ministry of Statistics & Programme Implementation (MOSPI)

Index of Industrial Production

Industrial sector performance as measured by IIP index exhibited moderation in FY 2023 by growing at 5.3% (against 11.4% in FY 2022) as series of rate hike to tame inflation impacted the industrial sector performance. Previously IIP index exhibited temporary recovery in FY 2022 from the low of Covid induced slowdown in industrial growth during FY 2020 and FY 2021. Manufacturing index, with 77.6% weightage in overall index, grew by just 4.7% in FY 2023 against 11.8% y-o-y growth in FY 2022 while mining sector index too grew by just 5.8% against 12.2% in the previous years. Electricity sector Index witnessed improvement of 1% over the previous year and registered 8.9% y-o-y increase in FY 2023



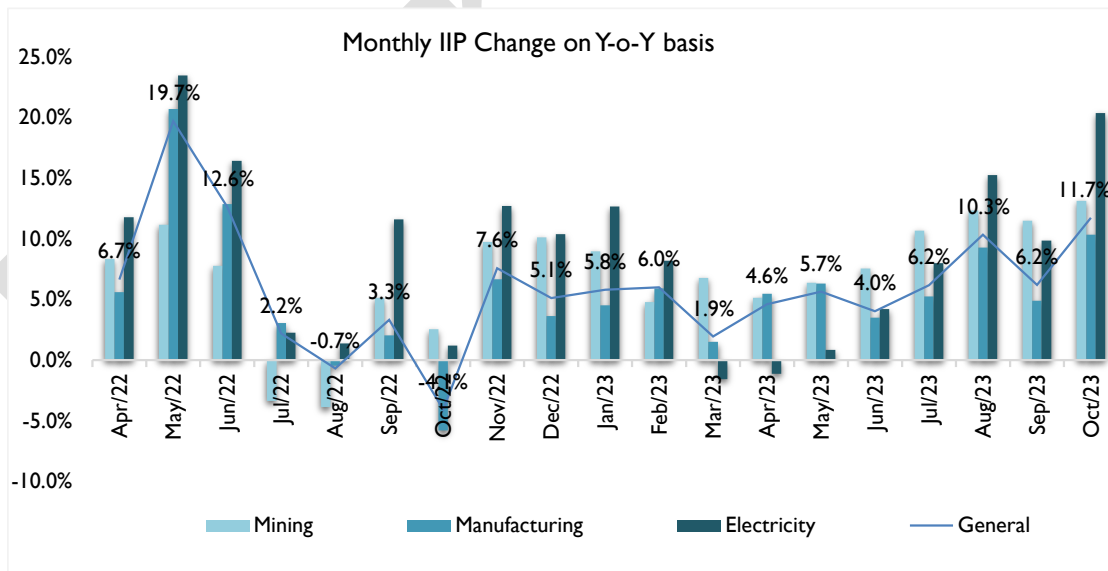
Source: Ministry of Statistics & Programme Implementation (MOSPI)



Sources: MOSPI

As per the use-based classification, growth in all segments deteriorated for FY 2023 as compared to FY 2022. Consumer good and intermediate goods were worst hit segments followed by infrastructure / construction Goods. The contracting IIP data points towards adverse operating business climate as global headwinds, high inflation, and monetary tightening cumulatively impacted the broader industrial sector performance.

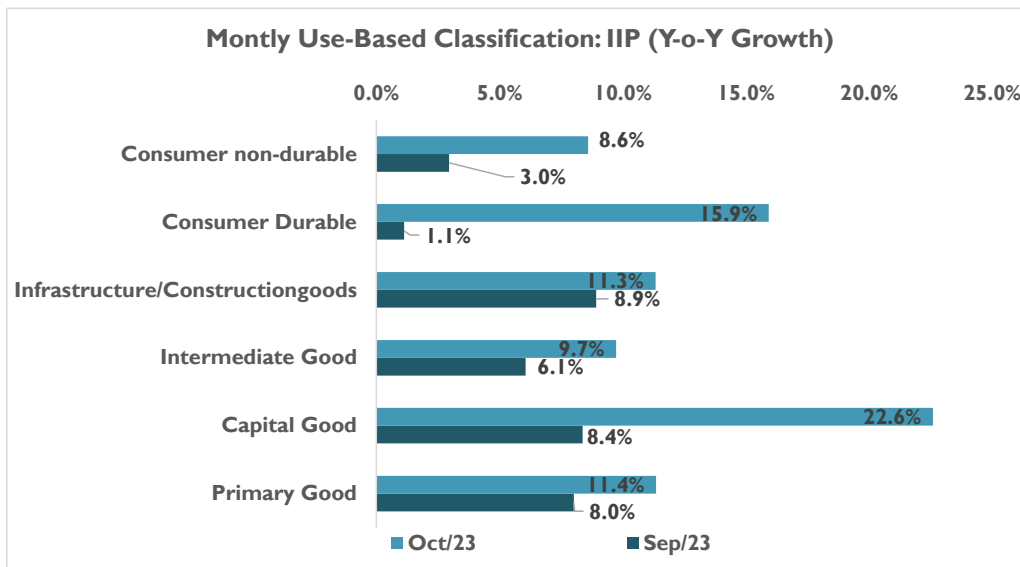
Monthly IIP Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

In FY23, IIP index improved steadily during April and May but moderated sharply in the subsequent three month and it measured lowest in October 2022 while it showed uneven movement in the subsequent month too. IIP again moderated to register 1.9 % y-o-y growth in March 2023. In current fiscal FY 2024, the index has reported steady improvement over the last fiscal. Average of Monthly IIP data from April to October indicated 6.9% y-o-y growth against 5.3% y-o-y increase in the previous year. Manufacturing and Mining index both exhibited improvement in growth between April -October 2023 and registered 6.4% and 9.4% y-o-y

growth against 4.9% and 4% y-o-y growth between April to October 2022. Electricity sector index exhibited moderation in growth, and it grew by 7.9% against 9.4% during the above period.

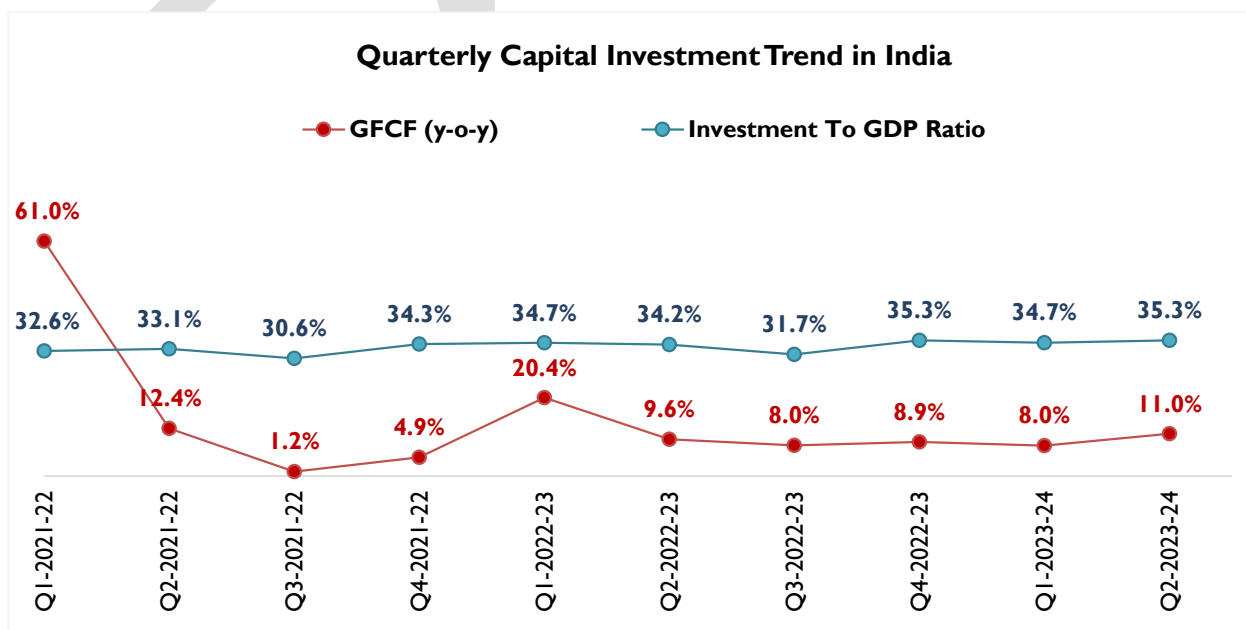


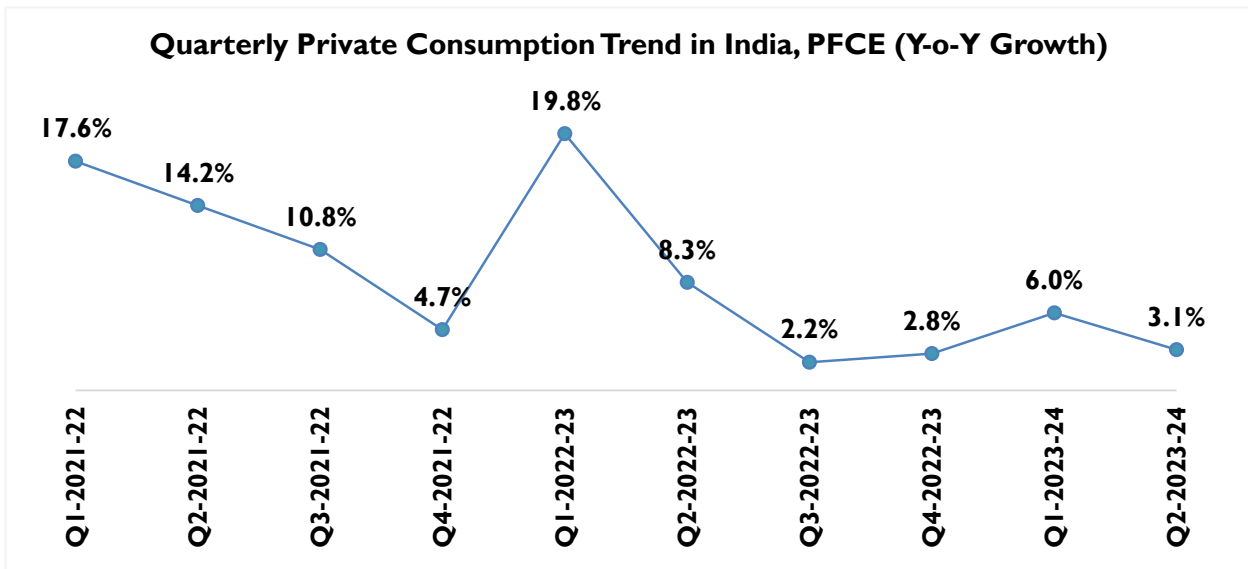
Sources: MOSPI

As per the use-based classification, growth in all segments exhibited improvement in October 2023 as compared to previous month. The improving IIP data points towards India’s resilience amidst challenging operating business climate as global headwinds, high inflation and monetary tightening is likely to have adverse impact on the overall global economic performance.

Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, gained strength during Q2 FY 2024 as it grew to 5 quarter high and registered 11% y-o-y growth against 9.6% yearly growth in Q2 FY 2023 while GFCF to GDP ratio measured all time high since Q3 FY 2012 to 35.3%.



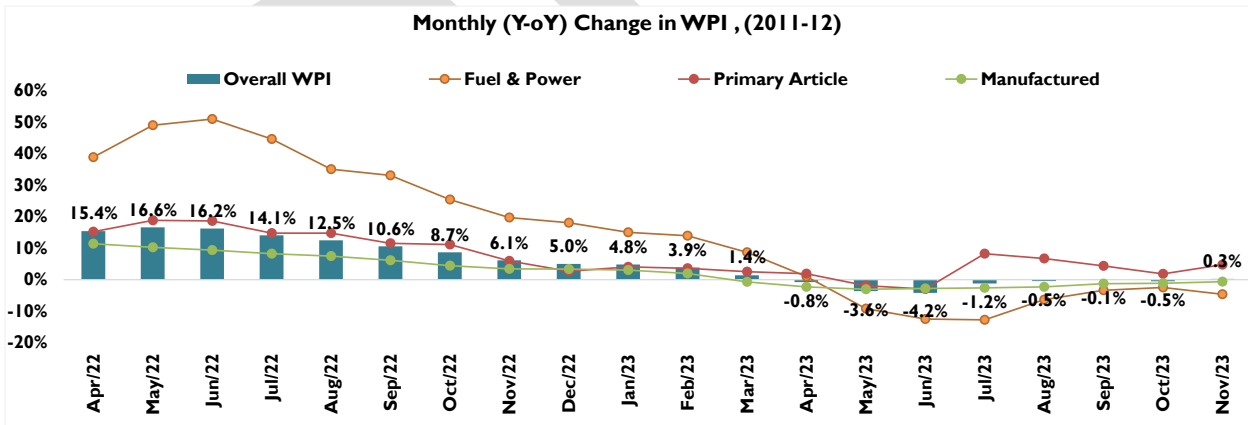


Sources: MOSPI

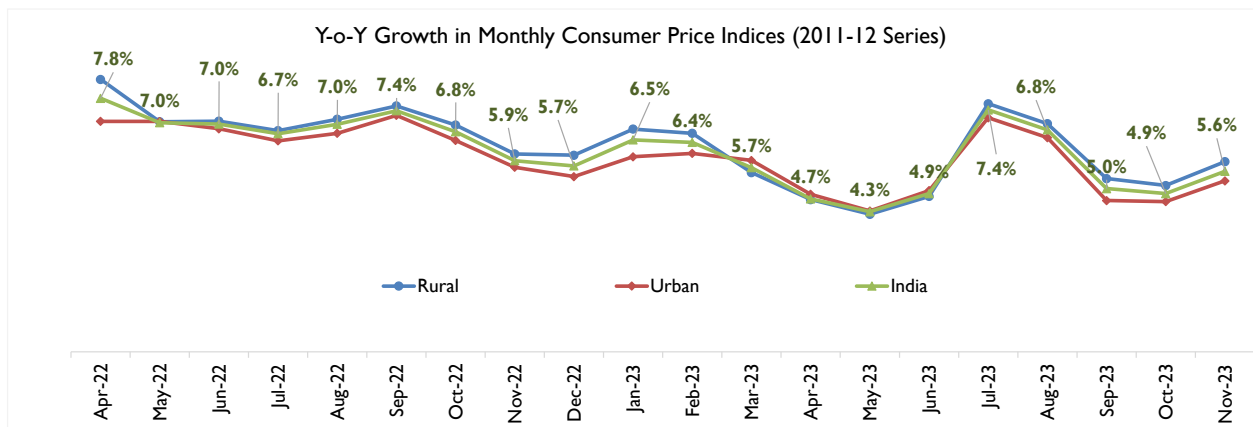
Private Final Expenditure (PFCE) a realistic proxy to gauge household spending, observed decelerated and registered 3.1% y-o-y growth in Q2 FY 2024 which is almost half of the previous quarter indicating sustained weakness in mass demand.

Inflation Scenario

Wholesale Price Index (WPI) which exhibited decline in the previous seven month rose sharply in November 2023 to 0.26% on the back of increasing prices of food inflation which grew by 8.18% in November 2023, up from 2.53% in October 2023. Increasing prices of minerals, machinery & equipment, computer, motor vehicles, electronics & optical products, other transport equipment and other manufacturing too translated in increasing WPI inflation in November 2023.



Source: MOSPI, Office of Economic Advisor, November data is provisional.



Source: CMIE Economic Outlook

Retail inflation rate (as measured by Consumer Price Index) again grew to 5.6% in November 2023 as compared to 4.8% in October 2023. The CPI inflation for rural and urban for the month of October 2023 was 5.12% and 4.62% which increased to 5.85% and 5.26% respectively in November 2023. Long term inflation rate since April 2021 peaked in April 2022 when it measured 7.8% while it moderated in subsequent month thereafter reaching 7.4% in July 2023 and the value of CPI inflation in August 2023 was 6.8%.

CPI measured below 6% tolerance limit of the central bank during November 2023. As a part of anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 to current 6.5% while it has been holding the rate at 6.5% since 8 Feb 2023.

India's Economic Growth Outlook

The second advance estimates project a 7.6% growth in real GDP for FY24. Looking ahead to FY25, we anticipate GDP to maintain a robust above 7% growth trajectory, which will mark the fourth consecutive year of 7%+ growth. This growth momentum is accompanied by a slowdown in inflation, as well as various other factors in the medium to long term that will support the economy. These include enhancements in physical infrastructure, advancements in digital and payment technology, improvements in the ease of doing business and a higher quality of fiscal expenditure to foster sustained growth.

On the demand side, improving employment conditions and moderating inflation are expected to stimulate household consumption. Further, the investment cycle is gaining traction, propelled by sustained government capital expenditure, increased capacity utilisation and rising credit flow. Additionally, there are positive signs of improvement in net external demand, as reflected in the narrowing merchandise trade deficit. Despite the supply disruptions, exports clocked positive y-o-y growth in December 2023 and January 2024.

From uplifting the underprivileged to energizing the nation's infrastructure development, the Government has outlined its vision to propel India's advancement and achieve a 'Viksit Bharat' by 2047 in the interim budget announced on 1st Feb 2024. Noteworthy positives in the budget include achieving a lower-than-targeted fiscal deficit for FY24 and setting a lower-than expected fiscal deficit target for FY25, proposing

dedicated commodity corridors and port connectivity corridors, providing long-term financing at low or nil interest rates to the private sector to step up R&D in the sunrise sectors.

Achieving a reduced fiscal deficit of 5.8% in FY24 and projecting a lower than-anticipated fiscal deficit of 5.1% are positive credit outcomes for India. This showcases the country's capability to pursue a high-growth trajectory while adhering to the fiscal glide path. There has been a significant boost to capital expenditure for two consecutive years; capital expenditure – which is budgeted at 3.4% of GDP (INR 11.1 trillion/USD 134 bn) for 2024/25 – is at a 21-year high (3.3% of GDP in 2023/24). The enhancement of port connectivity, coupled with the establishment of dedicated commodity corridors (energy, mineral and cement), is poised to enhance manufacturing competitiveness. This strategic move aims to fulfil India's export targets and substantially reduce logistics costs.

However, headwinds to external demand emanate from recession in key exporting partners - the UK and Germany (which collectively account for over 5% of India's export portfolio) - and the spiralling effect it will have on other European countries. Supply disruptions posed by the conflict in the Red Sea, leading to rerouting of shipments through Africa, are impacting sectors exposed to exports to Europe, running on thin margins, especially small businesses. Although headline inflation moderated to 5.1% in January 2024, a three-month low, volatility in crude prices and uncertainties about food inflation are likely to keep the central bank cautious in the near term.

[Some of the key factors that would propel India's economic growth in the coming year.](#)

Government focus on infrastructure development

Infrastructure development has remained recurring theme in India's economic development. The launch of flagship policies like National Infrastructure Pipeline (NIP), and PM Gati Shakti plan have provided the coordination & collaboration that was lacking earlier. Both NIP and PM Gati Shakti are ambitious billion-dollar plans that aim to transform India's infrastructure, elevating it to the next level. These projects are expected to improve freight movement, debottleneck the logistics sector, and improve the industrial production landscape, which would provide the incremental growth in GDP. In its Union Budget FY 2023, the Government has increased the capital expenditure by 35% to nearly INR 7.5 lakh crore – which indicates the strong Government focus on improving the overall infrastructure landscape in India.

Development of Domestic Manufacturing Capability

The Government launched Production Linked Incentive (PLI) scheme in early 2020, initially aimed at improving domestic manufacturing capability in large scale electronic manufacturing and gradually extended to other sectors. At present it covers 14 sectors, ranging from medical devices to solar PV modules. The PLI scheme provides incentives to companies on incremental sales of products manufactured in India. This incentive structure is aimed to attracting private investment into setting up manufacturing units and thereby beef up the domestic production capabilities. The overall incentives earmarked for PLI scheme is estimated

to be INR 2 lakh crore. If fully realizing the PLI scheme would have the ability to add nearly 4% to annual GDP growth, by way of incremental revenue generated from the newly formed manufacturing units.

Strong Domestic Demand

Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions are points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. This revival is perfectly captured by the private final consumption expenditure (PFCE) metric. PFCE as a percentage of GDP increased to nearly 59.2% during the first half of FY 2023¹, which is the highest level it has achieved during the past few years. Although pent-up demand has played a part in this surge, this is an indication of normalization of demand.

There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power.

- The share of middle class increased from nearly 14% in 2005 to nearly 30% in 2021 and is expected to cross 60% by 2047 (Placeholder1)². This expanding middle class household segment is fuelling India's growth story and would continue to play a key role in propelling India's economic growth.
- As per National Statistics Office (NSO) India's per capita income (in current prices) stood at INR 1.72 lakhs in FY 2023 which is nearly double of what it was in FY 2015. This increase in per capita income has impacted the purchasing pattern as well as disposable spending pattern in the country. Consumer driven domestic demand is majorly fuelled by this growth in per capita income.

Digitization Reforms

Ongoing digitization reforms and the resultant efficiency gains accrued would be a key economic growth driver in India in the medium to long term. Development of digital platforms has helped in the seamless roll out of initiatives like UPI, Aadhaar based benefit transfer programs, and streamlining of GST collections. All of these have contributed to improving the economic output in the country. Some of the key factors that have supported the digitization reforms include – the growth in internet penetration in India together with drop in data tariffs, growth in smartphone penetration, favourable demographic pattern (with higher percentage of tech savvy youth population) and India's strong IT sector which was leveraged to put in place the digital ecosystem. All these factors are expected to remain supportive and continue to propel the digitization reforms in India.

¹ India Economic Survey FY 2023, Full year data is yet to be released.

² As per the survey conducted by People Research on India's Consumer Economy. Households with annual income in the range of INR 5 – 30 lakh is considered as middle-class households.

Retail Industry in India

The Indian retail sector is experiencing a significant transformation owing to a range of shifting socio-economic factors, increasing digital and new age technology influence along with a rapidly transforming consumer landscape. Over the year, India has evolved as a thriving consumer-driven economy, making it the 4th largest retail market globally after US, China, and Japan and has thus become one of the most attractive markets for global retailer to expand their footprints in India. The country ranked 1st in Kearney's Global Retail Development Index (GRDI) in 2023 which features 44 key retail markets while in Kearney FDI Confidence Index 2023, it ranked 16³ and 2nd amongst the emerging countries after China.

Retail Sector Contribution and Major Highlight⁴:

- At present the retail sector in India accounts for over 10% of the country's GDP⁵.
- The sector contributes 8% of the workforce (35+ Mn). The sector is expected to create 25 Mn new jobs by 2030.
- The market size of the Indian retail sector was estimated at USD 750 Bn in the year 2022 and it is expected to reach USD 1.1 Tn by 2027 and USD 2 Tn by 2032 growing at 25% CAGR.
- Food & Grocery, Apparel & footwear, and consumer electronics are the largest retail segments, constituting 63%, 9% and 7% respectively of the retail market.
- The share of organized retail in the total retail industry is currently estimated 12%-15%.
- The Indian e-commerce industry was estimated to be worth over USD 70 Bn in Gross Merchandise Value in 2022 and is expected to cross USD 350 Bn mark by 2030, growing at a CAGR of 32% between 2022-30.

For analysis purpose, the Indian retail industry is primarily segmented in *organized* and *unorganized*; based on key product segment it is segmented into *consumer non-durable goods* such as food & grocery and *consumer durable goods* such as Clothing & Footwear, Personal Care product, and Consumer Electronics etc. The industry is also segment based on distribution channel that include *brick and mortar (B&M)* and online (e-commerce). The B&M segment include many formats such as independent convenience store, drug stores, and health & beauty stores, in the unorganized segment as well as hypermarkets, supermarkets etc. and specialized independent store that operate in shopping Centre or mall space under the modern retail format in the organized retail.

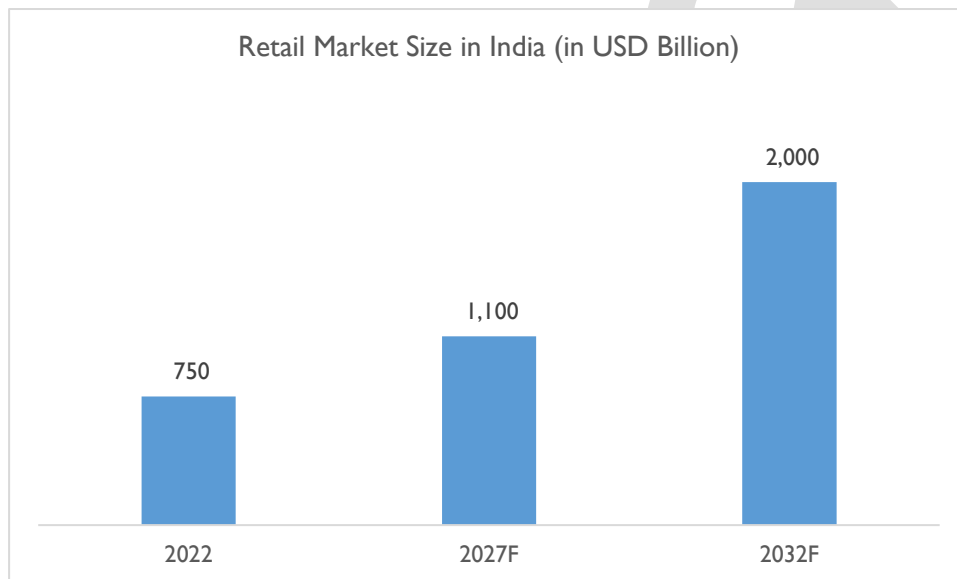
³ After US, Canada, Japan, Germany, United Kingdom, France, China (including Hongkong), Spain, Singapore, Australia, Italy, Switzerland, Netherlands, Portugal and New Zealand.

⁴ Invest India

⁵ This data is sourced from multiple industry reports, articles such as Retailers Association of India, Invest India as retail segment has contributed around 10% to country's total GDP consistently over past 2-3 years.

Current Scenario

The Indian retail industry is a key driver of the Indian economy, and its contribution is significant in terms of value and its share in country's total workforce. It contributed around 10% to the country's total GDP and employs around 8% of the total workforce⁶. The sector is growing at a brisk pace fuelled by the rapid urbanization, a growing middle class, steady increase in national wages and disposable incomes, and expanding consumer spending. Furthermore, the government steady efforts to improve India's ease of doing business and to strengthen the overall digital ecosystem have facilitated the entry of foreign investors in India which today have better access to the connected rural consumers than before. The sector is thus poised to grow at projected rate of 8% between 2022-2027 to USD 1.100 Bn by 2027 and further at 13% CAGR between 2027-2032 to USD 2000 Bn, from estimated market size of USD 750 Bn in 2022.



Sources: Invest India, National Investment Promotion & Facilitation Agency, F- Forecast

However, India experienced a serious setback in 2020 as spread of Covid-19 pandemic impacted normal life and resulted in 10% y-o-y growth between 2020-22. The retail sector was severely impacted as consumer demand shifted away from discretionary spending. Even demand for essential goods remained constrained as consumer footfalls decreased during the lockdown period in April 2020. The lower disposable income, subdued sentiment and economic uncertainty led to a constrained consumption expenditure, both for essential and non-essential goods.

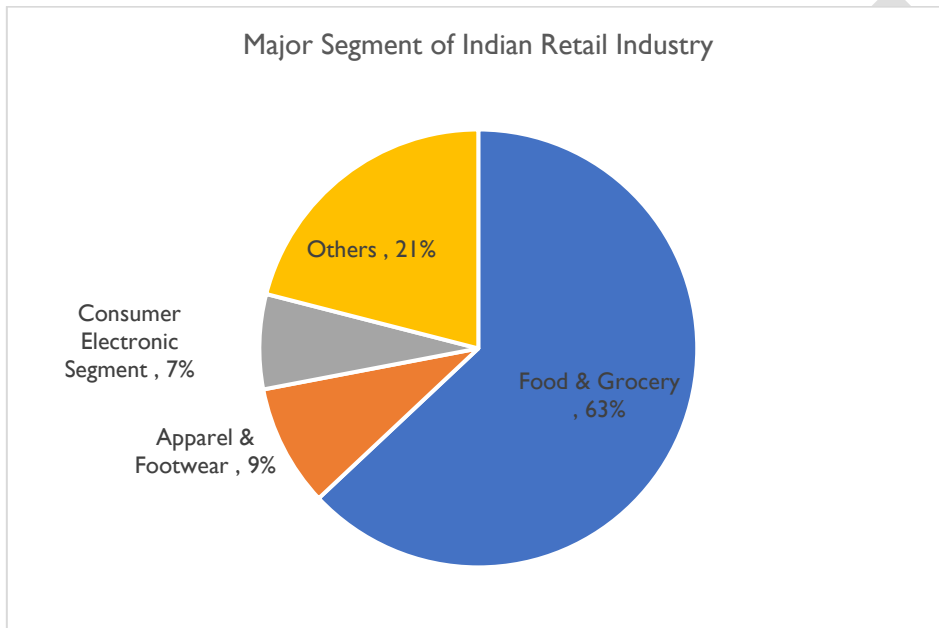
But later, revival of e-commerce activities since Unlock Phase -I since June 2020 contributed some pick up in the pent-up demand for both essential and non-essential goods facilitated by digital payments. Also, the swift government action including widespread vaccination and other containment measures helped in restoring economy back to normalcy in the subsequent years. As per Retailers Association of India (RAI), the

⁶ This data is sourced from multiple industry reports, articles such as Retailers Association of India, Invest India as retail segment has contributed around 10% to country's total GDP consistently over past 2-3 years.

organized retail sector witnessed a significant growth of 34% in FY 2022-23, surpassing pre-pandemic sales figures of FY2020.

Market Segmentation

The retail industry comprises of various segments like - Food & Grocery, Jewellery, Apparel, Furniture, Pharmacy, Consumer Electronics and Durables, Beauty & Personal care, Footwear, and others. Amongst all, the food & Grocery is the largest segment of retail sector comprising of 63% share in the total retail industry followed by apparel and footwear, and consumer electronics segments that accounts for 9%, and 7% share, respectively.



Sources: Invest India Presentation

Food & Grocery Retailing in India

The total size of India’s food & grocery retail segment is estimated to be nearly USD 473 billion in 2022⁷, making it the largest segment in Indian retail industry. Approximately 80% of spending in food & grocery retailing is accounted by staples and fresh produce. However, recent years have witness strong growth in demand for packaged snacks, confectionary and beverage which are growing at a compounded rate of nearly 15% per annum⁸.

The country’s demographic dividend coupled with the higher investment and the favourable regulatory framework are expected to continue fuelling the food and grocery growth in India which is projected to grow 10% CAGR between 2022-2030. The increasing consumption of processed foods, rising demand of quality goods and services, premiumization trends and wider access to rural market will continue to push the Indian food and grocery retail market.

Over the past decade, this sector has undergone rapid expansion and modernization, driven by various factors such as technological advancements, changing consumer preferences, and increasing disposable incomes. In terms of retail formats, India boasts a diverse ecosystem that includes supermarkets, hypermarkets, grocery shops, convenience stores, and specialty shops. These formats cater to a wide range of consumer needs and preferences, offering both convenience and variety. While some retail outlets are part of larger networks, others operate independently, showcasing the *coexistence of traditional kirana shops alongside modern organized retail chains*.

This blend of traditional and modern retail formats reflects the dynamic nature of India's retail sector, where innovation and tradition converge to meet the evolving demands of consumers. The emergence of organized retail complements the longstanding presence of kirana shops, creating a competitive retail landscape that continues to drive growth and innovation across the industry.

Food & Grocery sector falls under the broader FMCG sector, which also include personal care as well as household care products.

Food & Grocery Sector in India: Classifications	
Segments	Products
Food and Beverages	Carbonated and Non-carbonated Drinks, Alcoholic Beverages, Dairy products, Confectionery, Meat, Poultry and Seafood, food additives, salts, edible oils, fats, and all processed and packaged foods.
Personal Care	Soap, Cosmetics, Female hygiene products etc.
Household Care	Disinfectants, Toiletries etc.

⁷ Invest India, D&B Research

⁸ Invest India

Food & Grocery sector falls under the broader FMCG sector which is often segmented based on the pricing of the products. These products are divided into low priced, medium priced and premium/ high priced segments. Low priced segment is driven by volume and price sensitive nature while high / premium priced segment is characterized by a price insensitive and brand conscious nature.

The FMCG sector is characterized by strong presence of global MNCs, intense competition between organized players, well established supply chain & distribution networks. During the last decade the FMCG players increased and improved their distribution channels and improved supply chain to enhance the availability of products across the country, especially to the rural region. This contributed to the growth of FMCG sector in India. The sector is primarily fragmented in nature with the presence of global players such as Nestle, Palmolive-Colgate Company, Johnson & Johnson, and P&G; and domestic players such as Hindustan Unilever Limited, Patanjali Ayurveda, Dabur, ITC, and Britannia, amongst others. Overall, the availability of raw materials, cheaper labour costs, and huge consumer base gives India a competitive advantage.

Historical Growth Trend

The Indian retail industry has undergone a remarkable evolution since the liberalization of the economy in 1991, marked by significant developments in organized retail. While various retail models have emerged, "value retail" continues to hold allure for consumers, especially in the grocery segment, which constitutes nearly 63% of the country's retail consumption⁹.

Initially all supermarkets were concentrated in metropolitan areas due to higher population density, greater purchasing power, and the presence of infrastructure and amenities conducive to large-scale retail operations. However, supermarkets recognized the potential for growth beyond metros and leveraged their strengths in offering a modern shopping experience, diverse product range, and competitive pricing to attract consumers. Thus, supermarkets successfully expanded their footprint to smaller towns and cities, reflecting a strategic response to market dynamics and consumer demand.

The growth of supermarkets into tier 2 and tier 3 cities was facilitated by several factors. Firstly, improving infrastructure and connectivity made it feasible for supermarkets to establish a presence in these locations. Secondly, the rising purchasing power and aspirations of consumers in smaller cities drove demand for a modern retail experience, including well-stocked shelves, organized layouts, and a variety of products.

The impact of the COVID-19 pandemic further accelerated the growth of supermarkets and organized retail, with consumers prioritizing hygiene, safety, and convenience. This shift in consumer behaviour led to increased footfall and sales in supermarkets, particularly in smaller towns and cities where organized retail was gaining traction.

Within India's organized grocery retail landscape, intense competition prevails, as major players vie for consumer attention through enticing offers and promotions. These market leaders are focused on delivering

⁹ This refers to 63% of the current retail market size.

a distinctive shopping experience characterized by well-stocked shelves, meticulously organized spaces with ample lighting, and a diverse array of products strategically displayed to entice and encourage consumer purchases.

The number of Organised Food & Grocery Retailers in India increased at a CAGR of 4.6% between FY 2017 – FY 2023. During 2020, some retailers shut down due to the severe impact of Covid-19 on businesses. However, since then, there have been continuous increases in number of retailers in the F&G segment in India, with 2022 observing an increase of nearly 10% over the previous year. This growth continued in 2023 with a further increase of 4.6%.

Policy support, such as the 100% FDI allowance in food retail for domestically produced products, also encouraged investment and expansion in the retail sector, including supermarkets. This policy framework facilitated market entry and growth opportunities in tier 2 and tier 3 cities, contributing to the overall expansion of supermarkets across India.

Further, as employment opportunities improve, agricultural advancements occur, and the rural workforce returns, rural areas are projected to see an increase in consumption levels, referred to as volume growth, presenting significant untapped potential for growth in the Indian retail sector, prompting major retail players to invest heavily in this burgeoning market.

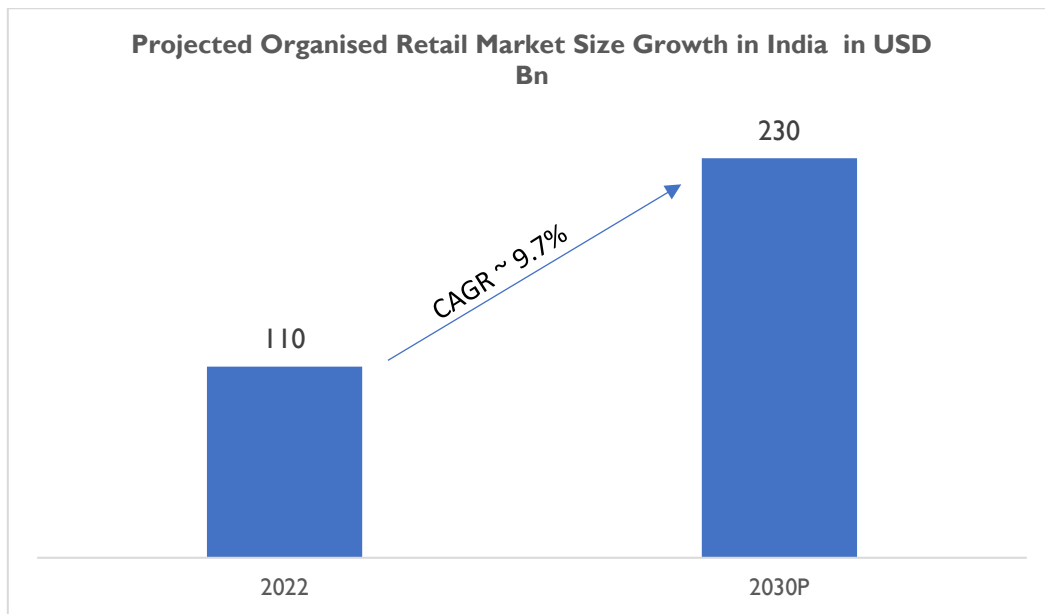
Growth in Organized Retail Segment

Currently¹⁰, the traditional and unorganized retail segment is still the dominant one in the country accounting for nearly 85-88% share while organized retail account for the balance share. The unorganized retail sector includes local kirana stores, owner-operated general stores, convenience stores etc. The unorganized retailing is a highly fragmented segment with per unit space relatively low. However, this segment is too experiencing a significant transformation after the digitization push.

On the other hand, the organized retailers include corporate backed hyper markets / super markets and privately owned large retail businesses which operate with modern retailing format both in offline and online mode. The major factors supporting and accelerating the growth of the organized sector are increasing levels of internet penetration, digital maturity, and developing infrastructure to back online transactions.

The organized retail is gaining ground at a brisk pace in India where a balance is emerging across shopping format that include hypermarkets, supermarket, and other large retail format like specialty store. Major retail chains are expanding their presence beyond metros and Tier-I cities to tier-2, tier-3 cities and even in tier-4 cities owing to lower rental rates and operating costs. This is translating in to overall increase in nation's consumer power and benefitting the growth of organised retail in India. As per AT Kearney report, the organised retailing segment was estimated to value at USD 110 Bn in 2022 and is projected to grow to USD 230 Bn by 2030,

¹⁰ Referring to FY24



Source:¹¹ Dun & Bradstreet Desk Research , P - Projected

Malls are the largest format of organized retail available today. Since it is equipped with presence of dedicated multi-level parking, multi-brand retail outlet and exclusive retail outlet, hypermarket/supermarket, large food courts, restaurants, entertainment zone and many more, it precisely offers multiple convenience to consumer all under common roof. Beyond their retail offerings, malls and high streets provide safe and secure environments for social interaction and quality time with loved ones.

On demand side, today's consumers seek a more engaging retail experience, prioritizing personalized service, interactive displays, and innovative approaches that go beyond the simple product transaction. Thus, the evolving customer preferences for a safe, contactless, and sophisticated technology enable shopping experience is driving the growth of experiential retail, where the shopping experience is equally important to product sale. Beside above, underlying factor such as rapid urbanization, increasing disposable income, transforming lifestyle, increasing consumerism and supportive regulatory environment are few additional prominent factors that are propelling the growth of organized retail in India. As per, Deloitte India and the Shopping Centre Association of India (SCAI), malls and shopping centres play is projected to grow at 17% CAGR from 2022 to 2028, outpacing the overall growth of the retail industry.

On supply side, the retailers are paying greater attention to this noticeable shift in consumer preferences and thus making increasing investment to offer a wide range of services and improved shopping experiences to them. Owning or renting a space in a shopping mall may help retailer with better positioning and reach amongst a diversified consumer segment. Access to Hi-tech surveillance and security; elevators, parking, and other common areas; and lesser maintenance fees, are other added advantage that may help businesses with reduced operational cost and improved operational efficiency.

¹¹ Market Size number based on report published by AT Kearney a global competitive intelligence company tracking retail sector.

Organized Retail Leasing Space Growth in India

India ranks among one of the best countries to invest in the retail space. Since 2020, retail demand has increased regularly across investment grade malls, well-known high streets, and independent developments. With 275 to 300 million square feet already operational in the country, the retail sector witnessed all time high leasing activity taking total leased space to 7.1 million square feet¹² during 2023, registering a year-on-year rise of 47%¹³. The report further highlighted that recently completed mall contributed towards 30% share in total lease space absorption in 2023. On supply side, the sector witnessed a peak retail supply of 6 Mn sq. feet, witnessing 316% y-o-y growth on the back of commencement of supply of 12 investment grade mall across the 8 cities.

Fashion and retail segment with 36% share in total leasing space during 2023 accounted for the highest share followed by Food & beverage, luxury retail and consumer electronic which accounted for 12%, 9% and 6% share in 2023, respectively.

As per industry sources, India is projected to witness the opening of approximately 60 shopping malls, totalling 23.25 million square feet during FY 2023-24.

E-Commerce Sector in India

E-commerce industry has exhibited significant transformation in terms of scope of products/service delivered over the just a click of button. Indian e-Commerce industry has steadily grown riding on a booming internet subscriber base and smartphone users complimented by better connectivity and availability of cheap data services apart from the country's favourable demographics. Access to large population base particularly having young aspirational population age between 15-34 years, income growth, rising urbanization and increasing in working women segment, are few of the favourable demographic factors that have propelled the e-commerce industry growth in India.

Major Advantages of E-commerce

Disintermediation: E-commerce has reduced the role of intermediaries. Using online platforms, manufacturers can now directly sell their product to end users, bypassing the traditional retail chain. Disintermediation has brought several benefits to buyers & sellers. It helps sellers in eliminating operation & infrastructure cost of selling through channels while buyers can make hassle-free purchases at comparatively lesser prices due to disintermediation.

Greater Convenience & Wider Reach: Convenience is one of the most important advantages of e-commerce industry. Millennial population's changing perspective towards "Anytime / Anywhere" is pushing the e-commerce sales in India. E-commerce's round-the-clock accessibility broadens the customer base to encompass a vast majority of internet users, geographically transcending traditional limitations. Furthermore,

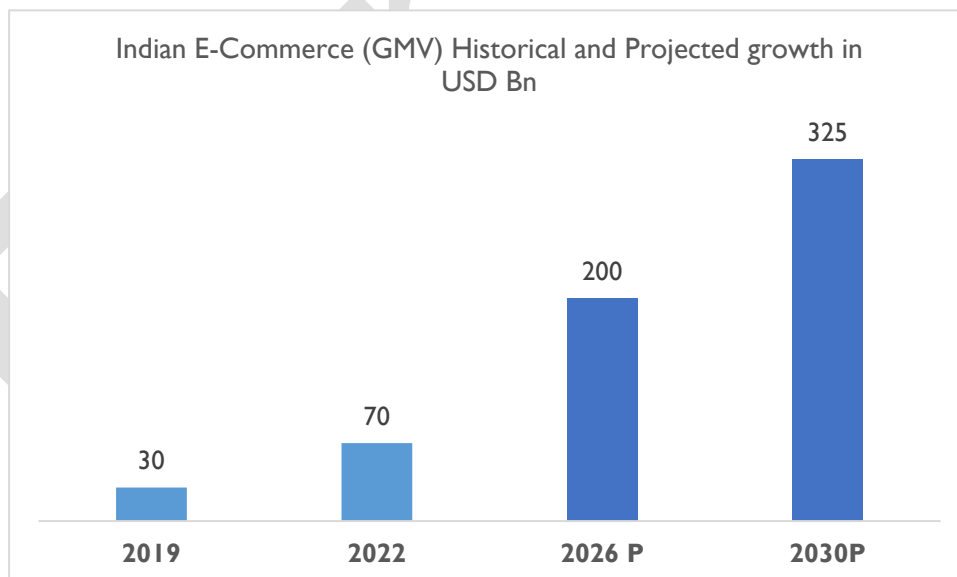
¹² Based CBRE India Market Monitor Q4 2023 report assessment in top 8 cities that include Bangalore, Mumbai, Pune, Delhi-NCR, Chennai, Kolkata, Hyderabad and Ahmedabad

advertisement & promotions on online platform allows e-commerce portal to have better & wider reach from even global customers.

Access to diverse inventory & Easy Product Comparison: A wider range of choices in all categories such as electronics, apparels, footwear, books, food & groceries, etc. is available at a single website. Moreover, better inventory management and cataloguing of product on online portal attract customer’s attention and even leads to impulsive buying too. Use of e-commerce platform is not just restricted to buying or selling activities, but it also has unique business offering that provides for information gathering, product/services comparison in terms of pricing, product review, customer rating, availability etc. All these factors have transformed customer’s preferences towards e-commerce industry.

Improved Efficiency: As the orders are processed digitally, buying efficiency is improved for stakeholder in the value chain including manufacturers, distributors, wholesalers, and retailers. Large scale procurement/ sale, information sharing is possible just at a click of button which is time saving and more transparent in nature as comparatively less human interaction is involved. Furthermore, technology advancement (e.g., mobile apps), varied facilities (i.e., payment platforms, transport options, etc.), paperless & cashless transactions, artificial intelligence and a host of other new innovations are being brought about to deal with rapidly changing business needs.

Driven by above discussed benefits, the Indian e-commerce industry growth measured in GMV terms have grown from USD 30 Bn in 2019-USD 70 Bn in 2022, registering 32% CAGR between 2019-2022.



Sources: Dun & Bradstreet Desk Research, P - Projected

Innovation and customization to align with changing customers expectation and dynamic operating environment has supported the growth of e-commerce in diversified business segment including *retail*. The Indian retail sector has been evolving steadily, both in terms of *format* and *platform*, paving the way for modern retail format which gives unique shopping experience to the customer. The noticeable surge in internet users,

conducive ICT infrastructure, increasing time poverty¹⁴, convenience of online purchase and exciting discounts running throughout the year, have pushed the e-commerce penetration in the retail sector. Furthermore, efficient customer servicing policies offered by retailers such as cash on delivery, good replacement policy, etc are other factors that have boosted the trust and comfort of customers opting for online shopping. Further, the growth of logistics & reverse logistic to ensure speedy & safe delivery even for precious and delicate items is aiding growth of online retail in India.

The Covid-19 pandemic brought some long-lasting changes in consumer landscape to which retail sector is still adjusting. It has altered their preferences and transformed the purchasing behaviour of consumers such as how they consume, shop, use technology etc. Major emerging changes that have accelerated after Covid are listed below:

Omni-channel strategies	Experiential shopping	Micro-retailing-	Technology and Digital Adoption
<ul style="list-style-type: none"> •Retailers must be present at all touchpoint (both offline and online) where customer want to be served 	<ul style="list-style-type: none"> •Despite growing e-retailing, the Indian customer's in-store experience plays a decisive role in the final product purchase. For this reason, retailers are must keep quality of service tailored in the physical store. 	<ul style="list-style-type: none"> •During pandemic, the need for "convenience retail" grew substantially encouraging the concept of micro retailing with hyper local store so that retailers are as close to the customer as possible 	<ul style="list-style-type: none"> •Retail sector has been a major proponent digital push in India. It is pushing innovative technology tools right from inventory planning and supply chain to POS, delivery and digital payment app,

Before covid-19, only 3% of the overall retail sector was related to e-commerce. But its share increased significantly to 9% during 2022 and is likely to accelerate further to 17% by 2030 as most business is embracing digitization to reach out and service their customers. The total e-commerce market (GMV) is projected to grow to USD 350 Bn by 2030. The retail brands are putting conscious effort on increasing their online presence and direct sales as customers continue to shop online. Now, corporates are harnessing digital platforms not only to sell but also to promote their brand and engage with consumers.

Acknowledging, e-commerce as a major growth driver of the Indian Retail sector, today all leading brands have tied up with leading online marketplaces such as Amazon, Flipkart, Snapdeal, Myntra, amongst others to sell their product on online platforms. These marketplaces have also launched their mobile apps to increase their customer reach which is pushing M-commerce sale. Even retailers operating with store format in (Exclusive Brand outlet and multiband brand out (MBO) have launch their online shopping platforms.

To cope up with the changing market dynamics, even traditional Kirana shops are getting modernized where industry is witnessing transformation to omni-channel retailing format. The e-commerce industry is experiencing a surge in start-ups, exploring innovative business models in e-commerce retailing. Retailers in both organized and unorganized segment are collaborating up with online grocery platform such as Blinkit,

¹⁴ Increasing Time poverty refers to the shortage of time amongst the working group segment which holds significant share in total potential customer segment.

BBdaily, BB now, Swiggy's Instamart, Instacart, and Dunzo etc., making their products easily available to consumer at the doorstep. Industry sources suggest that ***the Indian e-grocery market was estimated at USD2-3 Bn in 2020 and is projected to grow to USD 10-12 Bn by 2025, witnessing annual average growth of about 50%.***

Key Demand Drivers

Below mentioned are the major underlying factors that are likely to propel the growth of Organized and e-retailing and overall Retail Sector in India:

Urbanization

India, boasting a staggering population exceeding 1.428 billion in 2023, represents about 17.2% of the world's total inhabitants, with a consistent 1.39% annual growth rate over the past 25 years. Furthermore, according to the Handbook of Urban Statistics 2022, India's urban population has been steadily rising, reaching over 469 million in 2021 and projected to exceed 558 million by 2031, with estimates soaring to over 600 million by 2036.

As the country experiences rapid urban growth, with more people migrating from rural to urban areas, there is a fundamental shift in consumer behaviour and preferences. Urban dwellers typically lead fast-paced lifestyles characterized by hectic work schedules and limited time for traditional shopping practices. This demographic segment values convenience, efficiency, and a seamless shopping experience

Economic Growth	• Excluding the Pandemic years (FY2020-21), India's GDP is growing at 7-7.5% rate annually since FY 2014 favouring growth in consumption and investment demand.
Income Growth	• The country's Per capita income has increased from INR 68,572 in FY 2014 to INR 86,668 in FY 2023, registering a CAGR of 4.1% in the last 10 years.
Access To Large Market	• With over 1.42 Bn population, India emerged as the world most populous country in April' 23. India's population is projected to reach 1.54 Bn by 2032.
Demographics Advantage	• More than two-thirds of its population or 68% comprises people between the ages of 15 and 64 while with a median age of 31 by 2030, India will remain one of the youngest nations in the world.
Urbanisation	• The share of Urban population to total population in India grew from 27.8% to 31% between 2001-2011 and is further estimated to grow to 41.7% by 2030.
Per Capita Consumption	• Rural per capita consumption to grow 4.3 times by 2030, compared to 3.5 times in urban India
Rising Consumerism	• India's consumption expenditure to grow from USD 1.5 trillion in 2021 to USD 6 Trillion by 2030 backed by the 370 Mn aspirational consumer age between 0-25 who will have grown up in India which have relatively better digital reach than before.
Increasing Millennial Population	• By 2030, India will have nearly 90 Mn new households headed by millennials
Affluent and Elite to drive spending	• India's affluent population and elite population is expected to grow by 2.1 X and 2.3X between 2019-2030
Digital Economy Growth	• India's digital economy is expected to reach USD 1 Tn by 2030 from USD 90 Bn
Internet User Growth	• India has second largest Internet users base which reached 881.25 Mn as on 31st Dec 2023, growing at CAGR of 8% between 2018-23.
Increase in Digital Payment	• Digital payments gross transaction value is expected to grow from USD 0.6 Tn in 2022 to USD 3.1 Tn (2030)
Government Initiatives	• Digital India, Demonetization, GST reform, FDI relaxation, Aadhaar, UPI and changes in MSME definition to include wholesale and retail trader favour the retail sector growth

Organized retail stores cater precisely to these urban consumer needs by offering a modern and structured shopping environment. These stores are strategically located in urban centres, making them easily accessible to a large population base. Additionally, organized retail outlets leverage their scale and operational efficiencies to stock a wide range of products, from daily essentials to specialty items, thereby providing consumers with a one-stop destination for their shopping needs.

Changing consumer preferences

Changing consumer preferences play a crucial role in driving the demand for organized food and grocery retail stores in India. One of the key aspects of these changing preferences is the shift towards cleanliness, hygiene, and well-organized shopping environments. Organized retail stores excel in this aspect by maintaining high standards of cleanliness, ensuring neat and tidy aisles, and providing a pleasant ambiance for shopping.

This focus on cleanliness is particularly important in the current global context, where health and safety considerations have become paramount.

Additionally, Organized retail stores are designed to optimize space, display products attractively, and provide clear signage for easy navigation. This organized layout enhances the overall shopping experience, making it more convenient and enjoyable for consumers. Moreover, organized stores often categorize products logically, making it easier for shoppers to find what they need quickly.

Furthermore, the availability of a wide range of products under one roof is another aspect of changing consumer preferences driving demand for organized retail. Consumers today value convenience and efficiency in their shopping trips. Organized stores fulfil this need by offering a diverse selection of products, including branded and premium options, thus saving consumers time and effort in visiting multiple stores for their shopping needs.

Increase in disposable income.

Higher disposable incomes among consumers in India have a significant impact on the demand for organized retail shops and supermarkets. As people's incomes rise, they have more money available for discretionary spending, including on groceries and other retail items. This increase in disposable income enables consumers to afford the convenience and premium offerings often found in organized retail outlets.

With higher incomes, consumers place greater value on time-saving benefits and convenience. Organized retail shops and supermarkets offer a wide range of products under one roof, saving customers the time and effort of visiting multiple stores. Additionally, these outlets often provide services like home delivery, online ordering, and loyalty programs, further enhancing convenience for busy consumers.

Quality Assurance

Quality assurance is a crucial factor that drives demand for organized retail shops and supermarkets in India. Consumers are increasingly concerned about the authenticity, safety, and overall quality of products they purchase. Organized retail outlets play an important role in meeting these expectations by implementing robust quality control measures throughout their supply chains.

One key aspect of quality assurance is the sourcing of products from reputable suppliers and brands. Organized retail shops and supermarkets often have partnerships with well-known manufacturers and distributors, ensuring that the products they offer are genuine, of high quality, and compliant with industry standards and regulations. This gives consumers confidence in the products they buy and reduces the risk of purchasing counterfeit or substandard items.

Furthermore, organized retailers invest in maintaining the freshness and integrity of perishable goods such as fruits, vegetables, dairy products, and meats. They adhere to strict storage, handling, and refrigeration standards to preserve the quality and nutritional value of these items. This focus on freshness and quality sets

organized retail apart from traditional unorganized stores, attracting discerning consumers who prioritize product quality.

In addition to product quality, organized retail outlets also prioritize customer service and satisfaction. They often have well-trained staff who can provide information about products, assist with inquiries or issues, and ensure a pleasant shopping experience. This emphasis on customer-centric services enhances the overall perceived quality of the retail outlet and encourages repeat business from satisfied customers.

Growing demand from Tier 2 and Tier 3 cities

The growing demand from tier 2 and tier 3 cities is a significant driver of the increased popularity and demand for organized retail shops and supermarkets in India. Tier 2 and tier 3 cities are experiencing rapid urbanization, economic growth, and improvements in infrastructure, leading to changes in consumer behaviour and preferences.

One key factor contributing to the demand from these cities is the rising middle-class population with increasing disposable incomes. As incomes rise in tier 2 and tier 3 cities, consumers have more purchasing power and a growing appetite for branded products, convenience, and a modern shopping experience. Organized retail outlets are well-positioned to meet these evolving consumer needs by offering a wide range of branded products, superior quality, and convenient services under one roof.

Moreover, the expansion of organized retail chains into tier 2 and tier 3 cities has bridged the gap between urban and rural shopping experiences. Consumers in these cities now have access to a diverse range of products, including FMCG goods, electronics, apparel, and household items, which were previously limited to larger cities or urban areas. This accessibility and availability of products contribute significantly to the growing demand for organized retail in tier 2 and tier 3 cities.

Additionally, the presence of organized retail outlets brings modern retail practices, such as digital payments, loyalty programs, and online shopping options, to tier 2 and tier 3 cities, enhancing the overall shopping experience for consumers. This adoption of modern retail practices aligns with the preferences of younger demographics in these cities, who are tech-savvy and value convenience and efficiency in their shopping journeys.

Regulatory Scenario

Key Initiatives & Policy Changes

- **Reforms to attract Foreign Direct Investment (FDI):** The Government of India has introduced reforms to attract Foreign Direct Investment (FDI) in the retail industry. Recent policy changes allow.
 - 100% FDI under the automatic route for:
 - Cash & carry wholesale trading.
 - E-commerce (B2B & marketplace for B2C)
- **Cashless Payments:** Government's efforts to promote cashless payments are expected to facilitate modern/online retail.
- **Priority Sector Status:** Retail has been accorded status of a priority sector by the government in the National Skill Development Mission. Retailers Association of India is the nodal agency for training the manpower. This would make available the required trained manpower for the growth of the sector.
- **Model Shops and Establishments Bill 2016:** Introduced by the Centre, one of the provisions of this bill allows retailers to operate 24-hour which is expected to provide a boost to the retail market, especially in the metros.
- **Abolishment of the Foreign Investment Promotion Board:** Following the abolishment of the Foreign Investment Promotion Board in 2017, the FDI clearance process has become convenient for investors. The move removes an extra layer of procedures, making the overall process more efficient. FDI proposals are now transferred to concerned individual ministries, which decide on their clearance.
- **Open Network for Digital Commerce (ONDC):** This government initiative aims to create an open e-commerce ecosystem, promoting a level playing field for all sellers and reducing dependence on large online marketplaces. The ONDC is expected to empower small and medium businesses (SMBs) to participate effectively in online retail, fostering greater competition and consumer choice.
- **Government Initiatives:** Schemes like "Pradhan Mantri Gramin Digital Stores" are being launched to establish rural e-commerce points facilitated by local kirana shops. These initiatives aim to bridge the digital divide and provide rural consumers with access to a wider range of products and services.

Regulatory Landscape in Maharashtra

The Maharashtra Retail Trade Policy, 2016: aimed to bolster the state's position as a retail leader within India.

Objectives:

- **Strengthen Leadership:** The policy aimed to solidify Maharashtra's position as a frontrunner in the national retail sector.

- **Attract Investment:** It intended to incentivize investments in the retail sector, particularly in underdeveloped regions of the state.
- **Boost Employment:** Job creation across the retail sector was a primary focus.
- **Empowerment & Skill Development:** The policy envisioned skilling and empowering youth to participate effectively in retail trade.
- **Support for Unorganized Sector:** The policy aimed to strengthen existing unorganized small retailers to help them compete with the organized sector.

Key Initiatives:

- **Relaxations under Shops and Establishment Act:** The policy proposed simplified registration processes and reduced regulatory burdens for small and medium retailers with less than nine employees.
- **Online Registration:** It aimed to introduce online registration facilities for various licenses and approvals, streamlining the process for businesses.
- **Relaxation from APMC regulations:** This provision (potentially repealed) exempted retailers from certain regulations of the Agricultural Produce Market Committee (APMC), allowing them to potentially source produce directly from farmers, reducing costs and inefficiencies.
- **Single Window Clearance:** The policy advocated for a centralized system for obtaining clearances and permits, potentially saving time and resources for retailers.
- **Focus on Training & Skill Development:** Initiatives to equip the workforce with relevant retail skills were envisioned.

Potential Impact:

- **Increased Investment & Growth:** The policy could have spurred investments in retail infrastructure and expansion, particularly in underdeveloped areas.
- **Job Creation:** Streamlined regulations and a more vibrant retail sector could have led to more job opportunities.
- **Empowering Small Retailers:** Reduced compliance burdens and potential benefits like direct sourcing from farmers could have strengthened the position of unorganized small retailers.
- **Improved Consumer Choice & Convenience:** A more robust retail sector could have benefited consumers with a wider range of options and potentially lower prices.

Competitive Landscape

The Indian retailing space particularly FMCG is a captivating blend of tradition and transformation, where established giants like kirana stores face off against the rising tide of modern trade and innovative e-commerce players. Currently, traditional stores like kirana shops, with over 11.5 million outlets account for a whopping 80-85% of FMCG sales. These small, family-run businesses offer a convenient and familiar shopping experience for many consumers. They are known for their local presence, credit facilities, and personalized customer service. However, limitations in product variety, space constraints, and outdated inventory management remain challenges.

While traditional retail holds a strong position, modern retail formats like supermarkets, hypermarkets, and e-commerce platforms are rapidly growing. They offer a wider product range, a more organized shopping experience, and attractive promotions. Major players include Reliance Fresh, More Retail, Avenue Supermarkets (DMart), Max Hypermarket (Spar), Spenser's retail, and Star Bazaar, to name a few. This segment is expected to capture 30-35% of the market share within the next 3-5 years. This growth is driven by:

- **Focus on Pricing:** Modern retailers leverage economies of scale to offer competitive pricing, attracting budget-conscious customers.
- **Wider Selection:** They provide a wider range of brands and merchandise, catering to diverse consumer preferences.
- **Convenience:** Strategic locations and online shopping options offer greater convenience for customers.

E-commerce while still a smaller player, online retail is witnessing significant growth, especially in urban areas. Players like Amazon, Flipkart, and BigBasket are offering convenience, competitive pricing, and faster deliveries. E-commerce disrupts the landscape by offering a wider product variety than both traditional and modern trade, often at lower prices. However, challenges like logistics costs and the inability to cater to the immediate needs of consumers remain.

Direct-to-Consumer (D2C) Brands are bypassing traditional channels and selling directly to consumers through their websites and social media platforms. This trend is driven by the growing preference for niche and personalized products. D2C brands can offer more competitive pricing by eliminating middlemen, but building brand awareness and reaching a wider customer base can be a challenge.

The Indian FMCG retail space has undergone a significant transformation:

- **Rise of Modern Trade:** Modern retailers are offering a compelling alternative, attracting consumers with a wider variety of products and a more pleasant shopping experience.
- **Tech Integration:** Both traditional and modern players are embracing technology. This includes digital payments, loyalty programs, and data analytics to improve inventory management and customer targeting.

- **E-commerce Boom:** Increasing internet penetration and smartphone usage are fueling the growth of online FMCG sales.

Several factors are shaping the competitive landscape in the Indian FMCG retail space:



The Indian FMCG retail space promises continued growth. Retailers who can successfully adapt to the evolving needs of consumers, leverage technology effectively, and build robust supply chains will emerge as leaders. The future is likely to be dominated by an omnichannel approach, where consumers seamlessly switch between online and offline channels for their FMCG purchases. Retailers who can offer a unified and convenient shopping experience across all channels will be best positioned to thrive in this dynamic market.

Profiling of key players

D-Mart



Company Profile

- DMart, operated by Avenue Supermarts Limited, is a prominent supermarket chain in India, recognized for its focus on value pricing and private label brands.
- Founded in 2002 by Radhakishan Damani
- Headquarters: Mumbai, Maharashtra
- Publicly Traded: Listed on the National Stock Exchange and Bombay Stock Exchange in March 2017

Business Model

- DMart thrives on a value-driven strategy. They offer everyday essentials at competitive prices through a combination of:
 - ✓ **Negotiating bulk deals:** This allows them to offer lower prices to customers.
 - ✓ **Private label brands:** DMart offers its own brands alongside national ones, providing a budget-friendly alternative with good quality.
 - ✓ **Focusing on essentials:** By stocking essential household items, they ensure consistent customer demand.

Store Presence

- **Nationally:** As of December 2023, DMart boasts a vast network of 341 stores across 12 states and union territories in India, catering to a diverse customer base
- **E-commerce:** DMart Ready launched in December 2016, allowing customers to order groceries and household products online in select locations

Strengths

- Strong brand recognition and reputation for value pricing
- Efficient supply chain management
- Large customer base
- Focus on private label brands

Reliance Retail



Company Profile

- Reliance Retail, a subsidiary of Reliance Industries Limited, is the undisputed leader in the Indian retail landscape.
- Founded in 2006
- Headquarters: Mumbai, Maharashtra
- Publicly Unlisted: Currently a subsidiary of Reliance Industries, a publicly traded company.

Business Model

- Reliance Retail thrives on a multi-pronged strategy to dominate the Indian retail market:
 - ✓ **Widespread Reach:** They offer value and convenience through a massive network of stores with different formats catering to various needs.
 - ✓ **Strong Foundation:** Reliance leverages its parent company's resources for efficient supply chain management and product availability.
 - ✓ **Budget-Friendly Options:** Private label brands alongside national ones provide customers with a variety of choices at competitive prices.
 - ✓ **Digital Integration:** JioMart complements their physical stores by offering online shopping options.

Store Presence

- **Widespread Network:** As of 2023, Reliance Retail boasts a massive network of over 18,000 stores across 7,000 towns and cities in India.
- **Multiple Formats:** Reliance Retail operates a variety of retail formats to cater to different needs, including:
 - ✓ Neighborhood stores (Reliance Fresh)
 - ✓ Supermarkets (Reliance Smart)
 - ✓ Hypermarkets (Reliance Hypermarket)
 - ✓ Wholesale cash-and-carry stores (Reliance Market)
 - ✓ Electronics stores (Reliance Digital)
 - ✓ Fashion and lifestyle stores (Reliance Trends, Reliance JioMart)

Strengths

- Widespread presence across various formats
- Strong brand recognition
- Efficient supply chain
- Integration with Reliance ecosystem (including Jio)

Spencer Retail



Company Profile

- Spencer's Retail Limited is a prominent player in India's retail sector, operating across various formats.
- Founded in 1899
- Headquarters: Kolkata, West Bengal
- Publicly Traded: Listed on the National Stock Exchange and Bombay Stock Exchange

Business Model

- ✓ **Focus on Value:** Spencer's strives to offer competitive prices on a range of products, attracting budget-conscious customers.
- ✓ **Private Label Brands:** They offer their own private label brands alongside national and international brands, providing customers with more affordable options.
- ✓ **Online Presence:** Spencer's operates an online grocery shopping platform (Spencer's Online) in select locations, allowing customers to order groceries for home delivery.

Store Formats

- **Multi-format Approach:** Spencer's operates a variety of retail formats to cater to different customer needs and spending capacities. These formats include:
 - ✓ **Department Stores:** Large stores offering a wide selection of products, including groceries, apparel, homeware, electronics, and personal care items.
 - ✓ **Supermarkets:** Smaller stores focusing primarily on groceries, fresh produce, and household essentials.
 - ✓ **Hypermarkets:** Large-format stores combining supermarket offerings with a wider variety of non-food items like clothing, electronics, and furniture. (Limited Presence)
- **Geographic Reach:** Spencer's has a presence in over 35 cities across India, with a concentration in major metros and Tier-I cities.

Strengths

- Established brand presence in India
- Multi-format approach catering to diverse customer segments
- Strong focus on food and FMCG products
- Private label brands for budget-conscious shoppers

More Retail



Company Profile

- More Retail Private Limited, formerly known as Aditya Birla Retail Limited, is a prominent player in India's food and grocery retail sector.
- Founded in 2007 with the acquisition of Trinethra Super Retail
- Headquarters: Mumbai, Maharashtra
- Parent Company: RKN Retail Private Limited
- Acquisition: Acquired by Samara Capital and Amazon in 2019

Business Model

- **Predominantly Food & Grocery:** More Retail focuses primarily on groceries, fresh produce, and daily essentials.
- **Multiple Formats:** Operates supermarkets and hypermarkets catering to different customer needs:
 - ✓ More Supermarkets: Smaller stores located in residential areas, offering a convenient selection of daily necessities.
 - ✓ More Hypermarkets: Larger stores in commercial areas, providing a wider variety of groceries, household items, and personal care products.
- **Private Labels:** Offers private label brands alongside national and international brands, catering to budget-conscious customers.

Store Presence

- More Retail has a network of 878 Supermarkets in 30 cities and 42 Hypermarkets in 12 cities across India, for a total of over 900 stores as of 2022, with a concentration in South India.
- **Omnichannel Strategy:** Launched an online grocery shopping platform (More Online) to complement their physical stores.

Strengths

- **Strong Brand Recognition:** Especially in South India, where it has established a loyal customer base.
- **Multiple Formats:** Caters to diverse customer needs through supermarkets and hypermarkets.
- **Focus on Quality & Service:** Strives to provide high-quality products and a pleasant shopping experience

Big Bazaar, once a dominant player in India's hypermarket space, has undergone significant changes in recent years. Founded in 2001 by the Future Group, Big Bazaar became synonymous with the hypermarket format in India. At its peak, Big Bazaar boasted over 300 stores across the country, offering a wide variety of groceries, apparel, consumer durables, and electronics under one roof catering to budget-conscious and value-seeking customers, Big Bazaar offered competitive prices and loyalty programs.

Future Group faced financial difficulties in recent years. In February 2022, Reliance Retail acquired the majority of Future Group's retail assets, including Big Bazaar. The future of Big Bazaar stores remains uncertain. Some stores have been rebranded as Reliance's "Smart Bazaar" format, while others continue to operate under the Big Bazaar name for now. Reliance Retail hasn't officially confirmed the future of all Big Bazaar stores.

While Reliance Retail and DMart, are the undisputed big two in India's organized FMCG retail sector, several other players contribute to the diverse retail landscape. Supermarkets like More Retail, Spencers, Star Bazaar, Hypercity are prominent contenders, offering a one-stop-shop experience for groceries, household items, and more. These retailers focus on a curated product selection, often including well-known national and international brands, alongside private label options to cater to budget-conscious customers.

Competitive Landscape in Food & Grocery Retail Sector

In India's organized grocery retail landscape, intense competition prevails among major players, each striving to capture consumer attention and loyalty through enticing offers and promotions. The market is divided between modern grocery retailers and traditional grocery retailers, each with its unique strategies and market positioning.

Unorganised / Traditional Grocery Retailers: While traditional grocery retailers still hold a substantial market share, their growth rate has been more modest, with a CAGR of 0.5% between 2017 and 2023. These retailers include neighbourhood kirana stores, small grocery shops, and local markets. While they cater to specific consumer segments seeking proximity and personalized service, they face challenges in competing with modern retailers' extensive product offerings and enhanced shopping experiences.

Organised / Modern Grocery Retailers: These retailers, including supermarket chains and hypermarkets, have seen significant growth in recent years. They focus on providing a distinctive shopping experience characterized by well-stocked shelves, organized layouts with ample lighting, and a diverse array of products strategically displayed to attract and encourage consumer purchases. The modern grocery retail segment has experienced a CAGR of 4.6% between 2017 and 2023, showcasing strong market expansion and consumer preference for the convenience and variety offered by these outlets.

Competition within the organised segment

- Modern retailers differentiate themselves by offering a wide range of products, including fresh produce, packaged goods, gourmet items, and household essentials. They constantly update their product mix to align with changing consumer preferences and market trends.
- Price competitiveness is fierce, with retailers employing promotional strategies, discounts, loyalty programs, and bundle offers to attract price-conscious consumers. Modern retailers often leverage economies of scale and supply chain efficiencies to offer competitive pricing while maintaining quality standards.
- Additionally, retailers focus on providing a seamless omnichannel experience, integrating online platforms with physical stores for convenient shopping options such as click-and-collect or home delivery services. Personalization plays a crucial role, with retailers leveraging data analytics to understand customer behaviour and offer personalized promotions, recommendations, and loyalty programs.

- Store ambiance and layout are also significant, with a focus on creating inviting and well-organized spaces that enhance the overall shopping experience. Furthermore, sustainability initiatives, ethical sourcing practices, and community engagement efforts contribute to building a positive brand image and attracting environmentally conscious and socially responsible consumers.

Key players presence in the organised F&G retail segment

Store Name	No. of Stores in MMR	No. of Stores PAN India
D-Mart	33	347
Reliance SMART	15	NA
Reliance Fresh	10	2700
Reliance SMART Bazaar, previously Big Bazaar	14	244
Star Bazaar	10	48
Hypercity	4	17
Nature's Basket	19	34
Spencer's Retail	NA	120
More Retail Supermarket	2	900+
Patel Retail	31	31

Source: D&B Research, Industry Sources, Note: The store count of supermarkets (both pan India and region – MMR) was compiled basis information available in the public domain. D&B have relied on website of respective companies, as well as other public information to compile this. However D&B has not conducted any primary survey / physical checks to verify the store presence. The data captured here is basis information on public domain.

Growth Outlook in Retail Sector

The resumption in retail activity – as the spread of pandemic was brought under control – have helped in reviving the sale of various consumer product. With restrictions being lifting, demand for all consumer products witnessed revival as pent-up demand kicked. However, inflationary pressures impacted post-pandemic spending recovery in FY 2023 but the same is expected to bounce back as inflation exhibited some moderation in FY 2024 and support the overall retail industry growth in FY 2024.

In long term, harnessing the advantage of a large and diverse population base, India is steadily evolving as a consumer driven economy where such large population base of 1.43 Bn is hard to ignore by global and domestic retailers. As the country socio-economic transformation continues, India is witnessing an expanding presence of leading international and consumer retail brand making their way in organized retail segment. These brands are continuously striving for innovations, supported by data-driven insights of consumer preference analysis.

Traditionally, the Indian retail basket has been dominated by essentials like food and groceries. Future growth in this segment growth hinges on personalization, with retailers leveraging data analytics and prescriptive algorithms to enhance customer experiences. Tailored services such as personalized cart preparation, streamlined checkout processes, and direct delivery of out-of-stock items are crucial for customer retention. Moreover, agility, adaptability, and investment in omnichannel capabilities are imperative for success in the rapidly evolving grocery retail landscape. Retailers must prioritize upskilling, digital infrastructure development, and building robust supply chain networks to thrive, remain competitive, and ensure long-term profitability in the dynamic retail environment.

Additionally, supportive regulatory landscape and several schemes launched by the government to enhance the farm income have made consumer retail product especially FMCG products more affordable and finding increasing penetration in rural sector. In FMCG sector, Government's initiatives to improve supply chain for transportation of perishable commodities, reduce wastages and increase processing level of food products will also help the Food and retail sector to grow.

Going forward, a study by Deloitte indicates a shift towards discretionary spending on categories like apparel, electronics, and personal care products. The retail basket will see an increase in discretionary spending categories. This presents an opportunity for retailers to cater to evolving consumer preferences and introduce new product lines. India's young population (over 65% under 35) is driving a rise in disposable incomes. According to industry report, household spending in India is expected to reach USD 3.6 trillion by 2025. This growing disposable income will translate into increased consumer spending, creating a larger market for the retail sector. Additionally, the expanding middle class will fuel demand for a wider variety of products beyond basic necessities.

In the light of abovementioned factor, India's retail market overall retail industry is expected to grow to USD 2 trillion by 2032, growing at 10.3% CAGR between 2022-32.

Product Segment: Spices

Overview

India is the largest producer of spices and is home to 109 different varieties of spices making it one of the key spice hubs in the world, contributing nearly 42%¹⁵ of the global production. This wide base of spices has helped the country become the largest exporter, exporting close to 225 types of spices and spice products to more than 180 destinations globally. Spices are primarily used for food flavouring and preservation however, medicinal, and aromatic properties of spices also make them useful in perfumes, cosmetics, and pharmaceutical industries.

Spice production is concentrated in ten states with the state of Madhya Pradesh topping the list with 3.5 million tons in FY 2023. The top seven states together account for 76% of total volume of spices produced in the country. Chilli, garlic, ginger and turmeric are the four largest produced spices in India. Together they account for nearly 80% of the volume of spice produced in the country,

Spices are made up of some simplest natural ingredients like flowers, leaves, seeds, roots and bark. It is used in multiple forms - in its raw form (Whole spices), powdered form (grounded spices) as well as extracts that include essential oils and oleoresins.

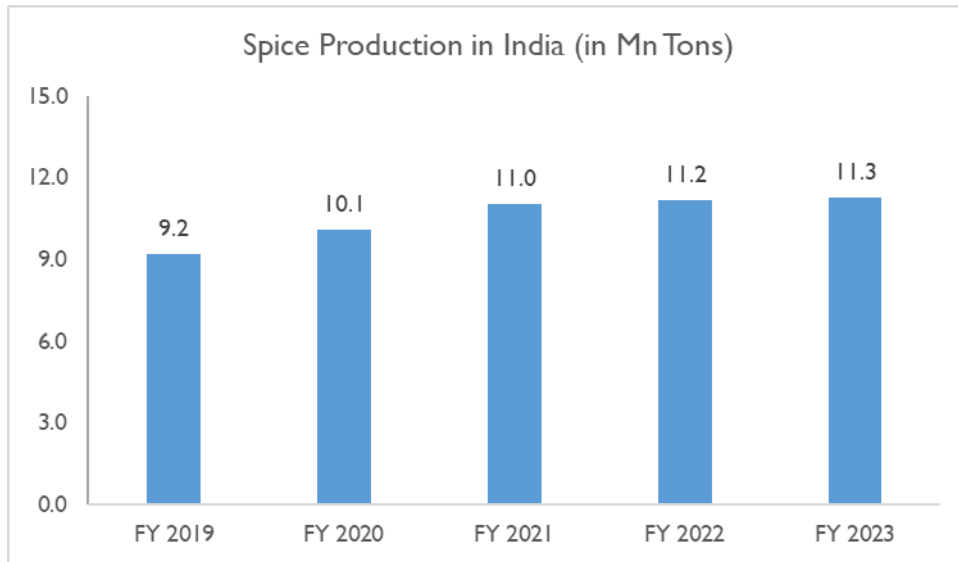
Spice Production in India (FY 2023)		
State	Production (000 tonnes)	Major Spices Produced
Madhya Pradesh	3,532	Ginger, Turmeric, Coriander seeds, Fennel Seeds, Chilli, Fenugreek seeds, Garlic
Andhra Pradesh	1,132	Chilli, Turmeric, Tamarind, Coriander Seed
Gujarat	1,125	Cumin Seeds, Fennel Seeds, Fenugreek Seed, Garlic, Chilli, Ginger, Turmeric
Rajasthan	828	Coriander Seed, Cumin seed, Fennel seed, Fenugreek Seed, Garlic, Chilli
Telangana	693	Chilli, Tamarind, Ginger, Turmeric
Karnataka	742	Pepper, Cardamom, Chilli, Ginger, Nutmeg, Turmeric, Cloves, Tamarind
Maharashtra	518	Chilli, Ginger, Turmeric, Garlic, Tamarind
Odisha	440	Ginger, Chilli, Turmeric, Garlic, Coriander Seed
Uttar Pradesh	277	Chilli, Coriander Seed, Fennel Seed, Garlic
West Bengal	262	Cardamom, Ginger, Chilli, Turmeric, Garlic
Tamil Nadu	208	Pepper, Cardamom, Chilli, Turmeric, Tamarind, Cloves
Kerala	149	Pepper, Cardamom, Ginger, Tamarind, Nutmeg

Source: Spices Board of India

¹⁵ FAOSTAT

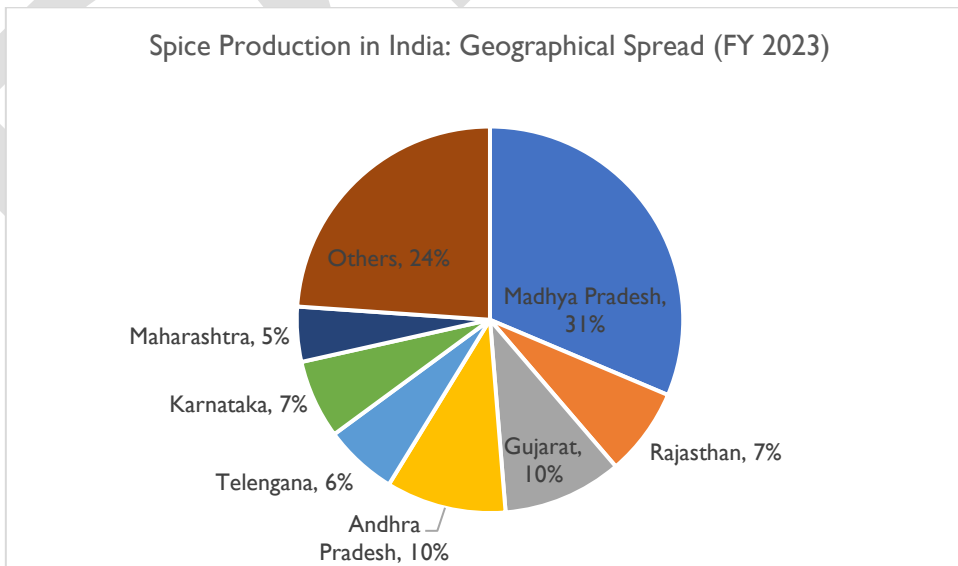
Whole Spice Production in India

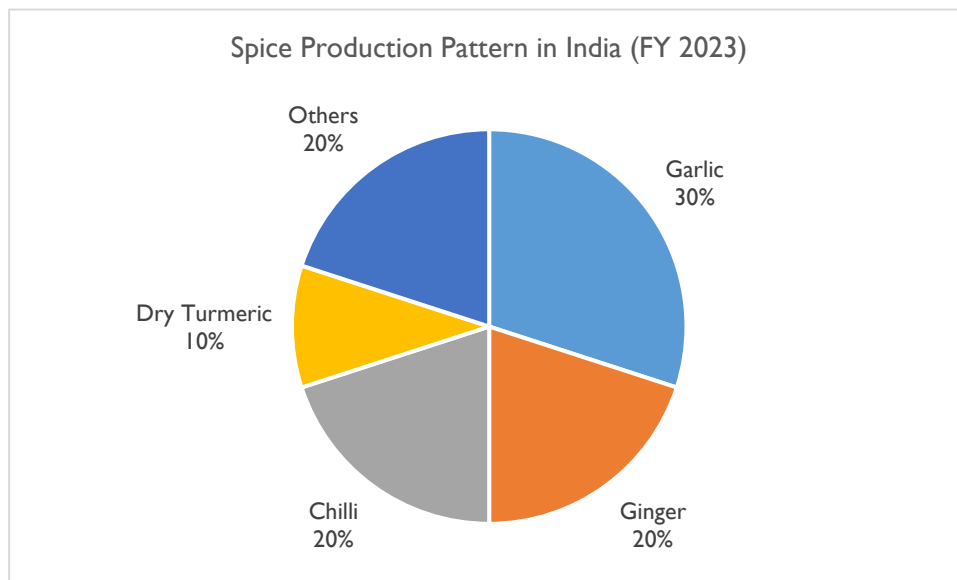
India produced nearly 11.3 million tons of spices in FY 2023, marginally increasing compared to previous year. Garlic, Ginger, Chilli and Turmeric are the four major spices grown in India. These four accounted for nearly 80% of the total volume of spices produced in the country. Since FY 2019, the volume of spice grown in India has been growing by a CAGR of 5%. During the same period, the area under spice cultivation increased by a CAGR of 2% to reach 4.3 million hectares.



Source: Spices Board of India

Production is majorly concentrated among 6 to 7 states, which accounts for 75 to 80% of total annual production. In FY 2023, Madhya Pradesh, followed by Andhra Pradesh and Gujarat were the three major producers of spice. Production in these three states accounted for nearly 50% of total production.





Source: Spices Board of India

Bulk of the spice harvested in India is consumed domestically, given the spice rich cuisine. As per FAOSTAT, per capita spice consumption in India has reached 3.83 Kg in 2021. Per capital consumption volume has been steadily increasing.

Branded Spice Market in India

Branded spice comprises of both packed whole ground spice as well as spice blends (combination of different spices & herbs). Today, branded & packaged spice segment is estimated to account for 30 – 40% of the total spice market in India¹⁶. **According to World Spice Organization (WSO)¹⁷, the branded spice market in India is estimated to be worth INR 35,000 Crore.**

Although the branded segment comprises of the less than 40% of total spice industry in India, the prominence of the sector is expected to growth in the coming years. The Indian spice industry is undergoing a transition in favour of the organized segment and is estimated to account for nearly half of the total spice market in the next three to four years.

The increasing demand for readymade spice mix, primarily from urban home makers is providing the much-needed push towards the growth of branded spice segment. This growth in branded spices is a positive for the industry, due to the higher profit margins when compared to loosely sold spices. This higher demand for packaged & branded spices is expected to demand the share of organized segment by the end of this decade.

¹⁶ As per multiple industry sources / insights by industry stakeholders & industry associations

¹⁷ WSO is a not-for-profit organization and technical partner of All India Spice Exporters Forum. WSO is involved in various initiatives to promote sustainable development of spice sector, and works with national & international organizations like Spice Board of India, Indian Institute of Spice Research, Rainforest Alliance, GIZ (Germany), and IDH (The Sustainable Trade Initiative – Netherlands), among others.

Recent Developments in Branded Spice Market in India

Blended spices, which is made by a combination of different spices & herbs has become an integral part of Indian cuisine. Although a small part of the overall spice market the packaged blended spice is fast becoming a key ingredient in Indian kitchens. The higher demand is fuelled by factors ranging from convenience, superior packaging (that promises retention of aroma & taste), and expanding consumer palate for different cuisines.

The consumption pattern of blended spice is not uniform, but varies with rural and urban markets. Unbranded and loose spice blends accounts for bulk of consumption in rural markets and smaller towns while the penetration of branded & packaged spice blends is comparatively higher in urban markets. Higher receptiveness of urban consumers, together with the trend to switch to packaged food products in urban market is playing a key role in the increasing preference for branded & packaged spice blend in urban markets. In addition, higher awareness level (ability to retain aroma & taste for longer period), ease of access and convenient packaging have also helped increase the popularity of branded & packaged spice blend in urban markets.

The branded spice blend market in India is comprised of a large number of regional players, with the preference of brands shifting from one region to next. Although few national players have entered into the market, the industry is yet to see the emergence of a pan India spice brand. This dominance of regional brand, and shifting preference with region could be attributed to the wide variation in taste preferences. Despite the urbanization that has prompted widespread movement of people and intermingling of cultures, there are distinct food preferences that varies from region to region. Regional brands initially emerged offering a single / limited spice blends that are native to that region and build up a leadership position. However soon these brands became association strongly with their native blends and were unable to replicate the same success in spice blends which were not native to the region.

Due to this peculiar market structure, the strategy of national players has been to expand to region markets through acquisition of regional brands. Last couple of years have seen this trend with few pan India brands, and few global brands acquiring regional players to gain foothold in the packaged spice blend market in India. Some of the major deals that has happened in this space include

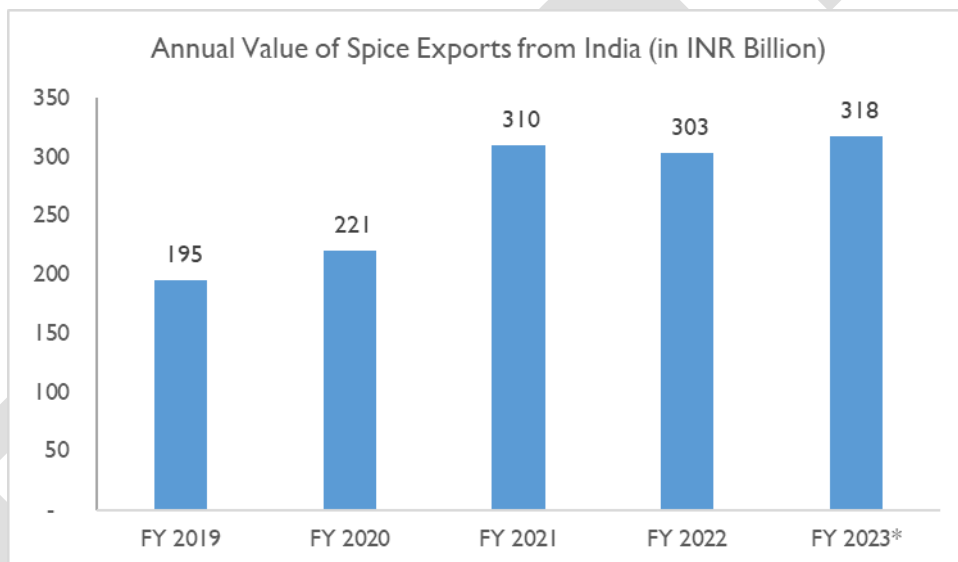
- Acquisition of Badshah Masala by Dabur India Limited in 2022. Dabur acquired 51% stake in Badshah Masala for INR 587.5 Crore. Badshah Masala has a strong brand recall in Western market, especially Gujarat, Maharashtra and Rajasthan. This acquisition gives Dabur an automatic entry into the lucrative blended spice market in Western India.
- Kerala based spice brand Eastern Condiments was acquired by Norwegian company Orkla in 2021. Orkla acquired approximately 68% stake in Eastern condiments for INR 1,356. The Norwegian company executed the deal through its Indian subsidiary MTR Foods. Orkla had acquired MTR in 2007 for approximately INR 450 crore.
- FMCG conglomerate ITC limited acquired Kolkata based Sunrise food in 2020 for INR 2,150 crore.

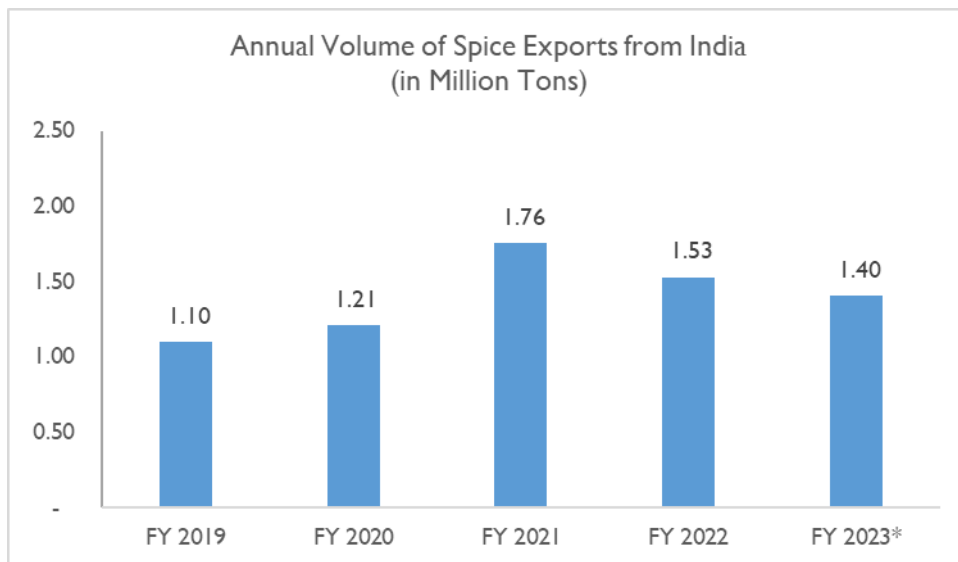
The above three major acquisition points to the strategy adopted by large players to enter the fast growing branded spices segment. Given the nature of the branded spice blend industry, inorganic expansion would continue to remain a key strategy.

Spice Exports from India

India is the largest exporter of spices in the world, exporting INR 318 bn worth of spices in FY 2023. Chilli, pepper, turmeric, coriander, cumin, spice oils & oleoresins, and nutmeg are some of the major spices exported from India. During the last three to four decades the value of spice exported from India has increased by nearly 15 times. In volume terms, annual exports have grown from nearly 47,000 tons in 1960-61 to 1.4 lakh tons in FY 2022-23.

FY 2022 saw a decline in exports of key spices due to declined quantity of spices, which pulled down total spice exports by nearly 13% by volume and 2% by value. Following suit, FY 2023 also saw a decline by an additional 8% in volume terms. In contrast, the exports had increased by 5% in terms of value. This phenomenon was due to an increase in domestic prices of spices like chilli and cumin and a deferred demand observed due to the economic stress in some of the importing countries.





Source: Spice Board of India *Provisional for FY 2023

Chilli, Cumin, Turmeric and Nutmeg are the four largest class of spices exported from India. In FY 2023, the volume of these four spices accounted for nearly 65% of the total volume of spices exported from the country.

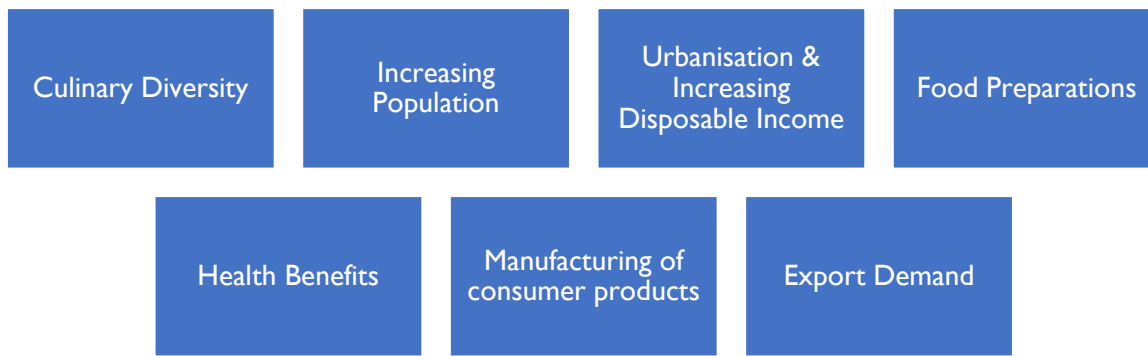
Increasing popularity of traditional Indian cuisine, and wider acceptance of varied flavour in foods have increased the demand for spices across the world. In addition, medicinal properties of spices are gaining mainstream adoption which have also increased the demand for spices. Western markets, especially North America and Europe are two major export destination for Indian spice industry. Middle East region, because of its high concentration of Indian expatriates is another major export market.

The Government has set a target of reaching USD 10 Billion of spice exports by FY 2027, from the current level of approximately USD 4 Bn (in FY 2023). To achieve this target, India has to increase its exports by a compounded rate of 19.5%. At present, between FY 2019 to FY 2023, the CAGR stands at only 13% in terms of value.

Demand Drivers

Spices are an integral part of human diet as it enhances flavour, taste and possess medicinal values. Usage as a seasoning in food production is the largest end use of spices in the country. Apart from direct human consumption, spices demand is also increase in non-food application such as nutraceuticals, cosmetics, perfumery, and dyeing application. Demand from medical / healthcare sector could be attributed to its antimicrobial properties. In addition to domestic demand, export demand too supports the overall spice industry growth.

Key factors driving demand for spices are:



Culinary Diversity

As global cuisine continues to evolve, people are increasingly exploring and incorporating diverse flavours and cooking techniques into their meals. This culinary diversity has been facilitated by factors such as travel, migration, and the sharing of recipes through various media platforms. As a result, there is a growing demand for spices that can enhance the authenticity and richness of these global dishes.

Individuals experimenting with Indian, Thai, or Middle Eastern cuisine at home often seek out specific spices like turmeric, cumin, coriander, or sumac to replicate traditional flavours. Similarly, restaurants and food manufacturers are constantly innovating to offer unique flavour profiles that appeal to a broad audience, incorporating spices from around the world into their recipes.

This demand for spices is not limited to specific regions or demographics but is rather a global phenomenon driven by a shared interest in exploring new culinary experiences and embracing cultural diversity. As a result, the spice industry continues to thrive, with producers, distributors, and retailers meeting the growing demand by offering an extensive array of spices from various origins and flavour profiles.

Increasing Population

In India, the demand for spices is strongly tied to its cultural heritage, population growth, and culinary preferences. With its population exceeding 1.428 billion individuals in 2023, India is home to the largest populace, constituting approximately 17.2% of the world's total inhabitants.

As populations increase, so does the need for food, and spices play a crucial role in making meals more flavourful, appealing, and culturally relevant. In India, spices are deeply intertwined with culinary traditions, religious practices, and social gatherings. As a result, the demand for spices tends to rise in parallel with population growth, as people continue to incorporate them into their daily cooking routines.

Spices like cumin, coriander, turmeric, and cardamom are essential ingredients in Indian cooking, adding flavour and authenticity to dishes across the country. This demand is fuelled by a desire to maintain culinary traditions and create delicious meals that reflect regional tastes.

Further, as incomes rise and lifestyles change, there's a shift towards convenient food options, leading to increased demand for spice blends and ready-to-use mixes, especially in urban areas. Additionally, the younger

generation's curiosity for global flavours and fusion cuisine contributes to the demand for a diverse range of spices.

Urbanisation & Increasing Disposable Income

India is the third largest economy in the world in terms of purchasing power, next to China and USA. As more people move to urban areas and experience lifestyle changes, there is a notable shift in dietary preferences and culinary habits.

With urbanization comes greater exposure to diverse cuisines and culinary influences. As a result, urban consumers are increasingly seeking out spices to recreate authentic flavours at home, driving up the demand for a variety of spices.

Moreover, the rise in disposable income among urban households further fuels this demand. As people have more money to spend, there is a greater willingness to invest in high-quality ingredients to enhance the taste and appeal of their meals. This propensity to spend on food and beverages is directly correlated with the increase in personal disposable income.

Food Preparations

In Indian cuisine, spices are widely used for seasoning and as flavouring agent in food preparations. Compared to other cuisines the usage of spices in Indian cuisine is relatively high which has made food sector as the largest consumer of spices in the country. Spending on food and beverages in the country is increasing rapidly as per capita income and population base increase. This has benefitted all products and services related to food sector.

Changes in consumption pattern in the country, especially in urban markets too have benefitted food sector. Consequently, demand for spices from households as well as restaurants have gone. With spices being an integral part of Indian cuisines, large population base and income growth will continue to drive food consumption translating in higher demand for spices in food preparation.

Apart from food, preparation spices and extracts from spices (Essential Oils & Oleoresins) are used in the preparation of processed and packaged foods like canned meat, sauces, bakery and confectionary products, as well as flavouring agent in beverages. Demand for processed and packaged food has increased steadily, driven by changing consumption and consumer profile in urban markets. Higher demand for processed and packaged food has increased the demand for spices and extracts from food product manufacturers.

Health Benefits

The increasing awareness of health benefits associated with spices is a significant factor driving their demand. Spices do not act as only flavour enhancers; they are also valued for their potential positive impact on health and well-being.

Many spices, such as turmeric, ginger, cinnamon, and cloves, contain bioactive compounds with antioxidant properties. These compounds help combat oxidative stress in the body, which is linked to various chronic diseases like heart disease, cancer, and diabetes, thereby being increasingly incorporated into regular diets.

Other spices such as ginger and turmeric are well-known for their anti-inflammatory effects, which can help alleviate symptoms of inflammation-related conditions. These spices are used in both traditional medicine and modern dietary practices.

Additionally, spices are often praised for their role in promoting digestive health. Many spices, such as fennel, coriander, and peppermint, have been traditionally used to aid digestion, alleviate bloating, and relieve gastrointestinal discomfort. This aspect is particularly appealing to consumers seeking natural remedies for digestive issues and looking to improve their gut health.

As the demand for natural and holistic approaches to health and wellness continues to grow, so does the popularity of spices as functional foods. Consumers are increasingly turning to spices not only for their culinary value but also for their potential health-promoting properties. This trend is driving the incorporation of spices into various food and beverage products, including teas, functional beverages, snacks, and supplements, further fuelling the demand for these flavourful and healthful ingredients.

Manufacturing of consumer products

The infusion of spices into a myriad of consumer products, ranging from soap and toothpaste to perfumes, is triggering a surge in the demand for spices in India. The incorporation of spice extracts into personal care items, like soap and toothpaste, is gaining popularity due to the perceived health and wellness benefits associated with certain spices. Consumers are drawn to products that not only offer traditional fragrances but also boast natural and therapeutic qualities, leading to an uptick in the demand for spice-infused formulations.

Similarly, the fragrance industry has witnessed a growing inclination towards incorporating spice extracts in perfumes and scented items. Spices contribute unique and exotic notes, adding depth and character to various fragrances, thereby amplifying their appeal in the market.

As per capita incomes increase, there is a parallel rise in the demand for FMCG products, driving manufacturers to explore innovative formulations that leverage the aromatic and therapeutic properties of spices. This synergy between consumer preferences for diverse, spice-infused products and the expanding FMCG market is playing a pivotal role in propelling the demand for spices and spice extracts in India.

Export Demand

India is the largest producer as well as exporter of spices. Value of spices exported from the country has increased by a CAGR of ~13% during the period FY 2019 – FY 2022 to reach INR 318 billion. Large variety of spices (~225 types of spices and spice products are exported in FY 2023), and a wide production base

ensures that Indian would continue its dominance in international spices trade. As international markets increasingly seek out diverse and authentic flavours, Indian spices have emerged as sought-after commodities.

The demand for Indian spices abroad is fuelled by several factors. Firstly, the rich and varied culinary heritage of India, with its aromatic and flavourful spices, has garnered global appreciation. This has led to a consistent demand for spices such as cardamom, cumin, turmeric, and black pepper in kitchens worldwide.

Secondly, the perceived health benefits associated with many Indian spices have amplified their appeal on the international stage. Spices like turmeric, known for its anti-inflammatory properties, and cumin, valued for its digestive benefits, have become staples in health-conscious markets, contributing to sustained export demand.

Additionally, the globalization of food habits has led to a growing interest in international cuisines, further boosting the demand for Indian spices. As chefs and home cooks around the world experiment with diverse flavours, Indian spices play a crucial role in creating authentic dishes.

Growth Forecast

Spices being an integral seasoning and flavoring agent would continue to see constant demand growth from food and beverage sector. With shift in consumption pattern towards processed and packaged foods, consumption of spices from food & beverage sector would continue to increase. India is already a production hub for pharmaceutical products and production volume is only going to strengthen as domestic and export demand for pharmaceutical product increase. In industrial sector, demand from pharmaceutical sector is expected to play a vital role in increasing industrial consumption of spices.

On the export front, India is evidently expected to maintain its dominance as the leading spice exporter in the world. The Indian spices industry envisions to become an international processing hub for supply of high-quality spices to meet the global consumption demand for spices. Various steps have been initiated by Spices Board to enhance India's share in global spice trade. The Government has set a target of increasing its spice export revenue to USD 10 Billion by FY 2027. Given the prominence of exports in Indian spice industry, achieving this target would ensure strong growth in industry revenue.

In addition, the share of branded & packaged spices (mostly ready to use spice mix) is expected to witness strong demand in the coming years, on the back of changing consumption pattern. **As per WSO, the branded spice market in India is expected to growth from the current size of INR 35,000 Crore, to nearly INR 50,000 crore over the next three years (by 2027)**

Product Segment: Milled Products (Wheat)

Overview

Wheat, a vital grain, and dietary staple for much of the world's population, plays a crucial role in global agriculture. Being extensively cultivated and consumed, wheat serves as a key source of nutrition for billions of individuals, contributing significantly to diverse diets worldwide. Its ability to thrive in various climates and its versatility make it an essential component of the agricultural sector.

Traditionally, wheat cultivation in India has been concentrated in the northern region, particularly in the states of Punjab and Haryana Plains. These areas have been highly productive in wheat farming, with India accounting for 12.5% of the world's total wheat production over the past two decades, making it the second-largest wheat producing country globally.¹⁸

India consumes a substantial amount of wheat primarily due to its integral role in traditional diets and culinary customs across the country. As a staple food, wheat is deeply embedded in Indian cuisine, forming the basis of various dishes. Its affordability, widespread availability, and extensive cultivation ensures consistent access to this grain for a large portion of the population. Additionally, wheat serves as a vital source of carbohydrates and essential nutrients, particularly in rural areas where it constitutes a significant part of daily meals. Its nutritional value and cultural importance contribute to its widespread consumption throughout India. Wheat is further processed to create Wheat Flour and Wheat Bran.

Production Scenario

India's agricultural output is susceptible to fluctuations in climate patterns. The unusual rise in both maximum and minimum temperatures throughout 2022 adversely affected various crops, fruits, vegetables, and livestock in several states including Punjab, Haryana, Rajasthan, Jammu & Kashmir, Himachal Pradesh, Uttar Pradesh, Madhya Pradesh, Bihar, and Maharashtra. This heatwave coincided with the critical grain filling and development phase of wheat, leading to symptoms such as grain yellowing and shrivelling, and premature maturation, ultimately causing yield reductions ranging from 15% to 25%.

The production of Wheat in 2022-23 season reached 111 million tonnes. The by-products of wheat processing, namely Wheat Flour and Wheat Bran, recorded production at 1,269 thousand tonnes and 820 thousand tonnes respectively.

¹⁸ World Economic Forum



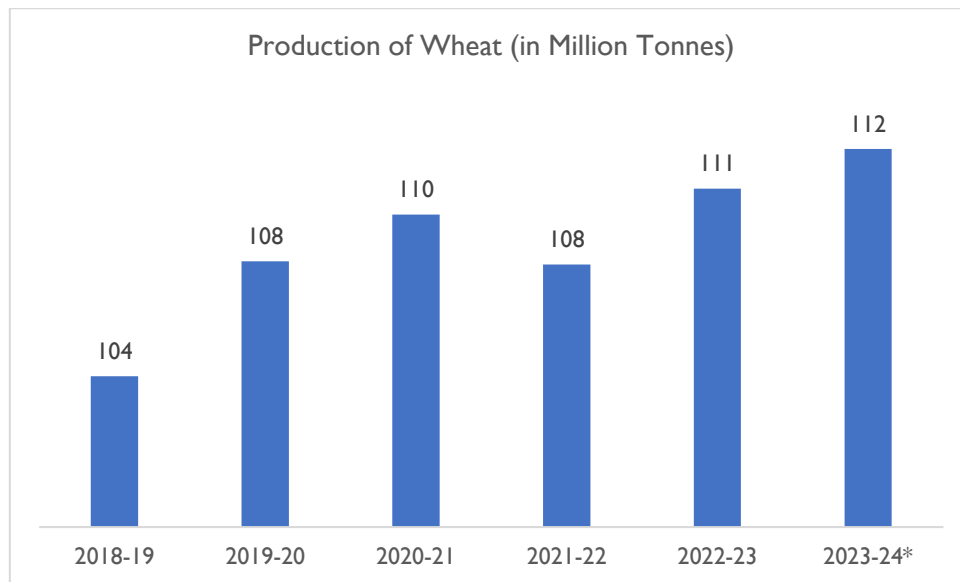
Source: CMIE

Historical Trend

Wheat Production

Over the span of five years, from 2018-19 to 2022-23, there has been a notable increase from 104 million tonnes to 111 million tonnes, indicating a commendable CAGR of 2.05%. During the years of 2018-19 to 2020-21, the production of wheat was growing at a rapid pace. However, the subsequent season, 2021-22, posed challenges as a result of a heatwave that afflicted the northern states of Punjab and Haryana. This adverse weather condition led to a 1.7% decline in production, attributed to the phenomenon of shrivelled grains.

Despite the increased heat conditions, the agricultural community rallied back in the 2022-23 season with renewed strategies and the adoption of heat-tolerant varieties. This proactive approach yielded fruitful results, evident in the production surge to 111 million tonnes of wheat.



Source: Department of Agriculture, Cooperation & Farmers Welfare

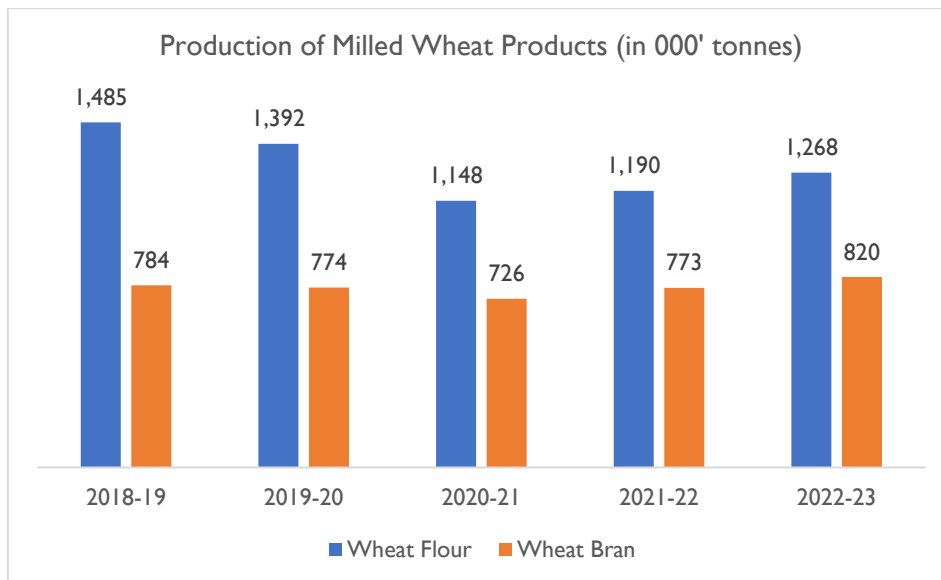
**Data for the year 2023-24 is of 2nd Advance Estimates. Crop production estimates covers only Kharif and Rabi season. Summer season is not included in Second AE 2023-24.*

Following two consecutive years of below-par wheat production in 2021-22 and 2022-23, primarily due to unforeseen climate disruptions, the government has initiated measures to mitigate future risks. The government aims to cultivate heat-tolerant varieties across 60% of the total wheat cultivation area, spanning nearly 32 million hectares. This strategic intervention paves the way for cautious optimism regarding the upcoming agricultural season. The second advance estimates for 2023-24 project wheat production to reach 112.02 million tonnes, signalling a potential improvement compared to the recent years' performance.

Production of Milled Wheat Products

Wheat flour, rich in essential minerals such as iron, magnesium, and zinc, as well as dietary fibre, is commonly used in various culinary applications. The production of Wheat flour, between 2018-19 to 2022-23, has declined at a CAGR of 3.86%.

In 2022-23, the production of wheat flour stood at 1,268 million tonnes, down from 1,485 million tonnes in 2018-19. This downfall is attributed to the overall decrease in the production of wheat due to severe weather conditions. Wheat production in 2020-21 declined by 17.58% and has been slow to recover since. While 2021-22 and 2022-23 showed signs of growth with 3.70% and 6.57% increase in production, the below-par wheat flour production caused by climate disruptions has still not reached 2019-20 levels.



Source: CMIE

A similar trend was observed in production of Wheat Bran. This commodity, too, observed a decline of 6.17% in 2020-21 season. The consecutive years of 2021-22 and 2022-23 showed increases in production by growing at 6.37% and 6.06% annually. However, the overall production of Wheat Bran showed healthy growth between 2018-19 to 2022-23, with production at 820 thousand tonnes in 2022-23, up from 784 thousand tonnes in 2018-19, growing at a CAGR of 1.13% in the given period.

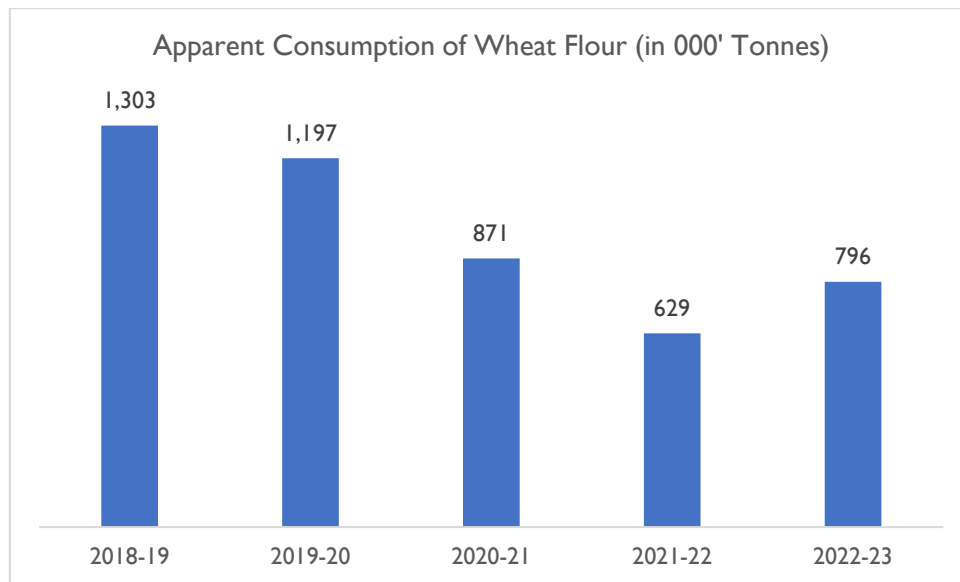
Government measures to mitigate future risk from climate disruptions is likely to support production of Wheat Flour and Wheat bran in the coming years. Efforts to reduce crop failure are underway. This is likely to enable a better yield in the coming years, thereby supporting production of Wheat and Milled Wheat Products.

Apparent Consumption

Apparent Consumption¹⁹ of Wheat Flour declined from 1,303 thousand tonnes in 2018-19 to 796 thousand tonnes in 2022-23. The major decline was observed in 2020-21 & 2021-22 on the back of increasing exports, by approximately 40% and 103% respectively in the given period, and declined production by nearly 18% in 2020-21, which marginally increased in 2021-22.

The consumption increased in 2022-23, with a decline in exports by approximately 16% due to government-imposed ban and an increase in production close to 6% in the same period.

¹⁹ Apparent Consumption = Production + Imports - Exports



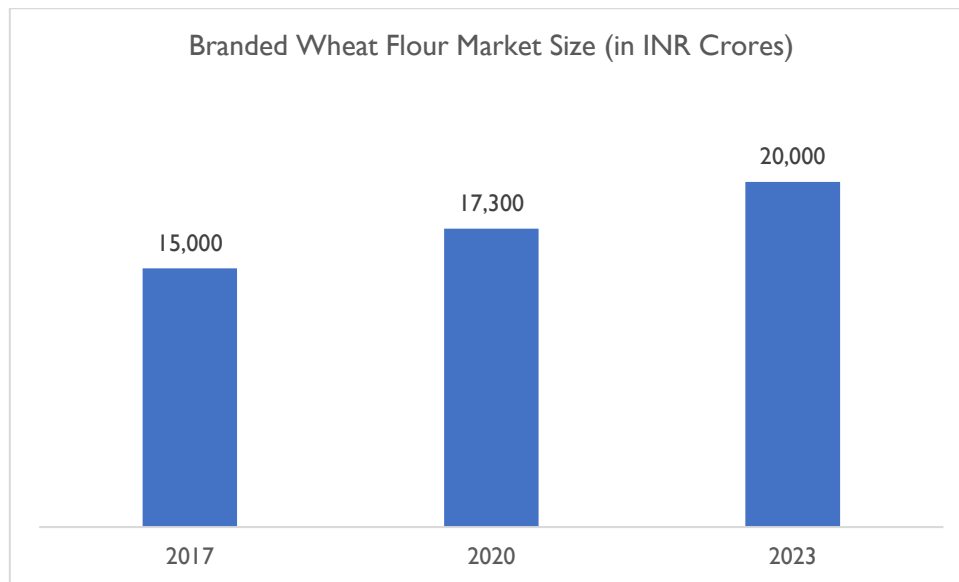
Source: CMIE, D&B Estimates

Packaged wheat flour market in India.

Estimated market size of packaged wheat flour market in India

Traditionally, India has been a market where consumers predominantly purchased open wheat flour from local mills rather than opting for packaged and branded varieties. However, in recent years, there has been a notable shift in consumer preferences towards packaged wheat flour. With a large population and a growing middle class, there is a rising demand for packaged wheat flour as it offers convenience, consistency, and longer shelf life compared to traditional flour milling. Moreover, the penetration of organized retail chains and e-commerce platforms has further fuelled the market's expansion by enhancing distribution channels and reaching consumers in remote areas.

As per the Foreign Agricultural Service (FAS) of the USDA, India's organized milling sector encompasses around 1,300 medium-to-large flour mills, collectively capable of processing approximately 25 million to 28 million tonnes of wheat annually. These mills generally operate at a capacity utilization rate of 55% to 60%, milling about 15 million to 16 million tonnes of wheat per year. Further, the majority of wheat milling activities are conducted in small-scale neighbourhood flour mills across the country.



Source: D&B Research and Estimates

Between 2017 and 2023, the branded wheat flour market in India witnessed a CAGR of 4.9%, with its market size expanding from roughly INR 15,000 crores to INR 20,000 crores within the given time period.

This transition is attributed to several factors including urbanization, changing lifestyles, and increasing awareness about food safety and hygiene. Consumers are now gravitating towards packaged wheat flour due to its convenience, consistent quality, and longer shelf life compared to the open variety. Furthermore, the growing penetration of organized retail chains and e-commerce platforms has facilitated easier access to branded flour products, thereby catalysing the shift away from traditional milling.

As a result, the packaged wheat flour market in India is experiencing robust growth, with both domestic and international players vying to capture a larger share of this evolving market landscape through innovation and strategic marketing initiatives.

Changing wheat flour consumption trend in India

Wheat flour consumption in India has long been a staple of the Indian diet, deeply ingrained in cultural and culinary traditions. However, in recent years, there has been a noticeable shift in consumption patterns, with an increasing preference for packaged flour over the traditional loose or unpackaged variants. This trend reflects is due to:

- Changing Consumer Preferences
- Changing Dietary Habits and Health Consciousness
- The influence of Urbanization and Modern Retail Formats
- Branding and Marketing Strategies

Key factors driving demand for wheat flour.

Population Growth

Population growth is a significant driver of demand for wheat flour. Wheat flour, being a staple ingredient in many diets around the world, experiences a proportional increase in demand to meet the dietary needs of growing populations. This demand is particularly pronounced in regions where wheat-based foods are dietary staples, such as in countries across Europe, North America, and parts of Asia.

India, with its staggering population exceeding 1.428 billion individuals in 2023, represents a significant fraction of the global populace, constituting approximately 17.2% of the world's total inhabitants.

This rapid population growth directly impacts the demand for wheat flour, as India is one of the largest consumers of wheat-based products globally. With more mouths to feed, the demand for staple foods like wheat flour rises correspondingly to meet the dietary needs of the expanding Indian population.

Urbanization

Urbanization is a key factor driving the demand for wheat flour.

In urban areas, convenience and accessibility play a significant role in food choices. Wheat-based products like bread, pasta, pastries, and snacks are readily available in supermarkets, bakeries, and fast-food outlets, catering to the fast-paced lifestyles of urban dwellers. The convenience of purchasing these ready-made foods saves time and effort compared to preparing meals from scratch, making them a preferred choice for many urban consumers.

According to the Handbook of Urban Statistics 2022, India's urban population has been steadily rising, with over 469 million urban dwellers in 2021. This number is projected to soar to over 558 million by 2031 and surpass 600 million by 2036, showcasing the significant transformation occurring within Indian cities.

As more people migrate from rural areas to urban centres in search of opportunities and a higher standard of living, the demand for convenient and processed foods, including those made with wheat flour, escalates. In Indian cities, the proliferation of supermarkets, bakeries, and fast-food outlets offers a wide array of wheat-based products to cater to the preferences of urban consumers.

Moreover, urbanization often leads to changes in dietary habits and cultural preferences. As people from diverse backgrounds converge in cities, culinary traditions blend, leading to the adoption of new food preferences and consumption patterns. In many urban centres, Western-style diets, which prominently feature wheat-based foods, become increasingly popular due to their perceived status and influence from global food trends.

Furthermore, the proliferation of fast-food chains and restaurants in urban areas further drives the demand for wheat flour-based products. Burgers, pizzas, sandwiches, and other fast-food items rely heavily on wheat flour for their doughs, batters, and crusts, contributing to the overall consumption of wheat flour.

Increasing consumer awareness of the health benefits

As people become more informed about the nutritional advantages of wheat flour, they are actively choosing it over other flour options for their dietary needs.

The perception of wheat flour as a healthier choice stems from its inherent qualities, such as its high fibre content, complex carbohydrates, and essential nutrients. Consumers recognize that opting for wheat flour can contribute to better digestive health, improved blood sugar regulation, and reduced risk of chronic diseases like heart disease and diabetes.

Furthermore, the rise in health-conscious consumer trends has led individuals to seek out products that align with their wellness goals. With increased access to information through various media channels, consumers are learning about the importance of incorporating whole grains like wheat into their diets for overall health and well-being.

Food manufacturers and retailers are responding to this demand by offering a wider range of wheat flour-based products, from whole wheat bread and pasta to cereals and snacks. Marketing efforts highlighting the health benefits of wheat flour, such as labels indicating "whole grain" or "high fibre," further reinforce consumer preferences and drive purchasing decisions.

Demand from Food Processing Industry

The demand for wheat flour in the food processing industry has experienced a notable surge due to its widespread use in the manufacturing of various products such as bread, biscuits, and other bakery items. This heightened demand is largely driven by the increasing consumer preference for processed foods, which has led to a greater reliance on wheat-based ingredients by food and beverage manufacturers.

Additionally, India's evolving consumer landscape, characterized by a growing middle-class population, a younger demographic, and higher disposable incomes, has significantly influenced consumption patterns in the country. This demographic shift has resulted in an increased demand for packaged and processed foods among consumers, further bolstering the need for input materials like wheat flour. Consequently, this has contributed to the growth of the wheat milling sector as suppliers strive to meet the rising demand for wheat-based products in the market.

Growing demand for bakery and confectionery companies

The global consumption of bakery products has been steadily increasing in recent years, driven by factors such as population growth, changing lifestyles, rising disposable incomes, and the increasing popularity of convenience foods. Another key driver of growth in the bakery industry is the increasing demand for healthy and natural products. Increasing awareness about healthy consumption among consumers has driven the demand for bakery products made with whole grains, organic ingredients, and natural sweeteners. The surge in online marketing and mobile app-based delivery services globally, especially in the wake of COVID-induced lockdowns, has also improved distribution channels to consumers. The global bakery products market reached a value of USD 480.95 billion in the year 2022 and is further expected to grow at a CAGR of 6.7% between 2023 and 2028.²⁰

²⁰ Ministry of Food Processing Industries

In 2021, India's bakery products industry grew by 13.3% and was the fourth largest regionally in terms of production value. Additionally, in 2022, the Indian bakery market size reached USD 11.3 Billion, which is expected to reach USD 321.2 Billion by 2028, exhibiting a growth rate of 10.8% during 2023-2028.²¹

This growth in demand for bakery products, both internationally and in India, directly contributes to the increased demand for wheat flour. Wheat flour is a fundamental ingredient in the production of various bakery items such as bread, cakes, pastries, and cookies. As the bakery industry expands to meet the growing consumer demand for these products, the demand for wheat flour as a primary ingredient rises in tandem.

The nutritional benefits and versatility of wheat flour, demanded by conscious consumers, make it an essential component in producing a wide range of baked goods, further driving its consumption. Consequently, the growth in demand for bakery products acts as a catalyst for the increased utilization of wheat flour by bakery and confectionery companies in both domestic and international markets, fuelling growth in the wheat flour industry.

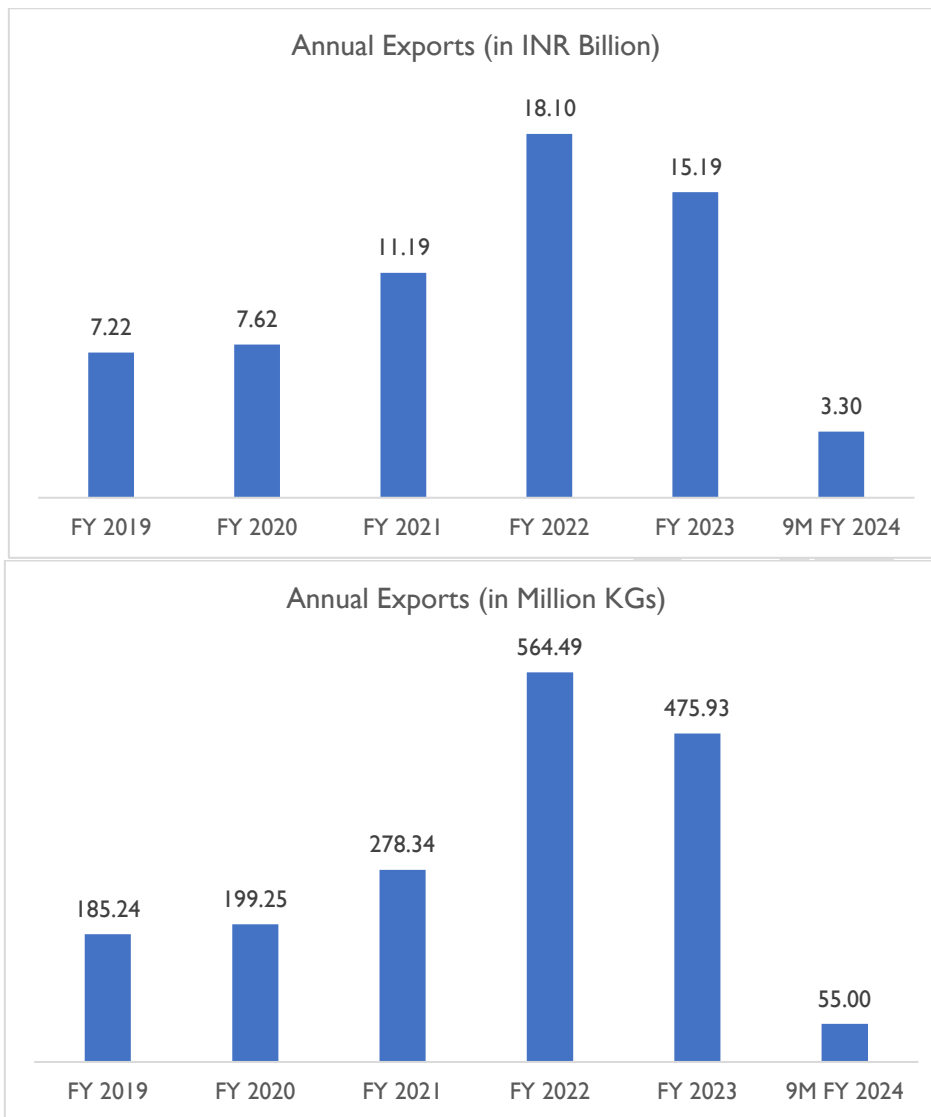
Export Scenario

Annual Exports of Wheat or Meslin Flour from India increased from INR 7.22 billion in FY 2019 to INR 15.19 billion in FY 2023, registering a CAGR of 20.44% between the given period. FY 2021 and FY 2022 recorded high annual growth of exports, of 46.80% and 61.82% respectively.

However, FY 2023 recorded a decline of 16.09%. This decline comes on the back of export ban implemented in India on wheat in May 2022, and on wheat flour in August 2022 as part of measures to control rising domestic prices, thus affecting the overall exports. Some relief was provided when the government amended the ban to allow export of Wheat Flour against Advance Authorization, and by Export Oriented Units (EOUs) and units in SEZs, to be produced from imported wheat and without procurement of domestic wheat and subject to conditions as specified.

With no proposal to lift the ban yet, 9M FY 2024 recorded a new low of INR 3.30 billion for exports of wheat flour after over a decade.

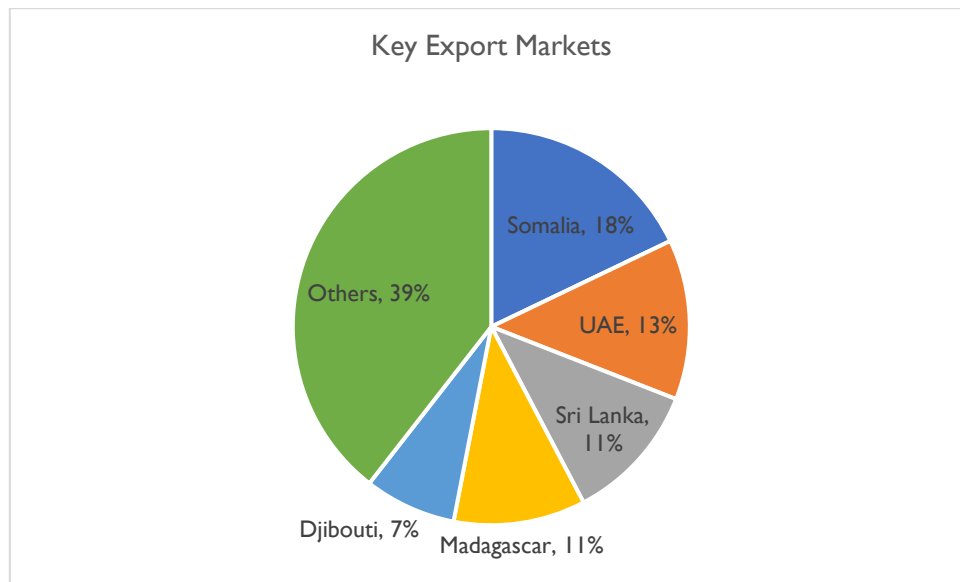
²¹ Ministry of Food Processing Industries



Source: DGCIS

In terms of quantity, export of Wheat or Meslin Flour from India increased from 185.24 million KGs in FY 2019 to 475.93 million KGs in FY 2023, registering a CAGR of 26.61% between the given period. FY 2021 and FY 2022 recorded high annual growth of exports, of 39.69% and 102.81% respectively.

The overall export ban announced in August 2022 led to the decline in exports, as observed in FY 2023 and 9M FY 2024. Thus, the exports fell by 15.69% in FY 2023 and remained at an all-time low of 55 million KGs in 9M FY 2024.



Source: DGCI&S

In FY 2023, Somalia became the key export market for Wheat or Meslin Flour exports from India, accounting for 18% share of the total exports. This was followed by UAE (13%), Sri Lanka (11%), Madagascar (11%), and Djibouti (7%).

The export ban of wheat flour affected exports to USA, a key market with 19% share in FY 2022, with exports to the country declining by 77% annually.

Competitive Landscape

The wheat flour market in India is driven by intense competition from numerous small and large players. In India, traditional local chakki mills still dominate the wheat flour market, but there's a rising trend towards branded and packaged options. This shift is evidenced by the increasing popularity of products like multigrain atta and fortified atta. Companies are tapping into consumer demands for nutrition, hygiene, and convenience, particularly in urban areas. With numerous brands offering distinct quality and varieties, competition in the market is fierce. Key factors that are shaping the competition are:

Market Players and Brand Presence

Numerous players operate in the wheat flour market, ranging from large multinational corporations to small-scale regional mills. Established brands such as Aashirvaad, and Patanjali dominate the market with their strong brand presence and extensive distribution networks. Regional brands also play a significant role, catering to local preferences and tastes. The presence of multiple players contributes to competitive pricing strategies and innovative product offerings to capture market share.

Quality and Product Differentiation

In a highly commoditized market like wheat flour, quality and product differentiation are critical factors driving competition. Manufacturers differentiate their products through various means such as grain quality, nutritional value, milling processes, and packaging innovations. Brands focusing on premium quality, organic, or specialty flour variants command higher prices and attract discerning consumers. Additionally, value-added

products such as fortified flour with added vitamins and minerals appeal to health-conscious consumers, providing a competitive edge to manufacturers.

Distribution Channels and Market Reach

Efficient distribution networks and market reach are essential for gaining a competitive advantage in the wheat flour market. Brands with extensive distribution channels, including supermarkets, hypermarkets, convenience stores, and online platforms, can effectively reach consumers across urban and rural areas. Additionally, partnerships with wholesalers, retailers, and institutional buyers contribute to expanding market penetration and increasing sales volumes. Companies invest in strengthening their distribution infrastructure and logistics capabilities to enhance market access and visibility.

Price Competitiveness and Promotional Strategies

Price competitiveness is a key determinant influencing consumer purchasing decisions in the wheat flour market. Manufacturers adopt competitive pricing strategies to attract price-sensitive consumers while maintaining profitability. Discounts, promotional offers, and bundled deals are commonly employed tactics to stimulate sales and gain market share. Furthermore, advertising and promotional campaigns, including television commercials, print media, and digital marketing, play a crucial role in brand visibility and consumer engagement, influencing brand preference and loyalty.

Regulatory Environment and Compliance

Compliance with regulatory standards and food safety regulations is non-negotiable in the wheat flour industry. Manufacturers must adhere to stringent quality control measures, hygiene standards, and labelling requirements set by regulatory authorities such as the Food Safety and Standards Authority of India (FSSAI). Ensuring product safety, purity, and nutritional integrity builds consumer trust and credibility, contributing to competitive advantage and market leadership.

Key Players

Company Names	Brief
ITC Ltd - Aashirvaad	Aashirvaad, owned by ITC Ltd., has been a household name since its launch in 2002, offering staple foods and kitchen essentials like atta flour, spices, and dairy products. Aashirvaad Atta, introduced in Bengal and Chandigarh in 2002, has become the country's leading branded packaged atta. Backed by ITC Limited, a leading multi-business Indian enterprise, Aashirvaad benefits from the conglomerate's diverse portfolio spanning FMCG, Paper, Packaging, Agribusiness, Hotels, and IT sectors. Over the years, ITC has cultivated a vibrant portfolio of 25+ world-class Indian brands, including Aashirvaad, Sunfeast, Yippee!, Bingo!, and B Natural, among others.

<p>Adani Wilmar Limited (Fortune Foods)</p>	<p>Fortune Foods by Adani Wilmer is a leading food brand recognized for its commitment to quality and innovation. Offering a diverse range of products, including cooking oils, rice, flour, meals, snacks, sauces, and condiments, Fortune Foods serves customers globally. Their dedication to superior quality, innovation, and customer satisfaction drives them to continually improve and innovate. Fortune Foods prioritizes responsible sourcing and sustainability initiatives, aiming to make a positive impact on society and the environment.</p>
<p>Patanjali Ayurved Limited</p>	<p>Patanjali Ayurved Limited, founded in 2006, is an Indian multinational conglomerate holding company headquartered in Haridwar. Spearheaded by Ramdev and Balkrishna, the company has a presence in Delhi and manufacturing units in Haridwar. Patanjali Ayurved Limited has received accolades for its commitment to food safety, including the Certificate for Significant Achievement in Food Safety and the Certificate for Strong Commitment to Food Safety at the 14th CII Food Safety, Quality, and Regulatory Summit in December 2019. With a consumer reach of 50 million and products available in over 300,000 stores, Patanjali offers a diverse portfolio of over 1,000 items. In addition to Ayurvedic Medicine, Foods, Nutraceuticals, Personal Care, and Health Care products, Patanjali is also recognized for its packaged wheat flour, catering to the dietary needs and preferences of consumers across India.</p>
<p>Radha Soami Food Products Pvt. Ltd</p>	<p>Established in 1986 in Jaipur, Radha Soami Food Products has been a trusted name in the Rajasthan market, offering the finest quality Atta, Besan, Suji, Dalia, and Maida under the renowned brand name Laxmi Bhog. As pioneers in the field of Packaged Atta in Rajasthan, they have built a strong retail-marketing network, becoming a household name in the region. With a significant presence in the capital city, they dominate the branded staple food category in Jaipur, boasting a majority market share. Their extensive retail channel comprises approximately 7,000 kirana shops, ensuring widespread accessibility and availability to their valued consumers across the city.</p>
<p>Ahaar Consumer Products Pvt. Ltd.</p>	<p>Ahaar Consumer Products Pvt. Ltd. is a prominent player in the food industry, offering a diverse range of high-quality products. With a manufacturing capacity of 300 metric tonnes per day for wheat flour, the company emphasizes hygiene and quality throughout the production process. Stringent quality control measures are implemented, supported by state-of-the-art laboratories at all</p>

production plants. Ahaar Consumer Products Pvt. Ltd. holds ISO , HACCP, and FSSAI certifications, highlighting its commitment to international standards.

Product Segment: Indian Food Processing Industry

Industry Overview

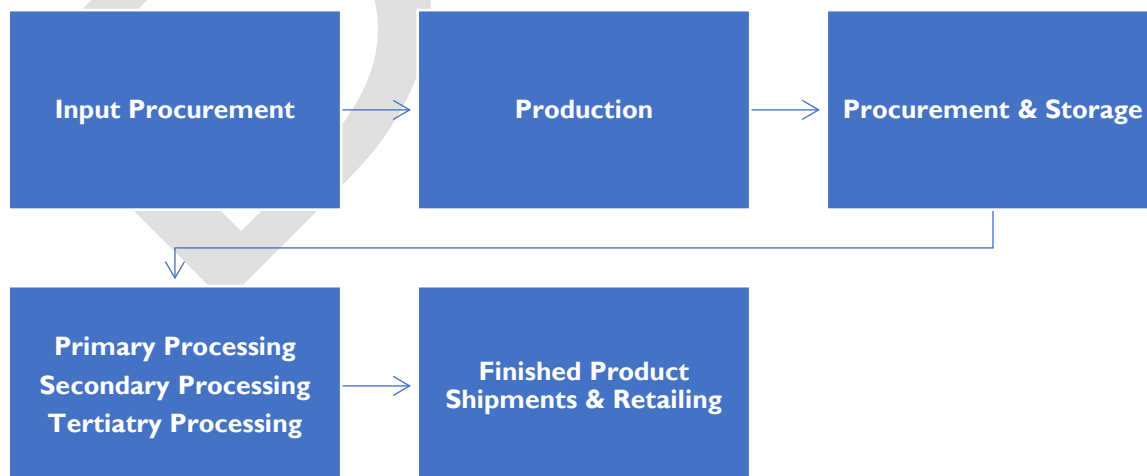
Food processing involves any value addition activities applied to produces right from harvesting stage to making it available as a usable food product to either to the end user or as an industrial raw material (intermediary product) to manufacturing industries. Transformation of raw food ingredients into food or various forms of food is referred as Food Processing. It helps in increasing the shelf life of the products. Processed foods can be classified into three types viz. Primary, Secondary and Tertiary.

Primary Processing: Primary processing refers to conversion of raw agricultural produce, milk, meat and fish into a commodity that is fit for human consumption and it includes basic cleaning, grading and packaging as in case of fruits and vegetables.

Secondary processing: This involves alteration of the basic product to a stage just before the final preparation as in case of milling of paddy to rice.

Tertiary processing: This include processing activity that leads to a high value-added ready-to eat food like bakery products, instant foods, health drinks, etc.

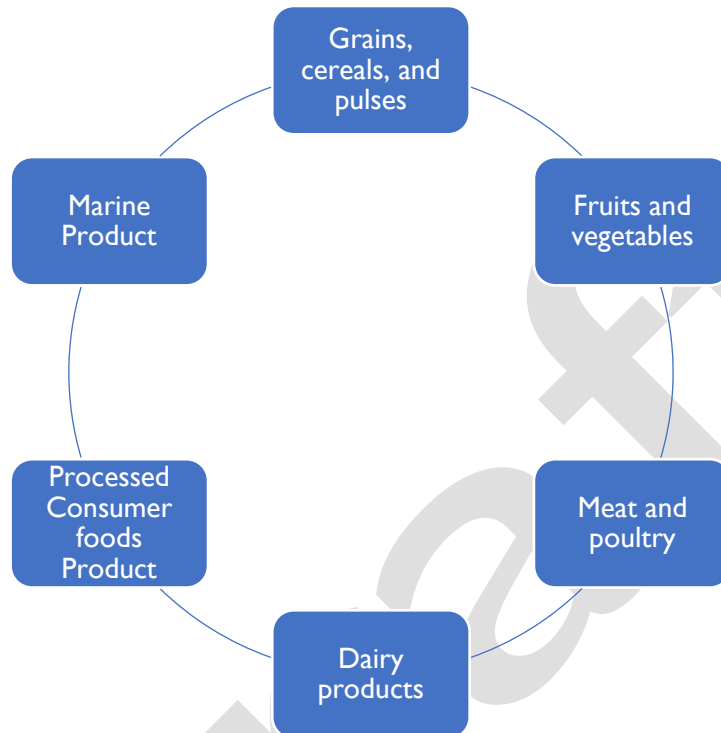
Value Chain of food processing industry involves following key processes as illustrated below:



The food processing industry has undergone a sea of change over a period. The food product we consume passes through several processes before reaching our plate. The raw products from agriculture, dairy, plant based/poultry meat, etc. undergo processing such as harvesting, cleaning, packaging, grading, preserving,

storage, and transportation. They are processed using cutting-edge technology that enhances shelf life of food products.

India's food processing sector covers fruit and vegetables; spices; meat and poultry; milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other processed consumer product groups like confectionery, chocolates and cocoa products soya-based products, mineral water, high protein foods, etc.



Grains, cereals, and pulses

India stands as the world's largest producer of rice, wheat, and various grains like corn, sorghum, and millets. The country boasts a significant grain processing sector, wherein a substantial portion of the produced grains is directed towards processing. This industry encompasses the transformation of cereals and pulses into diverse forms, including flakes, puffed cereals, and ready-to-eat snacks. Additionally, the milling of grains is integral to the sector, resulting in the production of flour, rice, and various other products.

Fruits and vegetables

India plays a crucial role as a substantial producer of diverse fruits and vegetables, ranking as a 2nd largest producer of fruit and vegetable globally. Given the perishable nature and limited shelf life of these items, the food processing industry assumes a vital role in their processing and preservation. Within this sector, activities range from the preparation of fruit and vegetable juices, jams, and pickles to the processing of both fresh and frozen fruits and vegetables.

Meat and poultry

India serves as a significant producer of beef, mutton, and poultry, witnessing a rapid expansion in its meat and poultry industries. The processing and preservation of these items, involving the manufacturing of frozen meat, meat products, and poultry products, are facilitated by the food processing sector.

Dairy products

India holds the title of the world's largest producer of milk, and the dairy sector plays a crucial role in the nation's food processing landscape. This industry encompasses the conversion of milk into a diverse array of dairy products, such as butter, cheese, yoghurt, and various others.

Marine Product

India is the second largest aquaculture producer in the world. The seafood industry comprises various kinds of marine products such as fish, squid, cuttlefish, octopus, crabs, clams and mussels which are widely exported from India. These marine products are processed using various technology and are marketed as "Ready to eat", 'Ready to fry', 'Ready to cook', 'thaw & eat', ' Heat & Serve' and 'retail raw branded products'. These processing units involved wide range of packaging technology and are packed in pouch packs / cans, vacuum packed trays / pouches, modified atmosphere packaging, Controlled atmosphere packaging, Sous vide, Boil-in pouches, Retort pouching and Other advanced packing system.

Processed foods.

The Indian processed food sector is prolific, generating an extensive array of food products, ranging from convenience foods to ready-to-eat meals and snacks. This industry benefits from a resilient supply chain, encompassing primary processors and food processing companies.

Different Techniques of the Food Processing Industry

Techniques	Details
Preservation	This food processing technique, encompassing methods like canning, freezing, drying, and fermenting, is employed to extend the shelf life of food products. These approaches effectively inhibit the growth of bacteria and other microorganisms that could potentially spoil the food.
Preparation	Methods involved in readying food products for consumption, such as cooking, baking, and grilling, fall under this category of food processing. These techniques play a role in enhancing the flavor, texture, and overall presentation of the food.
Packaging	Processes for preparing food products for consumption, such as cooking, baking, and grilling, are part of this food processing type. These approaches contribute to improving the taste, texture, and presentation of the food products.
Enrichment	Within this food processing method, nutrients such as vitamins and minerals are added to food products to enhance their nutritional content. It is commonly applied to foods that may lack certain nutrients naturally, such as bread and cereals.
Fortification	This form of food processing involves the addition of nutrients to meet specific dietary requirements, like fortifying flour with folic acid or breakfast cereals with

	iron. Fortification is often used to address public health concerns or fulfill the dietary needs of specific populations, such as children or pregnant women.
Extraction	This technique in food processing involves isolating a component or ingredient from a food product, such as extracting oil from seeds or protein from milk.
Concentration	This food processing method entails reducing the water content or other ingredients in a food product. Examples include concentrating fruit juice or producing tomato paste.
Processing aids	In this food processing category, chemicals or other substances are utilized to enhance the processing or preservation of food products. This can involve the use of acids or enzymes to improve fermentation or preservatives to extend shelf life.

Government Initiatives

The food processing sector plays an important role in increasing farm income and creating off-farm jobs, reducing post-harvest losses in agriculture and allied sector production through on- and off-farm investments in preservation and processing infrastructure. Accordingly, Ministry of Food Processing Industries has undertaken several initiatives to give impetus to development of food processing sector in the country. To push the processing level, the government has approved proposals for joint ventures and encouraged foreign collaboration in the sector and exempted all the processed food items from the purview of licensing under the industries (Development and Regulation) Act, 1951. Government of India has given a priority sector status to food processing sector and the government aims to increase the level of food processing to 25% by 2025 under the National Food Processing Policy.

Mega Food Park Scheme

The Government implemented Mega Food Park flagship policy in 2008-09 to provides the supportive infrastructure in the form of all the necessary supply chain required for the functioning of food processing units. The support infrastructure provided includes collection centres, primary processing centres, central processing centres, cold chain infrastructure together with industrial plots for setting up food processing unit. 41 projects were approved under the Mega Food Park Scheme of which 24 Mega food parks are operational in the country as of December 2023. With effect from 1st April 2021, the Government has discontinued the Mega Food Park scheme. However, provisions that are earmarked for ongoing projects would continue to be disbursed.

Integrated Cold Chain Scheme: The Cold Chain, Value Addition and Preservation Infrastructure Scheme aims to provide integrated cold chain and preservation infrastructure facilities without any break from the farm gate to the consumer. The scheme aims to seamlessly connect pre-cooling facilities at production sites, reefer vans, mobile cooling units as well as value addition centers/infrastructural facilities like Processing / Collection Centers, etc.

Creation/Expansion of Food Processing and Preservation Capacities (CEFPPC) Scheme: The main objective of the Scheme is creation of processing and preservation capacities and modernization/ expansion of existing food processing units with a view to increase the level of processing, value addition leading to reduction of wastage.

Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)

In May 2017, the government launched a PMKSY scheme with an approved allocation of INR 60 Bn for the period 2016-20 (extended to 2020-21) for 14th Finance Commission cycle and has been continuing after restructuring during 15th Finance Commission Cycle with approved allocation of INR 46 Bn. PMKSY is an all-inclusive scheme formed by merger of various schemes such as Mega Food Parks; Integrated Cold Chain and Value Addition Infrastructure; Modernization / Setting up of Abattoirs; Food Safety and Quality Assurance Infrastructure; Human Resources & Institutions and new schemes for Infrastructure for Agro-processing Clusters; Creation of Backward and Forward Linkages and Creation / Expansion of Food Processing & Preservation Capacities.

The scheme serves as a comprehensive package of component schemes, focusing on establishing modern infrastructure with efficient supply chain management from the farm gate to retail outlets. This initiative significantly propels the growth of the food processing sector, contributes to better prices for farmers, generates substantial employment opportunities, particularly in rural areas, reduces agricultural produce wastage, elevates the processing level, and amplifies the export of processed foods.

Financial support, in the form of grants-in-aid, is provided for setting up food processing projects across the country under the various component schemes:

- Mega Food Parks scheme (MFP) (discontinued w.e.f. 01.04.2021)
- Integrated Cold Chain and Value Addition infrastructure (Cold Chain)
- Creation of Infrastructure for Agro Processing Cluster (APC)
- Creation/ Expansion of Food Processing and Preservation Capacities (CEFPPC)
- Creation of Backward and Forward Linkages (CBFL) (discontinued w.e.f. 01.04.2021)
- Operation Greens (OG): Long Term Interventions
- Food Safety and Quality Assurance Infrastructure – Setting up / Up gradation of quality control/ food testing laboratories (FTL)
- Human Resource & Institutions (HRI)

Until December 2023, a total of 1401 projects has been approved under various component scheme of PMKSY (since their respective launch date). Of these 832 projects have been completed resulting in processing & preservation capacity of 21.84 million metric tonnes (MMT). The approved projects, on their completion, are expected to leverage investment of INR 212.17 Bn benefiting about 57 lakh farmers and generating over 8.28 lakh direct/indirect employment. The scheme has also contributed to improving the

farm gate prices and reducing the food wastage. As per NABCON²²'s evaluation study report on cold chain projects, reveals that completion of 70% of the approved projects has resulted into waste reduction up to 70% in case of fisheries and 85% in case of dairy products.

The details of physical targets proposed by the Ministry for the 15th Finance Commission Cycle period (2021 - 26) and achievements made as on date under various component schemes of PMKSY are as under:

Component scheme of PMKSY	Project in numbers	
	Proposed	Achievement
Mega Food Parks scheme	Discontinued w.e.f. 01.04.2021	
Cold Chain scheme	30	42
APC scheme	30	29
CEFPPC scheme	162	242
CBFL scheme	Discontinued w.e.f. 01.04.2021	
OG scheme	80	47
FTL scheme	25	22
HRI – R&D scheme	100	-

Source: PIB

Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)

In order to support creation of global food manufacturing and boost Indian brands of food products in the international markets, the government launched production-linked incentive (PLI) schemes. With a total budget of INR 10,900 crore, the government has already invested INR 4,900 crore in the sector through the PLI plan. The scheme will be implemented for six years, from 2021-22 to 2026-27. To qualify for the incentive, the selected applicant will be required to undertake investment²³ in Plant & Machinery in the first two years i.e., in 2021-22 & 2022-23. Also, the entire manufacturing process, including the initial processing of food items, must take place within India, which is expected to provide a much-needed boost to the local industry.

PLI Scheme for the Food Processing Industry comprises of three components listed as below:

Category I- Incentivising manufacturing of four major food product segments viz. namely Ready-to-cook and ready-to-eat products foods including Millets based products, Processed fruits and vegetables: Marine products and Mozzarella cheese.

Category II- Endorse Innovative and Organic products of SMEs.

Category III- Support for branding and marketing initiatives to promote Indian brands in global market.

Additionally, with 2023 being declared as the International Year of Millets, the Ministry of Food Processing Industries (MoFPI) is committed to promoting post-harvest value addition, increasing domestic consumption,

²² A wholly owned subsidiary of NABARD. NABARD Consultancy Services

²³ as quoted in their Application (Subject to the prescribed minimum)

and branding millet products both nationally and internationally through various PLI schemes. In 2022-23, MoFPI announced an outlay of INR 1000 crores to expand the PLI Scheme and added a new component specifically for millet-based products. A total of 30 projects for millet-based products with incentive worth INR 8 bn spread across 8 large entities and 22 MSMEs, have been approved under PLISFPI.

A total of 176 proposals under different categories of Product Linked Incentive scheme for Food Processing sector (PLISFPI) have been approved till December 2023. An incentive of INR 5.84 Bn has been released till December 2023 under the scheme which has resulted in processed food sales turnover of about INR 2.01 trillion, investment of INR 70.99 Bn and employment generation of 0.24Mn people.

Make In India Scheme: A portion of the Make in India campaign, the food processing sector was recognized as one of the concentrated areas. Therefore, the policy, ecosystem has been refurbished to draw financial, technological, and human resources into the zone. Allowing 100% FDI via automatic route into this sector is also an important footstep in this direction.

Technology Upgradation Scheme: Under this Scheme, Ministry extends financial assistance for setting up of food processing units including fruits and vegetables units, in the form of grants-in-aid to the implementing agencies/ entrepreneurs at 25% of the cost of plant & machinery and technical civil works subject to maximum of INR 5 Mn in general areas and 33.33% up to a maximum of INR 7.5 Mn in difficult areas.

FDI in Food Processing Sector: 100% FDI is permitted under the automatic route in the food processing sector and 100% FDI under Government approval route is allowed for retail trading, including through e-commerce, in respect of food products manufactured and/or produced in India. Allowing 100% FDI through automatic route helps to attract more FDI as under the automatic route, the investment does not require the prior approval. Automatic Government approval is also provided for projects which involve technology transfer to the local partner. The foreign direct investment in food processing sector in 2022-23 is estimated to be 895.34 USD Mn and USD 6.185 Bn between April 2014-March 2023.

Agro Processing Cluster scheme : The Agro Processing Cluster scheme was approved in May 2017 as part of the (Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) to encourage the establishment of APCs which are equipped with modern infrastructure and common facilities to encourage entrepreneurs to set up food processing units based on cluster approach. It aims to link stakeholder across value chain like producers/ farmers to the processors and markets through well-equipped supply. The scheme has two basic components i.e., Basic Enabling Infrastructure (roads, water supply, power supply, drainage, ETP etc.) and Core Infrastructure/ Common facilities (warehouses, cold storages, IQF, tetra pack, sorting, grading etc). For setting up of Agro Processing Cluster, at least 10 acres of land is required to be arranged either by purchase or on lease for at least 50 years and at least 5 food processing units with a minimum investment of INR 25 crore is needed.

State-wise Break-up of Projects Approved so far under Agro Processing Clusters (APC) Scheme

State/UT	No. of Approved Agro Processing Cluster Projects *	Project Cost (Rs. in Crores)	Grant Approved (Rs. in Crores)
Maharashtra	12	372.9	107.0
Tamil Nadu	11	291.0	71.7
Assam	6	127.6	52.5
Gujarat	5	129.5	37.4
Karnataka	4	100.3	29.3
Madhya Pradesh	4	143.5	39.4
Rajasthan	4	119.6	31.7
Uttar Pradesh	4	114.7	33.9
Punjab	3	70.5	20.5
Chhattisgarh	2	63.8	12.0
Haryana	2	43.2	13.0
Kerala	2	71.7	19.0
Telangana	2	62.0	15.4
Andhra Pradesh	1	28.7	5.9
Bihar	1	30.4	7.9
Himachal Pradesh	1	24.5	10.0
Jammu and Kashmir	1	24.4	10.0
Uttarakhand	1	23.3	10.0
Arunachal Pradesh	1	23.4	5.3
Meghalaya	1	21.7	8.8
Total	68	1886.9	540.6

Source: Answers Data of Rajya Sabha Questions for Session 257 (Reply to Unstarred Question on 5 August, 2022) | *The states are indexed on the basis of number of APC projects approved per state

These cluster set up by Project Execution Agency (PEA)/ Organisation such as Govt./ PSUs/ Joint Ventures/ NGOs/ Cooperatives/ SHGs/ FPOs/ Private Sector/ individuals etc. and are eligible for financial assistance subject to terms and conditions of the scheme guidelines.

- The Scheme envisages grants-in-aid @ 35% of eligible project cost in general areas and @50% of eligible project cost in the Northeast States including Sikkim and difficult areas namely Himalayan States (i.e., Himachal Pradesh, Jammu & Kashmir and Uttarakhand), State notified ITDP areas, Islands and SC/ST entrepreneurs subject to max. of INR 10.00 crore per project.

Other Incentives & Initiative to promote Food Processing Industries

- Income tax Incentives:

- Eligibility for 100 % profit exemption for the initial five years, followed by 25 % deduction for the subsequent 5 years.
- Full deduction equivalent to 100 % allowed for capital expenditure related to cold chain or warehouse investment.
- Credit Facilities
 - Loans to food & agro-based processing units and Cold Chain have been classified under Agriculture activities for Priority Sector Lending (PSL).
 - Cold chain and post-harvest storage have been recognized as an infrastructure sub-sector and Capex toward the creation of modern storage capacity is eligible for Viability Gap Funding scheme of the Finance Ministry.
 - A special food processing Fund of USD 263 Mn was created by NABARD for providing affordable credit to Mega Food Parks and units to be set up under MFPS & designated food parks.
- INR 32.88 Bn (B.E.) was allocated to Ministry for development of Food Processing Sector in year 2023-24 which is 73% higher against the revised estimate of INR 19.02 Bn in 2022-23.
- In November in 2023, the MOFPI organized the Second edition of World Food India which saw extensive participation more than 1200 national and international exhibitors, representatives from 90 countries, 91 Global CXOs and 15 overseas ministerial. As a part of event, the country hosted several knowledge sessions on best practices, discussing financial empowerment, quality assurance, innovations in machinery and technology, e-commerce, and logistics in the food processing sector. Also, MoUs worth INR 331.29 Bn were signed with various companies during the event.

Goods and Services Tax (GST) Rate

- Lower GST for raw and processed products. More than 71.7% of food products are in lower tax slab rate 0% & 5%.
- Exempted GST on Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables which do not change or alter the essential characteristics of fruits & vegetables.
- 18% GST on refrigeration machineries and parts used in the installation of cold storage, refrigerated vehicle for the preservation, transportation, storage and processing of various agro based product.

- Machinery used in dairy sector attract 12% GST while 18% GST is applicable on machinery use for the preparation of meat, poultry, fruits, nuts or vegetables and on presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.

Export Restriction in Sugar

Indian Government imposed restrictions on Sugar exports beginning June 1, 2022. Initially the restriction on exports was imposed till 31 October 2022 when the Government placed a quote on the exports. However, later on the Government imposed a ban on exports till October 2023 leading a half in sugar shipment after a time period of nearly seven years. Although the restrictions and bans were supposed to be in place only till end of October 2023, the Government during mid-October 2023 notified the continuation of export ban till further notice. This restriction is imposed on various categories of sugar, including raw sugar, white sugar, refined sugar and organic sugar.

India, which became the largest global producer of sugar, and second largest exporter (after Brazil) during sugar season 2021-22 (October 2021 - September 2022) has resorted to this restriction due to the anticipated drop in production.

A deficit monsoon season (due to the offset of El Nino weather condition) have impacted sugar production, which prompted the Government to restrict sugar export. The export curb is to arrest any hike in domestic prices. Domestic demand for sugar has been increasing steadily - both from traditional consumer segments as well as increasing demand from ethanol industry. Given the aggressive focus on ethanol blending, the demand for fuel grade ethanol has been increasing steadily. This was not a challenge as long as sugar production was growing. However, the adverse weather condition which impact the production is expected to complicate the demand - supply dynamics, resulting in a hike in domestic prices.

Given the essential nature of the commodity, a price hike would seriously impact the inflationary scenario. Given 2024 being an election year, such an inflationary scenario could impact the outcome of elections.

Although the restrictions in exports could prevent domestic price hike, the drop in exports from the world's second largest sugar exported would have a significant impact on global sugar market. Benchmark sugar prices in markets like New York and London are expected to witness an upward movement, and this would in turn trigger food inflation in global markets.

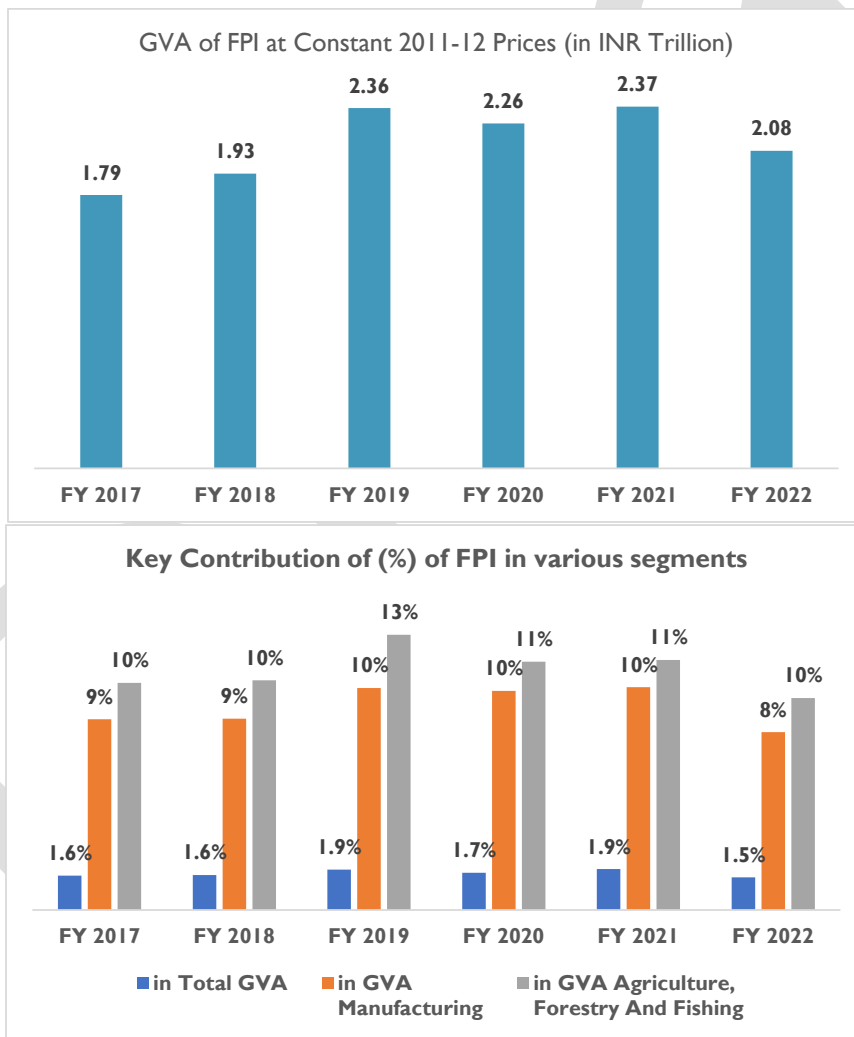
Current Market Scenario

With 60% of total land area being identified as agricultural land by World Bank, India has the seventh largest agricultural land in the world.²⁴ India has over 154.45 Mn hectare of arable land (51.9% of land Area). The

²⁴ World Bank Data for the year 2021.

country is the one of the largest producers of food-grains, fruits and vegetables, and the largest producer of milk in the world. The country also has one of the largest livestock populations in the world. India's vast coastline has also benefitted in availability of fish and other sea creatures. All these resources have resulted in the development of the Indian food processing sector.

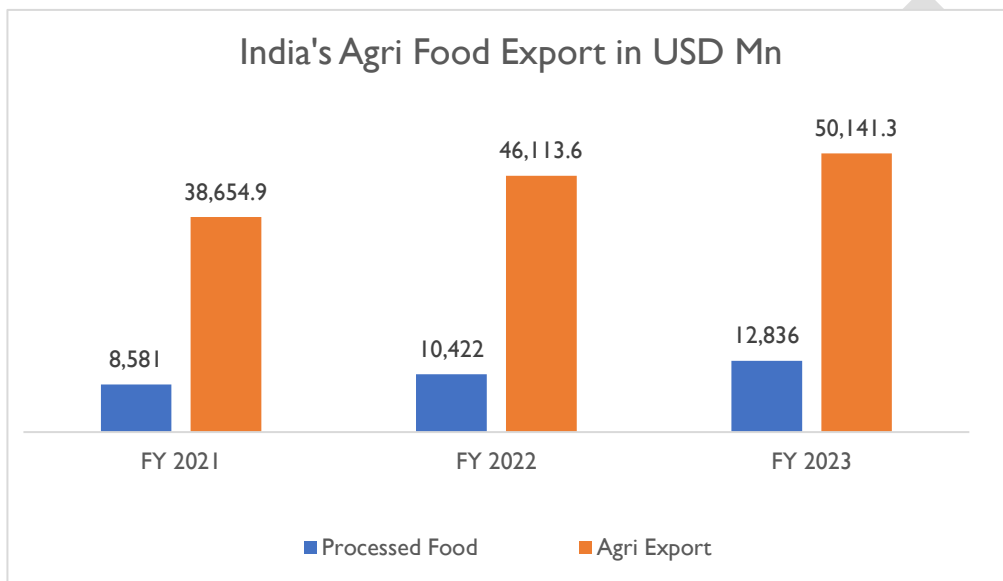
The food processing sector is one of the largest sectors in India in terms of production, growth, consumption, and export. Helped by the higher level of agriculture production and government support, the sector has witnessed growth. Output of the food processing industry is estimated to have grown at a CAGR of 7% between FY 2017-21 to reach INR 2.37 trillion before dropping to INR 2.08 trillion in FY 2022 which reduced the CAGR to 3% for the period FY 2017-22. The sector's average contribution to GVA stood at 1.7%, ~9% to GVA of manufacturing and ~11% to GVA of Agriculture, forestry, and fishing.



Source: MOFP, Dun and Bradstreet Research

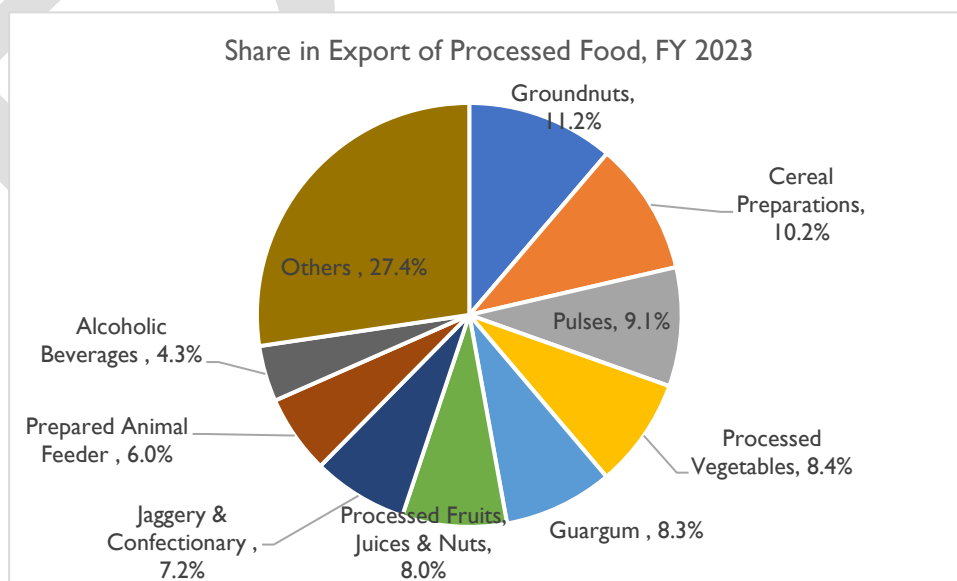
Exports

The Indian food processing industry is primarily export oriented. The country ranked 7th in the world in agricultural and processed food exports in FY 2023. Over the period FY 2021-23, India's agri food exports have CAGR of ~14% while processed food export have increased at 22.3% CAGR. In FY 2023, agri food export observed 9% y-o-y growth against 19% y-o-y growth in the previous fiscal while processed food export continue to growth at healthy rate of over 20% in both the year. Consequently, India's processed food export share in total agri-product exports have increased steadily from 22% in FY 2022 to 25.6% in FY 2023 while in FY 2018 it stood at 15%.



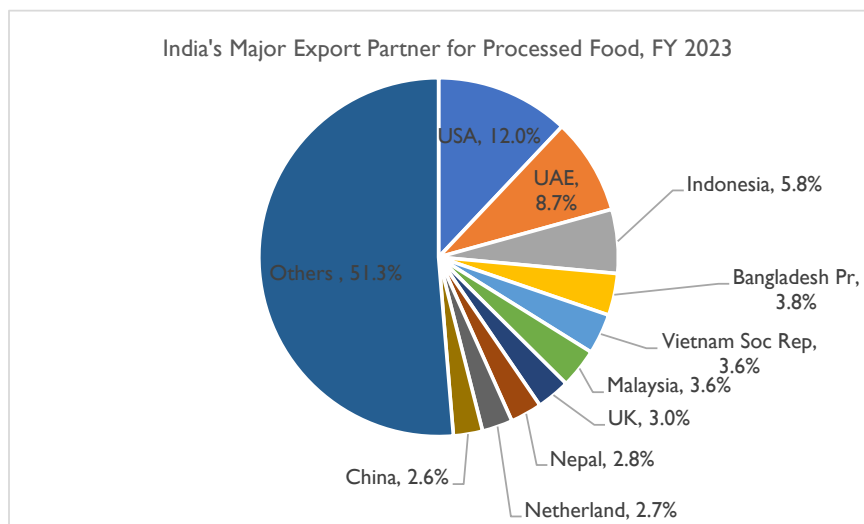
Source: MOFPI, Department of Commerce Trade Statistics

Groundnut, Cereals preparation, Pulses, Processed Vegetable and Guargum altogether account for nearly 47% of FPI exports.



Source: Breakup of USD 7,409 Mn of processed food sourced from APEDA,

India's export market for processed food is fairly diversified as country export its product in over 200 countries. USA continued to remain India's largest export partner for processed food in FY 2023 with 12.0% followed by UAE (8.7%), Indonesia (5.8%), Bangladesh (3.8%) and Vietnam (3.6%) which together accounted for nearly 34% share while top 10 countries contributed 48.7% in the total export earnings from processed foods.



Source: Breakup of USD 7,409 Mn of processed food sourced from APEDA,

Key Success Factors for Expansion of Food Processing Industry in India

Availability of raw material or primary product: India's diverse climate ensures availability of varieties of crops, fruits, vegetables, and livestock. Production across major product categories is indicated in below table:

Product	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
Food Grain	285.2	297.5	310.7	315.6	329.7	4%
Milk	187.8	198.4	210.0	221.1	230.6	5%
Fruits	98.0	102.1	102.5	107.2	108.3	3%
Vegetables	183.2	188.3	200.4	204.8	212.9	4%
Fish	13.6	14.2	14.73	16.2	17.4	6%
Poultry: Eggs	103.8	114.4	122.1	129.6	138.4	7%

Source: MOFPI, PIB

Note: Production of all products except eggs are in Mn tonnes. For eggs production is given in Mn units

India leads the global production in following products:

- Largest producer of milk and milk products accounting for about 24% of global milk production.
- India is also the second largest producer of fruits and vegetables in the world after China. The country ranks first in the production of number of crops like Banana, Lime & Lemon, Papaya, Okra.
- Second largest producer of food grain (e.g., Rice, wheat, sugar and cotton etc.)
- Lucrative crops like coconuts, cashew nuts, ginger, turmeric, and black pepper are grown in abundance in the nation.

- Largest livestock population in the world. There are about 303.76 million bovines (cattle, buffalo, mithun and yak), 74.26 million sheep, 148.88 million goats, 9.06 million pigs and about 851.81 million poultry as per 20th Livestock Census in the country.
- India is 3rd largest fish producing country with around 8% share in global fish production.

Product	Share in World Production	Global Rank	Next to
<u>Cereals</u>			
Wheat	13.54%	2	China
Rice	23.7%	2	China
<u>Oil Seeds</u>			
Groundnut (in shell)	13.58%	2	China
Rapeseed	12.88%	3	Canada, China
<u>Fruit & Vegetables</u>			
Fruit excluding melon	11.79%	2	China
Vegetables Primary & Melons	12.16%	2	China
Oranges	10%	3	China
Potatoes	14.15	2	China
Onions	22.93%	2	China
<u>Commercial Crops</u>			
Sugarcane	20.73%	2	Brazil
Tea	20.56%	2	China
<u>Animal Products</u>			
Milk	21.4%	1	
Egg	21.4%	3	China, USA

Source: MOFPI AR 2023, Position is mentioned as of 2019

Domestic availability of various food products as a raw material offers vast business opportunities in food-based industries like canning, processed dairy products, frozen food / refrigeration, and thermo-processing.

Low Processing Level: Currently, the level of food processing is low in India at around 10%. The processing penetration level in various segments in India is mentioned below:

Segment	% of Processing Level in 2015-16	% of Processing Level 2018-19
Milk	20.1%	21.1%
Fruits	2.9%	4.5%
Vegetables	2.22%	2.7%
Meat	22.7%	34.2%
Fisheries	8.3%	15.4%
Coarse Cereals	28.6%	29.4%

Source: MOFPI, ** Deloitte Study 2020-21

Importance of Food Processing Sector

The Food Processing Industry (FPI) plays a pivotal role by establishing crucial connections and synergies between two fundamental pillars of the economy: agriculture and industry.

- Employment Generation:** Acting as a bridge between agriculture and manufacturing, FPI serves as a significant source of both direct and indirect employment opportunities. This contributes to overall economic growth and stability. The sector also generates the highest level of employment and account for about 12.22% share in in the total employment in the registered/organized sector. The sector employs ~2 million people in registered units and about 5.1 million people in unregistered units across the country. Considering the employment potential and its benefits to the agriculture sector, the government has launched various schemes/programs to help spur the growth in the sector.
- Doubling Farmers' Income:** The increasing demand for agricultural products translates into higher prices for farmers, thereby elevating their income levels. This aligns with the national goal of doubling farmers' income.
- Malnutrition Reduction:** Processed foods, when fortified with essential vitamins and minerals, have the potential to address nutritional deficiencies in the population, playing a crucial role in reducing malnutrition.
- Reducing Food Wastage:** FPI can be instrumental in mitigating the pervasive issue of food wastage. With a focus on efficient sorting and grading near the farm gate and redirecting surplus produce to the food processing industry, substantial reductions in wastage can be achieved, leading to better returns for farmers. A nation-wide study on post-harvest losses for 54 agricultural produces in 292 districts of 15 Agro Climatic Zones (ACZs) was carried out by NABARD Consultancy Services Pvt. Ltd (NABCONS) from which loss of major Agricultural produce is listed below:

Category-wise wastage in the country*	
Category	Cumulative wastage as a percentage of total produce
Cereals	3.89-5.92
Pulses	5.65-6.74
Oil Seeds	2.87-7.51
Fruits	6.02-15.05
Vegetables	4.87-11.61
Plantation Crops & Spices	1.29-7.33
Milk	0.87
Fisheries (Inland)	4.86
Fisheries (Marine)	8.76
Meat	2.34
Poultry	5.63
Egg	6.03

Source: MOFPI AR 2023,

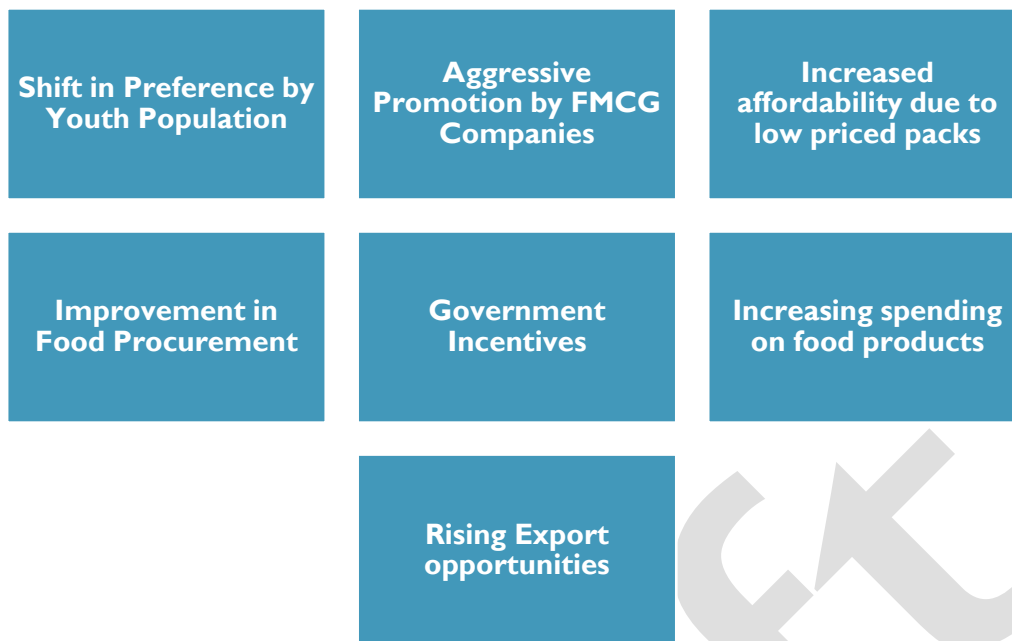
*Data is indicative in nature as it pertains to determine Post Harvest Losses of Agri Produce in India 2022.

Thus, high production of perishable commodities requires an efficient supply chain infrastructure in the country. Developing the food processing sector to enable containment of food inflation and food wastage is one of the key objectives of government.

- **Boosting Trade and Foreign Exchange Earnings:** The FPI serves as a significant contributor to foreign exchange earnings. For instance, commodities like Indian Basmati rice enjoy high demand in Middle Eastern countries, enhancing India's trade position and foreign exchange reserves.
- **Curbing Migration:** The labor-intensive nature of the Food Processing Industry presents an opportunity to generate localized employment, acting as a deterrent to migration from source regions.
- **Curbing Food Inflation:** Processing contributes to increased shelf life, ensuring a consistent supply that aligns with demand, ultimately helping to control food inflation. For instance, products like Frozen Safal peas remain available throughout the year.
- **Crop Diversification:** The diverse requirements of food processing encourage farmers to grow a variety of crops, promoting crop diversification and reducing dependency on a single type of produce.
- **Preserving Nutritive Quality and Prolonging Shelf Life:** Food processing methods act as a safeguard against spoilage caused by microbes and other agents, preserving the nutritive quality of food and extending its shelf life.
- **Enhancing Quality and Taste:** Food processing not only prevents spoilage but also enhances the overall quality and taste of food, offering a broader spectrum of choices in the food basket.
- **Enhancing Consumer Choices:** In the contemporary landscape, food processing facilitates the transportation of food from different parts of the world to local markets and vice versa. This globalization of food options expands consumer choices and enriches the diversity of available products.

Key Demand Drivers

The food processing sector is a sunrise sector and has been witnessing a robust growth on back of following key factors.



Shift in Preference by Youth Population

The changing landscape of consumption habits in India is markedly influenced by a shift in the population mix, particularly among the youth demographic. With approximately 35% of the population falling within the 15 to 35 age brackets, this segment exhibits a distinct preference for value-added processed foods over their unprocessed counterparts. This shift reflects evolving dietary choices and contributes significantly to the rising demand for processed food products in the country.

Aggressive Promotion by FMCG Companies

The processed food industry is experiencing robust growth due to the concerted efforts of FMCG companies. These companies have embraced extensive advertising endeavours and promotional activities, including product sampling and price promotions. Such aggressive marketing strategies are meticulously crafted to captivate the consumer, resulting in a consistent and steady expansion of the processed food market.

Increased affordability due to low priced packs

The increased affordability of processed foods has become a cornerstone of industry growth. Major players in the food processing sector have astutely introduced low-priced, small-sized packs to specifically cater to the needs of low-income consumers. This strategic initiative has proven particularly impactful in smaller cities where affordability constraints are more pronounced. By making processed foods more accessible through cost-effective options, the industry has successfully broadened its consumer base and fostered substantial growth, particularly in regions where economic constraints might otherwise impede market penetration.

Increase in Distribution Network

The expanding reach of the distribution network is a pivotal factor driving the increased demand for the food processing industry in India. The current generation of consumers benefits from an enhanced distribution reach, affording them better access to a diverse range of processed foods compared to previous generations.

This improved accessibility has played a crucial role in amplifying the consumption and demand for processed food products across the country.

Improvement in Food Procurement

Advancements in food procurement practices contribute significantly to the growth of the food processing sector. The adoption and spread of practices like contract farming, coupled with special initiatives ensuring fair prices for farmers by eliminating intermediaries in the procurement process, have led to a reduction in the wastage of food products available for processing. This streamlined procurement process has effectively increased the availability of raw materials for the food processing industry, contributing to a more sustainable and efficient supply chain.

Government Incentives

Government incentives play a key role in fostering the growth of food processing units. Various tax incentives and policy initiatives implemented by the government to boost its share in global food trade have provided entrepreneurs with the necessary encouragement to establish and expand food processing units. These supportive measures have not only facilitated the establishment of new ventures but have also contributed to the overall development and competitiveness of the food processing industry in India.

Increasing Shift on healthy processed food products

The increasing shift towards healthy processed food products is a significant trend driven by the changing lifestyle and working habits of the younger population in India. This demographic change has resulted in a rise in lifestyle diseases, including diabetes, blood pressure, cardiac problems, and muscular pains. Consequently, heightened health concerns, coupled with growing disposable income levels and increased awareness, have prompted consumers to prioritize spending on healthy and nutritional food. This shift is notably reflected in the rising demand for health-conscious breakfast items such as low-calorie oats-based products, muesli, fruits, dry-fruits, cornflakes, and various organic food products.

Rising Export Opportunities

The food processing industry in India is capitalizing on rising export opportunities. The demand for processed food is particularly high in developed economies, where the pace of life is faster compared to emerging markets. India's increased integration with the global economy and its proximity to key export markets have positioned it as a strong link between trading countries. This geographical advantage, combined with the growing global interest in diverse and authentic food products, presents significant export opportunities for the Indian processed food industry. The alignment of consumer preferences for healthy options and the strategic positioning in global markets further augments the growth prospects for the industry.

Status of Food Processing Industry in India

India is the second largest producer of food-grains, leading producer of fruits and vegetables and the largest producer of milk in the world. The country also has one of the largest livestock populations in the world. India's vast coastline has also benefitted in availability of fish and other sea creatures. All these resources have resulted in the development of the Indian food processing sector.

However, as per various industry estimates, significant amount of agriculture produce produced domestically go waste due to lack of well-developed cold storage chain and other infrastructure facility which further contribute towards the rising prices of these food products.

The high production of perishable commodities necessitates the development of food processing infrastructure in the country. Thus, the government has initiated several initiatives like setting up of agro based and food processing infrastructure like Special Economic Zone, Agri Exports Zone and Mega food parks which aim to develop the food processing sector and helps in reducing food wastage and containment of food inflation.

Consequently, India's domestic processing capacity has grown over 15 times (since 2014) to reach 21.84 million metric tonnes currently. There are reportedly 24 operational mega food parks, 371 cold chain projects, and 68 agro-processing clusters present in India currently.

As per India's Investment Facilitation Agency, Invest India, 474 proposals under the Creation/Expansion of Food Processing & Preservation Capacities, 61 backward and forward linkage projects, 46 Operation Green projects, and 186 food testing Laboratory projects have been approved by the ministry until 30 Sep 2023 under PMKSY.

The food processing industry in India is primarily concentrated in the northern and western regions of the country. The states of Maharashtra, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, and Gujarat are the key contributors to the sector.

As of April 10, 2023, there are around 3,319 startups acknowledged by DPIIT in the Food Processing Sector. These recognized startups are distributed across 425 districts in the country, providing employment to approximately 33,000 individuals. Among these startups, roughly 32% received recognition in the year 2022. Maharashtra leads with the highest number of recognized startups, standing at around 620. Notably, about 58% of the startups in this sector originate from Tier 2 and Tier 3 cities.

Advancements in Technologies in the Food Processing Sector

Minimal Processing	This method, as named, employs approaches that have minimal impact on the quality of the product. The objective is to provide consumers with processed foods that retain a healthy "fresh-like" quality.
Innovative Thermal Processing	Emerging thermal processing techniques like ohmic heating and the utilization of electromagnetic waves (microwave, radiofrequency, and infrared) represent novel approaches in food processing, contributing to product innovation.
Nanotechnology-Based Applications	Leveraging nanotechnology, these applications harness the advantages of enhanced surface area to volume ratios, showcasing a cutting-edge dimension in food processing.
Information Technology (ICT) Applications	The integration of computers and information technology into food processing involves interdisciplinary fields such as artificial intelligence, machine learning, robotics, digitalization of conventional processes, and remote process controls, ushering in a new era of efficiency and precision.
Nutraceuticals and Functional Foods	This category encompasses the selection, delivery, and health benefits of nutraceuticals and functional foods. The focus extends to areas like anti-ageing, immune boosting, and gut health, reflecting an evolving paradigm in meeting consumer health and wellness demands.
Sustainable Food Processing	Encompassing all levels of the food supply chain, this approach integrates principles of 'zero discards,' 'resource recovery,' 'low carbon footprint,' and 'waste utilization.' These concepts can be applied to entire foods or individual ingredients, emphasizing a three-fold focus on consumer engagement, universal accessibility, and sustainability.
Nonthermal Processing	Innovations such as high-pressure processing, pulsed light treatment, pulsed electric field processing, ultrasound treatment, cold plasma treatment, ozone treatment, and irradiation represent nonthermal processing methods, contributing to enhanced food safety and quality.
Food 3D Printing	This cutting-edge technique allows for extensive customization and personalization in food production, revolutionizing the way food is created and consumed.
Biodegradable Packaging and Intelligent Food Packaging	The shift towards biodegradable packaging and the rise of smart and intelligent food packaging emphasize product quality, traceability, and consumer information, aligning with evolving preferences for sustainable and transparent choices.
Alternative Proteins	This category focuses on replacing traditional protein sources with alternatives like plant-based ingredients, mushrooms, insects, seaweeds, aiming to minimize environmental impacts and cater to diverse dietary preferences.
Rapid Sensing Techniques	The development of rapid and robust sensing techniques for food analysis and quality evaluation addresses the need for real-time monitoring, ensuring food safety and meeting quality standards in an efficient manner.

Growth Forecast of Overall Food Processing Industry

In the long term, the country's vast population base, growing preference for value added products, increasing awareness, increasing income as well as affordability of processed food augur well for the sector. Growth will be also fueled by change in the dietary habit and the demand for healthy and nutritional products. India's annual household consumption is believed to quadruple by 2030, making it the fifth-largest consumer in the world which is expected to boost the demand for processed food and present a favourable business opportunity for FPI to expand its footprint further.

As growth of the industry helps in mitigating some of the critical issues such as food security and food inflation, the government has set a vision of doubling its contribution to the GDP by 2030. The Government is encouraging investment in the sector as higher level of processing helps in the reduction of wastage, improve value addition, promote crop diversification, ensure better return to the farmers, promote employment as well as increases export earnings. Beside above, the industry continues to innovate in terms of adopting modern technologies, developing new products, and improving infrastructure and supply chain efficiency. The focus will be on high value processing of horticulture, meat, poultry, dairy, and other gourmet food sector. Considering the above discussed factors, the size of the Indian Food Processing industry is expected to grow to USD 535 Bn by FY 2026.

A. Groundnut / Peanut

Overview

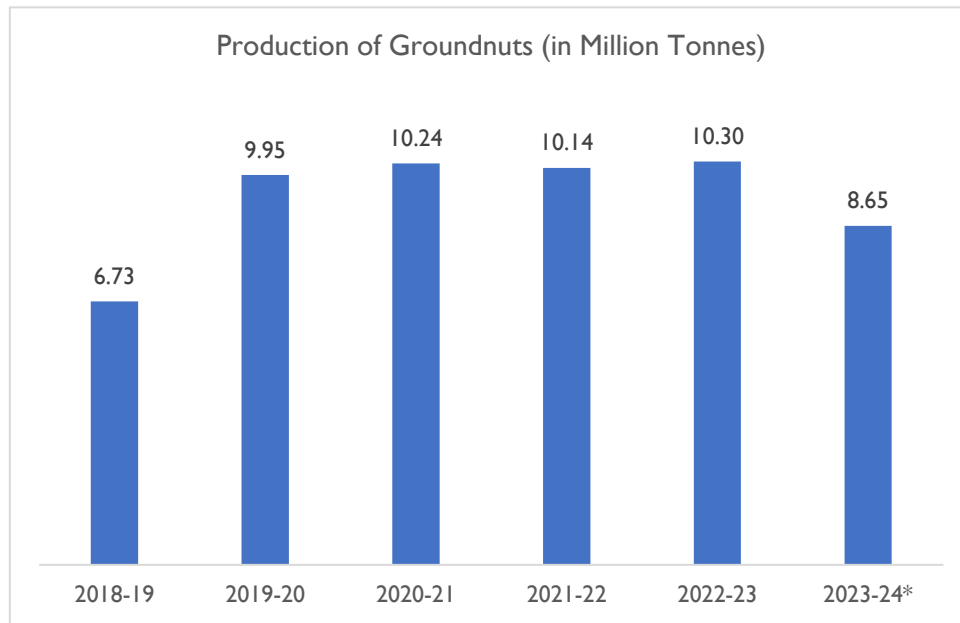
India is the second largest producer of groundnut after China, with a production of 10.14 million tonnes in 2022, accounting for 19% of the total world production. Groundnut, also known as peanut, holds a significant position in India's agricultural landscape and economy. Renowned for its versatility and nutritional value, groundnut cultivation is widespread across various regions of the country. India is one of the largest producers and consumers of groundnuts globally, with its cultivation deeply intertwined with the livelihoods of millions of farmers.

The crop's importance extends beyond its role as a staple food item; groundnuts play a crucial role in various industries, including oil extraction, animal feed, and snack manufacturing. Moreover, groundnut cultivation contributes to soil fertility and crop rotation practices, making it an integral component of sustainable agricultural systems in India.

Production Scenario

The production of groundnut in India increased at a CAGR of 11.23% between 2019 – 2023, growing from 6.73 million tonnes in 2018-19 to 10.30 million tonnes in 2022-23. Further, according to second advance estimates for 2023-24, the production is estimated at 8.65 million tonnes. However, this number only includes

estimated production in Kharif and Rabi seasons and does not include the summer production. Additionally, a decline in groundnut sowing may have also contributed to this fall in production.



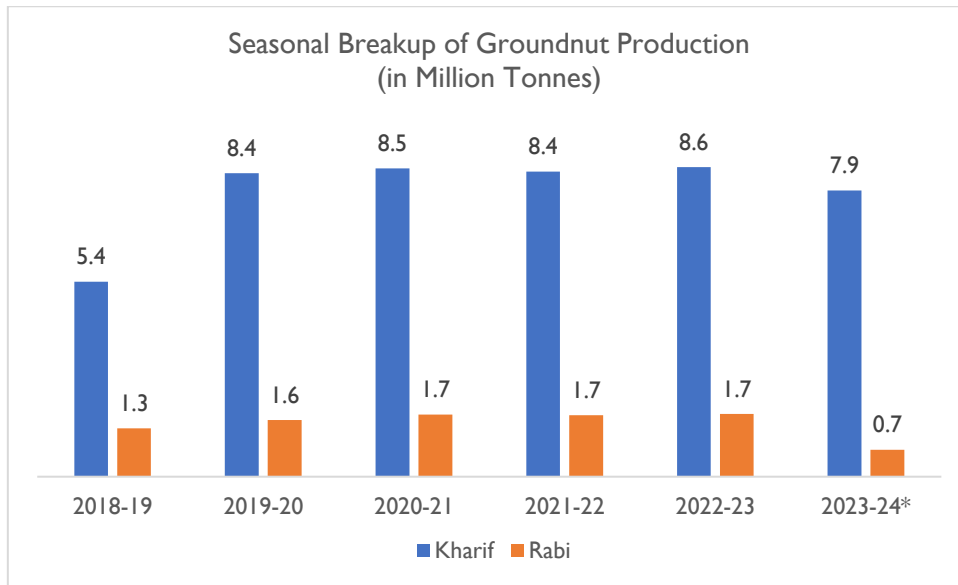
Source: Ministry of Agriculture & Farmers Welfare

*Data for the year 2023-24 is of 2nd Advance Estimates. Crop production estimates covers only Kharif and Rabi season. Summer season is not included in Second AE 2023-24.

Seasonal Breakup

In India, groundnut cultivation follows distinct seasonal patterns, primarily occurring during the Kharif (June-July to September-October) and Rabi (October-November to January-February) seasons, although feasible year-round. The crop thrives in hot and humid conditions, with harvesting typically aligning with the dry season. Kharif season witnesses approximately 85% of groundnut cultivation in India, relying on rainfed conditions.

In 2019-20, the production of groundnut in both Kharif and Rabi seasons recorded the highest growth, of 56% and 17% respectively. This growth moderated in the consecutive years, with 2022-23 recording annual growth of 2% in production for both the seasons.



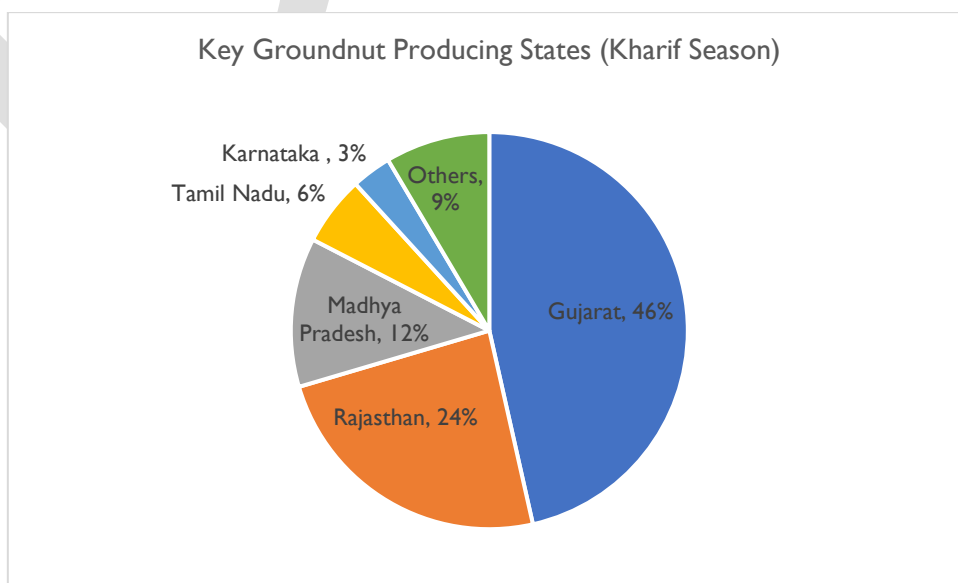
Source: Ministry of Agriculture & Farmers Welfare
 FY 2019 – FY 2023 include summer production in Rabi.

*Data for the year 2023-24 is of 2nd Advance Estimates. Crop production estimates covers only Kharif and Rabi season. Summer season is not included in Second AE 2023-24.

According to second advance estimates for 2023-24, the kharif season is estimated to show a decline of 8% in production. This can be attributed to a lower sowing acreage as compared to the previous year. Furthermore, the production of groundnut in Rabi also shows a decline. This is due to the standalone nature as production between 2018-19 to 2022-23 also includes summer production in Rabi season.

Key Production Hubs

The first advance estimates for the 2023-24 Kharif season by the Government of India indicate a projected groundnut crop of 78.29 lakh tonnes, showcasing a decrease from the previous year's production of 85.62 lakh tonnes in 2022-23.



Source: Ministry of Agriculture & Farmers Welfare

Among the states, Gujarat emerges as the leading producer of groundnuts, contributing significantly with a production estimate of 36.76 lakh tonnes. Following Gujarat, Rajasthan stands as the second-largest producer with 18.95 lakh tonnes, while Madhya Pradesh is the third with an estimated production of 9.61 lakh tonnes. Tamil Nadu, and Karnataka, also contribute to the groundnut production landscape, with production estimates of 4.47 lakh tonnes, and 2.57 lakh tonnes, respectively.

State-wise Area under Groundnut

State wise area under groundnut in India	2022-23			2023-24		
	Area (lakh ha)	Area (lakh acres)	% to total area	Area (lakh ha)	Area (lakh acres)	% to total area
Karnataka	1.65	4.08	29.05	1.11	2.74	22.75
Odisha	1.10	2.72	19.37	1	2.47	20.49
Tamil Nadu\	0.95	2.35	16.73	0.96	2.37	19.67
Telangana	0.93	2.30	16.37	0.81	2	16.6
Andhra Pradesh	0.81	2.00	14.26	0.72	1.78	14.75
Others	0.24	0.59	4.23	0.28	0.69	5.74
All India	5.68	14.04	100.00	4.88	12.06	100.00

Source: Agricultural Market Intelligence Centre, PJTSAU: Groundnut Outlook - February 2024

The All-India area under groundnut has decreased from 5.68 lakh ha (14.04 lakh acres) in 2022-23 to 4.88 lakh ha (12.06 lakh acres) in 2023-24. This can be attributed to a preferred sowing of cotton over groundnuts in the year.

Groundnut Processing Industry

Groundnut, also known as peanut, traces its origins to South America, where it likely first appeared. Today, groundnut cultivation spans across more than 100 countries, reflecting its significance in global agriculture and economies. Moreover, groundnuts are enjoyed in diverse forms across different cultures. Whether consumed as roasted snacks, transformed into butter, or incorporated into confectioneries like brittle and candies, groundnuts offer a spectrum of culinary delights.

In the context of India, groundnut holds particular significance. As the world's second-largest producer, it plays a pivotal role in the country's agricultural landscape and economy. Groundnut cultivation accounts for a substantial portion of the oilseed sector, encompassing approximately 58% of the area dedicated to oilseeds and contributing 25% to overall production in 2023.

Major commercial varieties Grown.

In groundnut cultivation, several major commercial varieties are grown, each falling into one of three distinct growth habits: bunch, semi-spreading, and spreading.

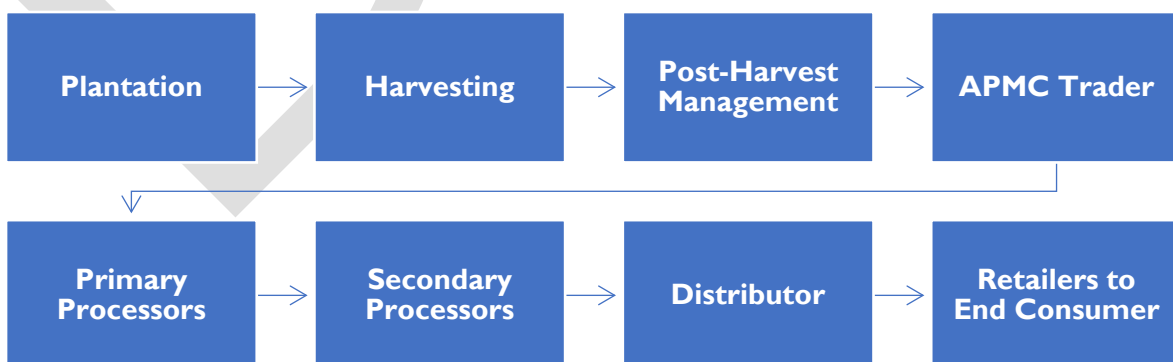
Variety of Ground Nuts		
Bunch	Semi-Spreading	Spreading

Bunch varieties, also known as pish or Valencia types, are characterized by their erect growth habit, light-green foliage, and pods clustered at the base of the plant. These varieties produce round, plump non-dormant seeds with a light-rose testa. Bunch types are typically favoured in areas with short rainy seasons or for irrigated crops during the rabi and summer seasons. Additionally, they are preferred in regions with high clay content soils where harvesting poses challenges.

On the other hand, semi-spreading and spreading varieties exhibit trailing branches that partially or completely touch the soil surface. These varieties produce pods along their branches, possess dark-green foliage, and yield oblong, dormant brownish seeds. Semi-spreading and spreading types are known for their heavier yields and later maturation compared to bunch varieties. They are often favoured in rainfed regions with longer rainy seasons.

Selecting the most suitable variety for a specific area involves considering various factors such as soil type, rainfall distribution, seasonal cultivation preferences, market demands, and resistance to prevalent pests and diseases. Spreading types are typically preferred in regions with extended rainy seasons and rainfed conditions, while bunch types are favoured in areas with shorter rainy seasons or for irrigated crops. Additionally, soil characteristics and harvesting considerations play a crucial role in determining the most appropriate variety for a particular location. Overall, the selection process aims to maximize productivity and optimize crop performance in diverse agricultural settings.

Industry value chain: from farm to packaging / end consumer.



Plantation

Seasonal patterns play a crucial role in the cultivation and harvesting of groundnuts, with the majority of production concentrated during the Kharif season, which accounts for about 85% of total production. Groundnuts are predominantly grown under rainfed conditions, with more than 90% of cultivation relying on rainfall. During the Kharif season, groundnut crops are typically sown between June and July and harvested between October and November. However, in areas where irrigation is available, some farmers opt for summer crops, extending the cultivation period from January to May.

Harvesting

Harvesting of groundnuts is a critical stage that requires careful observation of plant maturity. Farmers typically wait until the plant foliage starts to yellow, indicating maturity, and the pods become hard and tough. Inside the shell, a dark tan discoloration appears, and the kernels become unwrinkled, signalling readiness for harvest.

Post-Harvest Management

Post-harvest management in agriculture is a critical stage that begins immediately after harvest and encompasses various activities such as cooling, cleaning, sorting, and packing. As soon as crops are removed from the ground or separated from their parent plants, they start to deteriorate, emphasizing the importance of efficient post-harvest handling.

In the case of groundnuts, harvested crops are typically left in small heaps for two to three days for curing. This process allows the groundnuts to dry to an average moisture content of 10-15%. Once cured, the pods are detached by hand to separate them from the plants. However, significant losses can occur during the harvesting operation, ranging from 20-30%.

Storage of groundnuts, whether as pods or kernels, presents its own set of challenges. Post-harvest losses during processing and storage typically range from 10 to 25% and are influenced by factors such as the level of maturity, moisture content, storage conditions, and sanitation practices. Transportation also contributes to losses, often due to pilferage, bag leakage, and rough handling. In storage facilities, drying, and damage by rodents and pests are major causes of losses.

APMC Trader

APMC traders are pivotal intermediaries within the groundnut value chain, operating within regulated Agricultural Produce Market Committees. They negotiate prices with groundnut farmers, taking into account factors like market demand, supply, and quality. These traders provide farmers with essential market access, offering a centralized platform for selling their produce and saving them the effort of seeking individual buyers.

Conducting basic quality assessments, APMC traders ensure that groundnuts meet minimum standards and reject inferior-quality produce or negotiate prices accordingly. Additionally, they serve as valuable sources of market information, providing insights into trends, prices, and consumer preferences, empowering farmers

to make informed decisions. Facilitating trade, offering financial services, and ensuring regulatory compliance are also part of their responsibilities.

Primary Processors

Primary processors are key players in the groundnut value chain, responsible for the initial processing of raw groundnuts into various products such as peanut oil, peanut butter, and roasted peanuts. Operating processing facilities, they undertake essential tasks such as cleaning, sorting, shelling, and crushing the groundnuts to extract oil or produce other value-added products. These processors also conduct basic quality checks to ensure that the groundnuts meet industry standards before further processing or distribution.

By adding value to the raw material, primary processors contribute to diversifying groundnut products and meeting consumer demands. Additionally, they play a crucial role in supporting groundnut farmers by creating market opportunities for their produce and enhancing the overall value chain.

Secondary processors

Secondary processors play a vital role in the groundnut value chain by further refining products obtained from primary processing to meet specific market demands and consumer preferences. Building on the work of primary processors, they engage in more intricate processes such as refining peanut oil to enhance quality, flavour, or shelf life. Additionally, secondary processors specialize in creating unique and innovative groundnut-based products like snacks, confectioneries, or cooking ingredients.

Their focus on product differentiation and customization allows for a diverse range of groundnut offerings in the market. Through these efforts, secondary processors contribute significantly to the value addition of groundnut products, meeting the evolving tastes and preferences of consumers. This stage in the value chain reflects a commitment to innovation and quality, ensuring that groundnut products remain versatile and appealing to a wide consumer base.

Further, Secondary processors implement stringent quality control measures to ensure that finished products meet regulatory standards and consumer expectations. This involves monitoring product consistency, safety, and compliance with labelling and packaging requirements.

Distribution

In the groundnut value chain, the role of distribution is to facilitate the movement of processed groundnut products from manufacturers to retailers or end consumers. Distributors act as intermediaries between producers and retailers, managing logistics, warehousing, and transportation to ensure efficient product distribution across different regions or markets. They collaborate closely with manufacturers to coordinate product deliveries, manage inventory levels, and address supply chain challenges to meet customer demands effectively.

Distributors also play a key role in market expansion by identifying new sales channels, establishing relationships with retailers, and promoting groundnut products to target consumer segments. Additionally, they monitor market trends, competitor activities, and consumer preferences to adapt distribution strategies and optimize market penetration. By providing timely and reliable access to groundnut products, distributors contribute to the accessibility, availability, and affordability of nutritious food options for consumers.

Retailers to End Consumers

The retail sector serves as the final link between groundnut products and end consumers. Retailers encompass various outlets such as supermarkets, grocery stores, specialty food stores, and online platforms, offering a wide range of groundnut products to customers. They are responsible for marketing, promoting, and selling groundnut products to consumers, providing them with convenient access to high-quality and nutritious food options.

Retailers employ various strategies to attract and retain customers, including product displays, promotions, discounts, and advertising campaigns. They also ensure product availability, freshness, and quality by managing inventory levels, monitoring expiration dates, and adhering to food safety standards. Furthermore, retailers contribute to consumer education by providing information about product attributes, nutritional benefits, and usage ideas, helping consumers make informed purchasing decisions. By catering to diverse consumer preferences and offering a range of groundnut products, retailers contribute to the popularity and consumption of groundnuts in various forms.

Key demand drivers:

The peanut processing industry is witnessing an increasing demand backed by packaged snacks, and other peanut based product sale such as peanut butter spread and groundnut edible oil.

Growing Preference for Packaged Snacks

The growing preference for packaged snacks can be attributed to the fast-paced nature of modern lifestyles, where consumers often find themselves juggling multiple responsibilities and time constraints. In this context, convenience becomes a key factor driving food choices, especially when it comes to snacks consumed on-the-go or during busy schedules. Packaged groundnuts address this demand by providing a hassle-free snack option that requires minimal preparation and can be conveniently consumed anytime, anywhere.

For urban populations and young professionals, in particular, who are constantly on the move and have limited time for meal preparation, packaged groundnuts offer a quick and easy solution to satisfy hunger pangs. Whether it's during workday, while commuting, or while running errands, packaged groundnuts provide a convenient snacking option that can be conveniently stored.

Moreover, packaged groundnuts come in various forms such as single-serve packs, resealable pouches, and portion-controlled containers, catering to different consumption needs and preferences. This versatility further enhances their appeal among consumers who value convenience and flexibility in their snack choices.

Diversification of Groundnut Products

The diversification of groundnut products represents a strategic response to the evolving preferences and demands of consumers in the food industry. As consumer tastes and dietary requirements continue to evolve, food manufacturers recognize the need to innovate and offer a wide range of groundnut-based products such as flavoured peanut for snacking, peanut butter and groundnut edible oil to cater to diverse preferences.

One aspect of this diversification involves introducing new flavours, textures, and formats to groundnut products. Manufacturers experiment with different flavour profiles, ranging from classic options like salted and roasted to more adventurous combinations such as spicy chili, tangy barbecue, or sweet and savoury blends. These variations appeal to different taste preferences and offer consumers a variety of options to choose from, enhancing their overall snacking experience.

In addition to flavour innovation, manufacturers also focus on diversifying the texture and format of groundnut products. For example, groundnut-based energy bars, trail mixes, and granola bars have gained popularity among consumers seeking nutritious, on-the-go snack options. These products combine groundnuts with other ingredients such as oats, seeds, and dried fruits to create convenient and satisfying snacks that provide sustained energy and nutrition.

Furthermore, flavoured groundnut snacks, such as coated or seasoned nuts, offer an element of variety to traditional offerings. Ranging from honey-roasted, barbecue-flavoured, or chocolate-coated groundnuts, these products appeal to consumers looking for indulgent yet flavourful snack options.

By diversifying groundnut products, manufacturers not only meet the changing preferences of consumers but also tap into new market segments. For instance, groundnut-based snacks targeting health-conscious consumers or those with specific dietary requirements can expand the reach of groundnut products beyond traditional markets. This diversification stimulates overall demand for groundnuts by offering consumers a wider range of choices and enhancing the versatility of the crop in various applications.

Covid Impact

The impact of the COVID-19 pandemic has been profound, reshaping various aspects of daily life, including eating habits and consumer behaviour in the snacking industry. As health and safety concerns took centre stage, consumers prioritized their well-being, leading to significant changes in snacking consumption and purchasing patterns.

With mobility restrictions in place and concerns about virus transmission, consumers increasingly turned to ready-to-eat and ready-to-cook food options during the pandemic. This accelerated the adoption of packaged food products, including snacks, as they offered convenience and reduced the need for extensive meal preparation. Groundnuts offer a nutritious and satisfying snacking option, rich in protein, fibre, and essential nutrients, making them an appealing choice for health-conscious consumers seeking convenient and wholesome snacks.

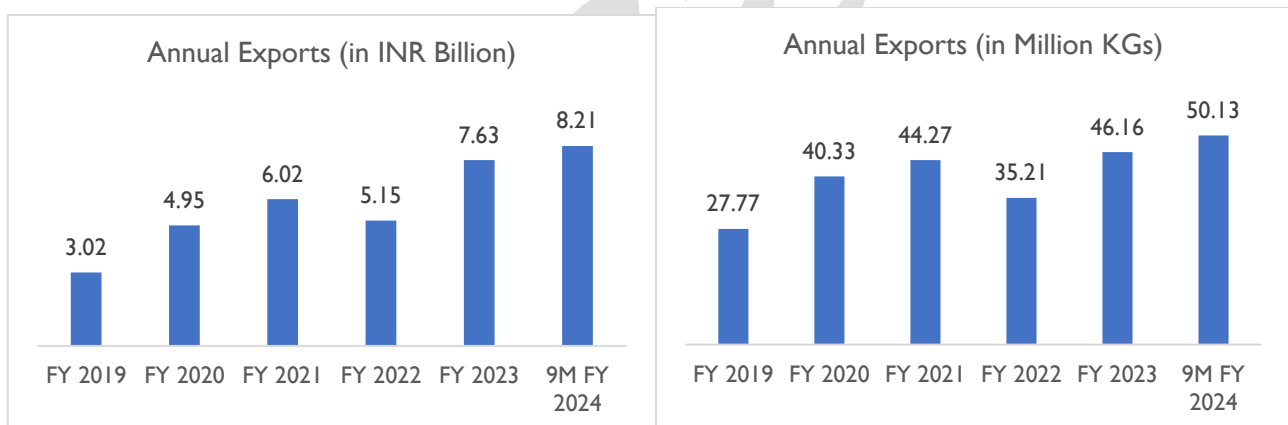
The convenience factor of packaged food became even more pronounced during the pandemic, as consumers sought quick and hassle-free meal solutions while juggling remote work, childcare, and other responsibilities at home. This led to an increase in the consumption of packaged snacks that could be conveniently stored, transported, and consumed without the need for extensive cooking or preparation. Packaged groundnut snacks, such as flavoured nuts, trail mixes, and granola bars, provided a convenient and nutritious alternative to traditional snack options.

Moreover, the pandemic-induced shift in consumer behaviour also encouraged experimentation with flavours and food items. With more time spent at home and limited access to traditional dining experiences, consumers sought variety and novelty in their snacking choices. This led to increased interest in unique and exotic flavours, as well as a willingness to try new snack formats and ingredients.

Export Scenario

Export of Processed Ground Nuts

India is the second largest producer of ground nuts globally, accounting for 19% of the total groundnut production in 2022. Annual Exports of processed ground nut grew at a CAGR of 26.10% between FY 2019 – FY 2023, growing from INR 3.02 billion in FY 2019 to INR 7.63 billion in FY 2023. While exports in FY 2022 declined by 15%, FY 2023 recorded an annual growth of 48% over the previous fiscal.



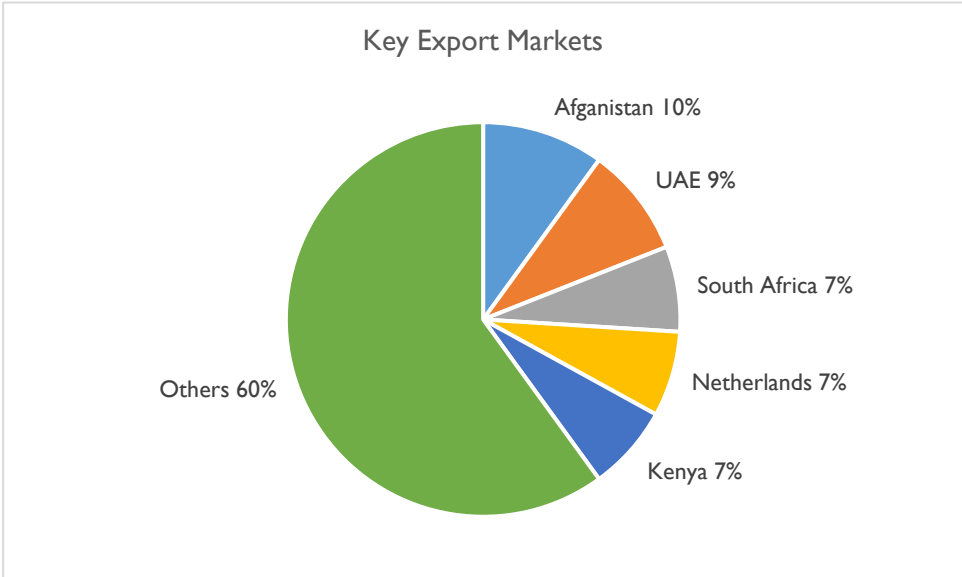
Source: DGCI&S

In terms of quantity, India’s export of processed ground nuts grew at a CAGR of 13.54% between FY 2019 – FY 2023, with exports growing from 27.77 million KGs to 46.16 million KGs in FY 2023.

9M FY 2024 has already outperformed the total processed ground nuts exports, with exports worth INR 8.21 billion, accounting for 50.13 million KGs of exports. This indicates a growing export market for processed ground nuts.

Key Export Markets

Afghanistan was the leading export market for processed ground nut in FY 2023, accounting for 10% of total exports during the year. This was followed by UAE with 9%, South Africa (7%), Netherland (7%), and Kenya (7%).



Source: DGCI&S

Draft

B. Product Segment: Fruit Pulp

India, with diverse agro-climatic zones, boasts a rich variety of fruits, ranging from tropical to temperate, contributing to its status as one of the leading fruit-producing countries in the world. In fact, India is the second largest producer of fruits after China, with a production of 111.6 million tonnes in 2022, accounting for 9.3% of the total world production.

Country	Fruit Production (in Million Tonnes)	Percentage share in global fruit production
China	262.8	22.0%
India	111.6	9.3%
Brazil	41.7	3.5%
Turkey	25.7	2.1%
Indonesia	24.8	2.1%

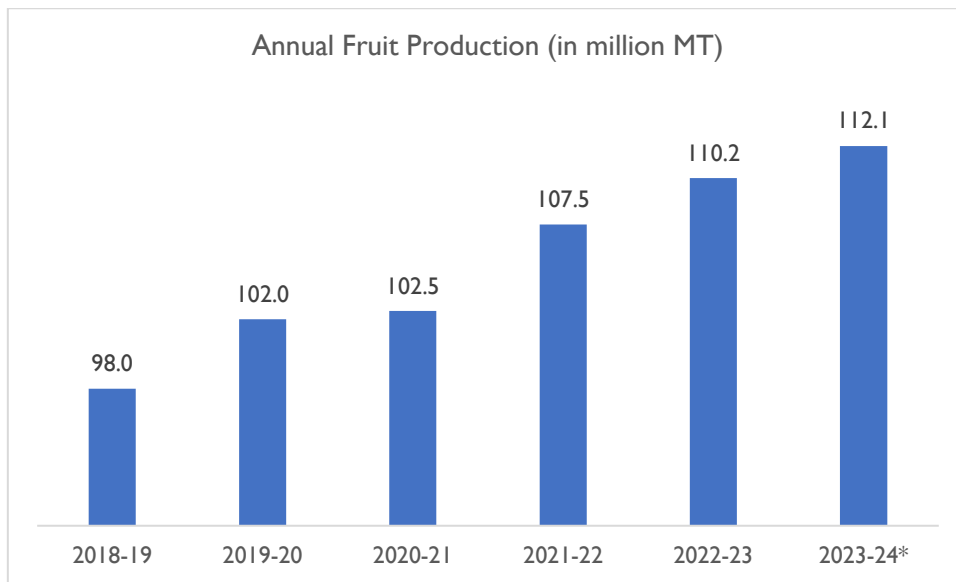
Some of the major fruits grown across the country include mangoes, bananas, citrus fruits (such as oranges, lemons, and limes), apples, grapes, guavas, papayas, and pomegranates. Each region specializes in the cultivation of specific fruits based on climatic conditions and soil suitability.

Fruit pulp, extracted from various fruits through processes like pulping and refining, plays a vital role in the food and beverage industry in India. Utilized in the production of juices, jams, jellies, ice creams, and other processed products, fruit pulp serves as a convenient and versatile ingredient. Mango pulp, in particular, holds a prominent position in the market due to its rich flavour and wide application.

Fruit Production in India

Production Scenario

The production of fruits in India increased at a CAGR of 3% between 2019 – 2023, growing from 98 million tonnes in 2018-19 to 110.2 million tonnes in 2022-23. Further, according to first advance estimates for 2023-24, the production is estimated at 112.1 million tonnes.

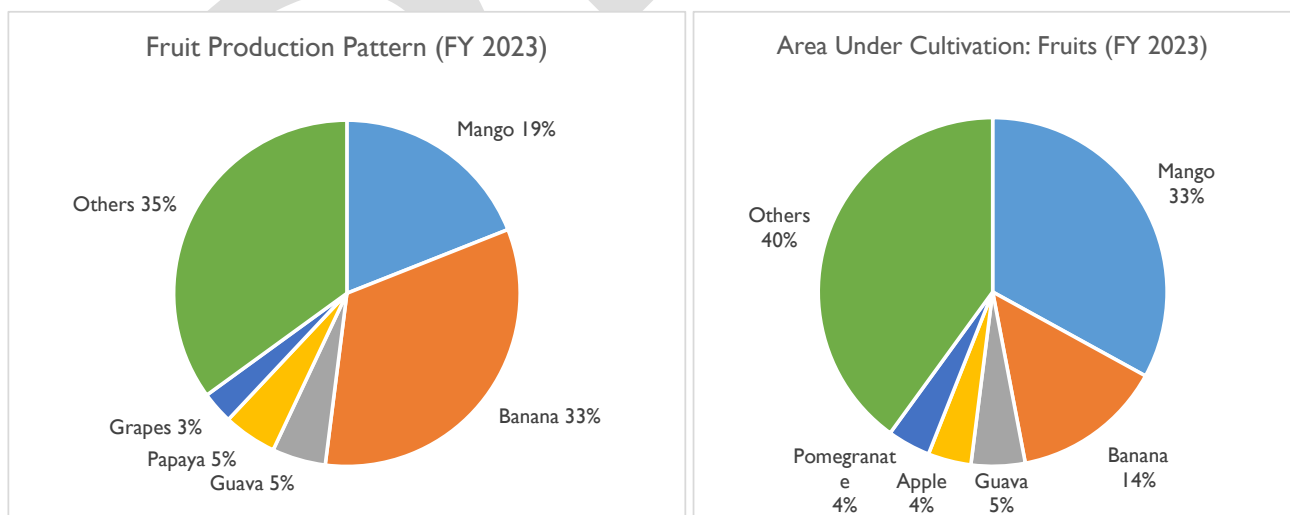


Source: Department of Agriculture & Farmers Welfare. *First Advance Estimates

Key Fruit Statistics

Banana was the most widely produced fruit in 2022-23, accounting for a share of 33% in total fruit production, resulting in production of 36.6 million tonnes of banana. This was followed by Mango, with a share of 19% in total production, Guava (5%), Papaya (5%), and Grapes (3%).

Bananas are the most grown fruit in India due to their adaptability to diverse climates, low-maintenance requirements, and high nutritional value, making them a staple food for many. Their quick gestation period, versatility in culinary applications, and steady market demand further contribute to their widespread cultivation across the country.



Source: Department of Agriculture & Farmers Welfare

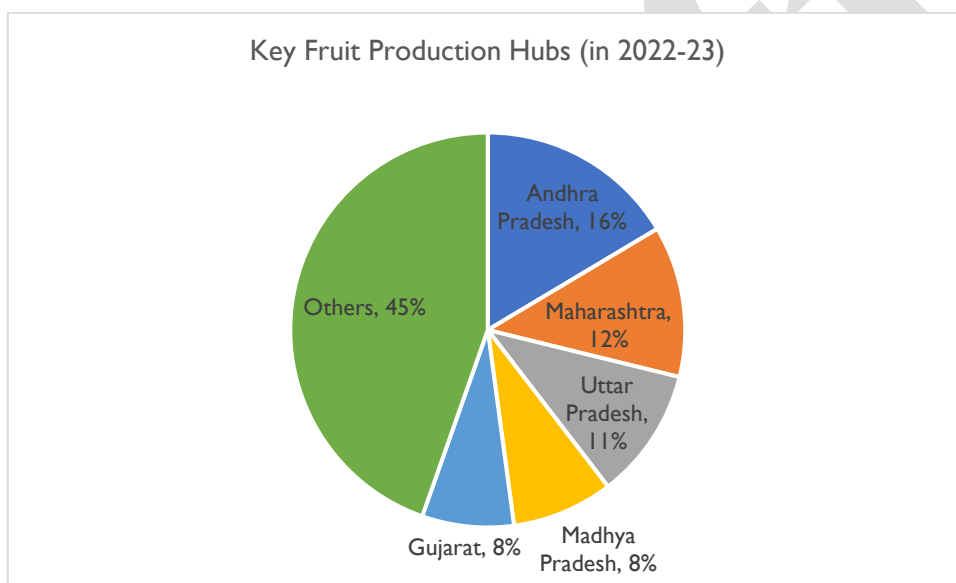
In terms of segmentation by area under cultivation, Mango occupies the largest share. This is because mango trees require more space to grow, leading to a larger area allocated for mango cultivation. Additionally,

mango trees have a longer lifespan and take several years to reach full productivity, which means that even though the area under cultivation is high, the production may take time to catch up.

Area under cultivation by mango stands at 33% of the total area, followed by banana (14%), Guava (5%), Apple (4%), and Pomegranate (4%).

Key Production Hubs

Among the states, Andhra Pradesh emerges as the leading producer of fruits, contributing significantly with a production estimate of 18.1 million tonnes, accounting for 16% share in total production. This is the largest producer of fruits in India due to its favourable agro-climatic conditions, including a diverse range of soil types and suitable weather patterns for fruit cultivation. Additionally, the state benefits from extensive irrigation infrastructure, enabling year-round cultivation and multiple cropping seasons.



Source: Ministry of Agriculture & Farmers Welfare

Following Andhra Pradesh, Maharashtra stands as the second-largest producer with 13.7 million tonnes (12% share), while Uttar Pradesh is the third with an estimated production of 11.8 million tonnes, accounting for 11% share. Madhya Pradesh, and Gujarat, also contribute to the fruit production landscape, with production estimates of 11.8 million tonnes, and 9.1 million tonnes, respectively, thereby contributing 8% each in total fruit production in India.

Together, the top 5 states, namely Andhra Pradesh, Maharashtra, Uttar Pradesh, Madhya Pradesh, and Gujarat contributed 55% of the total fruit production in India in 2022-23.

State-wise Area under Fruit Production

State	Area Under Cultivation (000' Ha)	State-wise share of Area under fruit production
Maharashtra	839.3	11.9%

Andhra Pradesh	780.3	11.1%
Uttar Pradesh	524.6	7.5%
Madhya Pradesh	450.1	6.4%
Gujarat	441.5	6.3%
Tamil Nadu	376.3	5.4%
Karnataka	371.2	5.3%
Kerala	368.0	5.2%
Bihar	313.7	4.5%
West Bengal	302.0	4.3%
Others	2257.8	4.1%

Source: Ministry of Agriculture & Farmers Welfare

Value Added Products: Fruit Pulp

Fruit pulp, a versatile and widely utilized product in the food and beverage industry. Extraction of fruit pulp involves the mechanical separation of the edible portion of fruits from their seeds, skins, and fibres, followed by refining processes to achieve desired texture and consistency. This pulp serves as a crucial ingredient in a wide range of food and beverage products, contributing to their flavour, texture, and nutritional profile.

The uses of fruit pulp are diverse and extensive, spanning both domestic and commercial applications. In the beverage industry, fruit pulp serves as a primary ingredient in the production of juices, nectars, smoothies, and fruit-based beverages, imparting natural flavour, colour, and nutritional value. Additionally, fruit pulp finds its way into the manufacturing of jams, jellies, syrups, yogurts, ice creams, and sorbets, enhancing their taste and visual appeal. The versatility of fruit pulp extends to culinary creations, where it is used in baking, cooking, and dessert making, adding a fruity twist to various dishes.

One of the key benefits of fruit pulp lies in its nutritional content, as it retains essential vitamins, minerals, antioxidants, and dietary fibres present in fresh fruits. Incorporating fruit pulp into processed foods and beverages provides consumers with a convenient and nutritious alternative to whole fruits, promoting health and wellness. Moreover, fruit pulp offers a solution for extending the shelf life of perishable fruits, reducing food waste, and enabling year-round availability of fruit flavours regardless of seasonal variations.

Key demand drivers

Convenience Factor

Convenience is a paramount factor driving the demand for fruit pulp in India, as it offers consumers a quick and hassle-free solution for incorporating fruit flavours into their culinary creations. At only a fraction of the time and effort required for washing, peeling, and cutting fresh fruits, fruit pulp provides instant accessibility. Whether it's for making juices, smoothies, ice creams, yogurts, or baked goods, consumers can simply scoop out the desired amount of fruit pulp and add it directly to their recipes, eliminating the need for tedious preparation. This convenience factor resonates particularly well with busy individuals and families who seek convenient yet nutritious options amidst their hectic schedules.

Additionally, the availability of fruit pulp in convenient packaging formats further enhances its appeal, making it a go-to ingredient for both home cooks and professional chefs alike. Thus, the convenience offered by fruit pulp plays a significant role in driving its demand across various consumer segments in India.

Diversification of fruit varieties

Fruit pulp offers manufacturers and consumers access to a wide range of fruit flavours and options due to lower costs. India boasts a rich diversity of fruit varieties, including mango, guava, papaya, pineapple, and many others, each with its unique taste and nutritional profile. Fruit pulp allows for the preservation and utilization of these diverse fruits, even beyond their seasonal availability, ensuring a continuous supply of fruit flavours throughout the year.

Moreover, the availability of various fruit pulp varieties enables manufacturers to cater to diverse consumer preferences and culinary applications. Whether used in juices, jams, desserts, sauces, or dairy products, fruit pulp adds flavour, texture, and nutritional value to a wide range of food and beverage products. Consumers also benefit from the versatility of fruit pulp, as they can experiment with different fruit flavours and combinations in their recipes.

Additionally, the diversification of fruit pulp varieties contributes to the development of new and innovative products in the food industry, such as yogurt, ice creams and beverages. This diversity and innovation in fruit pulp varieties drive consumer interest and demand, leading to sustained growth in the fruit pulp market in India. Thus, the availability of a wide range of fruit pulp varieties plays a crucial role in meeting consumer preferences, driving product innovation, and fuelling the growth of the fruit pulp industry in the country.

Demand from Food service sector

The food service sector is a significant driver of demand for fruit pulp in India, owing to its versatility and convenience in culinary applications. At a fraction of the cost and effort required to source, store, and process fresh fruits, fruit pulp provides restaurants, cafes, catering services, and other food establishments with a convenient solution for incorporating fruit flavours into their menu offerings. Whether used in beverages, desserts, sauces, dressings, or main dishes, fruit pulp adds natural sweetness, flavour, and colour to a wide range of culinary creations.

For restaurants and cafes, fruit pulp offers a convenient and consistent ingredient for preparing fruit-based beverages such as smoothies, shakes, cocktails, and mocktails. Instead of dealing with the seasonal availability and perishability of fresh fruits, establishments can rely on fruit pulp to maintain a steady supply of high-quality ingredients year-round. This not only streamlines operations but also ensures menu consistency and customer satisfaction.

Catering services also benefit from the convenience of fruit pulp, especially when catering events with large guest counts or limited kitchen facilities. By using pre-packaged fruit pulp, caterers can save time and labour while still offering flavourful and visually appealing fruit-based dishes and desserts to their clients.

Furthermore, fruit pulp allows food service establishments to experiment with new flavour combinations and menu offerings, thereby enhancing their culinary creativity and competitiveness in the market. Whether it's incorporating exotic fruit flavours or creating signature dishes with unique fruit pulp blends, food service operators can leverage fruit pulp to differentiate their offerings and attract customers.

Overall, the food service sector's reliance on fruit pulp as a convenient, versatile, and cost-effective ingredient underscores its importance in driving demand for fruit pulp in India. As the demand for diverse and innovative food experiences continues to grow, fruit pulp remains a staple ingredient for meeting the culinary needs and preferences of consumers in the food service industry.

Seasonality

Seasonality plays a crucial role in driving the demand for fruit pulp in India, particularly during periods when certain fruits are out of season or in limited supply. At a comparatively marginal of the cost of importing fresh fruits or dealing with price fluctuations due to scarcity, fruit pulp provides a reliable solution for maintaining supply continuity and meeting consumer demand year-round. During off-seasons or times of low fruit availability, consumers still desire the flavours and nutritional benefits of their favourite fruits. Fruit pulp serves as a convenient alternative, allowing manufacturers to produce a wide range of fruit-based products without being constrained by seasonal limitations.

This ensures that consumers can enjoy their favourite fruit-flavoured beverages, snacks, and desserts regardless of the time of year, thus driving sustained demand for fruit pulp in the Indian market. Moreover, the ability to preserve and store fruit pulp for extended periods without compromising quality makes it an indispensable ingredient for ensuring product availability and market competitiveness throughout the year.

Growing Food Processing Industry

The growth of the food processing industry in India significantly drives the demand for fruit pulp. The cost and effort required to source, store, and process fresh fruits is comparatively high, therefore fruit pulp serves as a convenient and cost-effective ingredient for a wide range of food and beverage applications. As the food processing industry continues to expand and diversify, manufacturers seek innovative ways to enhance the flavour, texture, and nutritional profile of their products. Fruit pulp offers a versatile solution, serving as a natural and flavourful ingredient for various food products such as jams, jellies, sauces, dairy products, bakery items, and confectionery.

Additionally, the availability of fruit pulp in different varieties and packaging formats allows food processors to cater to diverse consumer preferences and culinary trends. By incorporating fruit pulp into their formulations, food manufacturers can create value-added products that appeal to health-conscious consumers seeking natural and nutritious options. Moreover, fruit pulp enables manufacturers to extend the shelf life of their products, reduce production costs, and maintain product consistency, thereby driving the overall growth and competitiveness of the food processing industry in India.

Increasing health consciousness

Increasing health consciousness among consumers is another significant factor driving the demand for fruit pulp in India. At significantly lesser amount of the calories and sugar content found in fruit pulp than many processed foods and beverages, fruit pulp offers a natural and nutritious alternative for consumers seeking to make healthier dietary choices. As awareness of the health benefits of consuming fruits grows, more consumers are looking for convenient ways to incorporate fruits into their daily diets. Fruit pulp, rich in vitamins, minerals, and antioxidants, provides a convenient solution for meeting these nutritional needs. Whether added to smoothies, yogurts, or breakfast bowls, fruit pulp allows consumers to enjoy the goodness of fruits without the hassle of peeling, chopping, or juicing fresh produce.

Furthermore, the absence of artificial additives and preservatives in fruit pulp appeals to consumers who prioritize clean-label and minimally processed food products. By incorporating fruit pulp into their diets, consumers can enjoy the taste and nutritional benefits of fruits while supporting their overall health and well-being.

Urbanization and changing lifestyles.

Urbanization and changing lifestyles have led to a notable shift in consumer preferences towards convenient and ready-to-use food products, further driving the demand for fruit pulp in India. Amounting to lesser time and effort required to prepare fresh fruits, fruit pulp offers urban consumers a convenient solution for incorporating fruit flavours into their busy lifestyles. As more individuals and families adapt to fast-paced urban environments, they seek quick and easy meal solutions that do not compromise on taste or nutrition. Fruit pulp fits perfectly into this trend, allowing consumers to enjoy a variety of fruit-based dishes, beverages, and snacks without the need for extensive preparation or cooking skills.

Additionally, as urban consumers increasingly prioritize convenience and time-saving solutions, the availability of fruit pulp in pre-packaged formats further enhances its appeal. Whether used in home kitchens or consumed on-the-go, fruit pulp offers urban consumers a convenient and versatile ingredient for satisfying their cravings for delicious and nutritious fruit-based products. Thus, urbanization and changing lifestyles play a significant role in driving the demand for fruit pulp across urban centres in India.

Regulatory Landscape

The regulatory landscape governing fruit pulp in India is primarily overseen by the Food Safety and Standards Authority of India (FSSAI), established under the Food Safety and Standards Act, 2006. FSSAI plays a pivotal role in ensuring that fruit pulp products meet stringent safety and quality standards. These standards encompass various crucial aspects of production, including hygiene practices, permissible additives, acceptable levels of contaminants, and proper packaging and labelling requirements.

Under the regulatory framework, businesses engaged in fruit pulp manufacturing are required to obtain licenses and certifications from FSSAI, notably the Food Safety License (FSSAI License). These certifications necessitate adherence to strict protocols and periodic testing to verify compliance with safety and quality benchmarks. Through regular inspections and audits, FSSAI monitors and regulates the fruit pulp industry to uphold consumer protection and public health.

The regulations set forth by FSSAI not only aim to ensure the safety and quality of fruit pulp but also prioritize transparency and consumer awareness. Consequently, fruit pulp products must undergo thorough testing to ascertain their adherence to safety parameters before they reach consumers. Furthermore, stringent labelling requirements mandate the inclusion of essential information such as ingredients, nutritional content, manufacturing and expiry dates, and FSSAI license numbers. This ensures that consumers can make informed choices about the products they purchase and consume.

By enforcing strict standards and fostering compliance among manufacturers, FSSAI contributes to the production of safe, high-quality fruit pulp products that consumers can trust. Compliance with these regulations is not only a legal requirement but also a commitment to upholding consumer safety and confidence in the marketplace.

Mission for Integrated Development of Horticulture

The Mission for Integrated Development of Horticulture (MIDH) is introduced by the Government of India to comprehensively enhance horticulture development across the nation. Launched as a Centrally Sponsored Scheme in 2014-15, MIDH encompasses a wide spectrum of horticultural domains, including fruits, vegetables, root and tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, and cocoa. The scheme extends its coverage to all States and Union Territories, thereby ensuring a pan-India approach towards horticultural development.

Under the ambit of MIDH, states and union territories receive financial and technical assistance to undertake various interventions and activities aimed at augmenting horticultural production and productivity. These interventions include the establishment of nurseries and tissue culture units for the production of quality seeds and planting material, expansion of horticultural areas through the establishment of new orchards and gardens, and rejuvenation of unproductive orchards.

Additionally, MIDH supports initiatives such as protected cultivation to improve productivity and cultivate off-season high-value vegetables and flowers, organic farming and certification, creation of water resources structures, watershed management, and beekeeping for pollination. The scheme also focuses on horticulture mechanization, creation of post-harvest management and marketing infrastructure, and the training of farmers to enhance their skills and knowledge.

MIDH operates as a Centrally Sponsored Scheme, with the subsidy shared between the Central Government and State Governments. The sharing pattern varies between states, with a ratio of 60:40 in most states and 90:10 in Northeastern and Himalayan states. Consequently, the active involvement and support of State Governments are paramount for the effective implementation and success of the Mission.

Pradhan Mantri Kisan Sampada Yojana (PMKSY)

The Pradhan Mantri Kisan Sampada Yojana (PMKSY), initiated by the Ministry of Food Processing Industries (MoFPI) since 2017-18, serves as a comprehensive framework comprising multiple component schemes aimed at modernizing infrastructure and optimizing supply chain management from farm to retail. By promoting efficient processing, PMKSY significantly boosts the growth of the food processing sector, offers better prices to farmers, generates substantial employment opportunities in rural areas, curbs agricultural produce wastage, increases processing levels, and enhances the export of processed foods.

Under PMKSY, financial assistance in the form of grants-in-aid is extended for the establishment of food processing projects across the country through various component schemes. These include the now discontinued Mega Food Parks scheme, Integrated Cold Chain and Value Addition infrastructure, Creation

of Infrastructure for Agro Processing Cluster, Creation/Expansion of Food Processing and Preservation Capacities, Creation of Backward and Forward Linkages, Operation Greens for long-term interventions, Food Safety and Quality Assurance Infrastructure, and Human Resource & Institutions.

A total of 1,132 food processing projects have been approved across 36 states/UTs under PMKSY, with a cumulative project cost of ₹23,071.29 crores. The initiative aims to create processing capacity for 252.297 lakh MT/annum, preservation capacity for 42.908 lakh MT/annum, employ 602,070 individuals, and benefit 3,819,220 farmers.

Mega Food Park Scheme

The Mega Food Park Scheme, a flagship initiative of the Government of India, aims to revolutionize the agricultural and food processing sectors by bridging the gap between production and market demand. By fostering collaboration among farmers, processors, and retailers, the scheme maximizes value addition, minimizes wastage, boosts farmers' income, and creates employment opportunities, particularly in rural areas.

The scheme operates on a cluster-based approach, establishing state-of-the-art infrastructure within well-defined agri/horticultural zones. This infrastructure includes collection centres, processing facilities, cold chains, and fully developed plots for entrepreneurs to set up modern food processing units. Implementation is facilitated through Special Purpose Vehicles (SPVs), ensuring transparency and accountability in project execution.

For the fruit pulp sector, Mega Food Parks offer several advantages:

- **Processing Infrastructure:** Mega Food Parks provide modern processing infrastructure specifically designed for fruit processing, including facilities for pulping, pureeing, and concentrate production. These facilities enable fruit pulp manufacturers to streamline their production processes, increase output, and maintain high-quality standards.
- **Cold Storage Facilities:** Fruit pulp requires proper storage conditions to maintain its freshness, flavor, and nutritional content. Mega Food Parks typically include cold storage facilities equipped with temperature and humidity control systems, ensuring the preservation of fruit pulp throughout its shelf life.
- **Logistics and Supply Chain Support:** Mega Food Parks offer integrated logistics and supply chain support, facilitating the efficient transportation of raw materials and finished products. This ensures timely availability of fruits for pulp processing and enables manufacturers to reach markets across India and internationally.
- **Value Addition and Market Access:** By establishing fruit pulp processing units within Mega Food Parks, manufacturers can add value to raw fruits by converting them into high-demand products. Additionally, the centralized location of Mega Food Parks provides access to markets, distribution networks, and export facilities, enhancing market reach and profitability for fruit pulp producers.

While the scheme has been discontinued as of April 1, 2021, with provision for ongoing project liabilities, the existing 24 operational Mega Food Parks continue to drive economic growth and agricultural transformation nationwide.

Creation/ Expansion of Food Processing and Preservation Capacities

The CEFPPC Scheme aims to increase processing and preservation capacities, reduce wastage, and enhance value addition in the food processing industry. It covers post-harvest processes to improve product quality and shelf life through modern technology adoption. Both new unit setups and existing unit modernization are supported, with implementation involving various organizations such as PSUs, FPOs, NGOs, cooperatives, and private entities engaged in food processing activities.

One of the key objectives of the CEFPPC scheme is to encourage the establishment of modern food processing units equipped with state-of-the-art infrastructure and technology. For the fruit pulp industry, this translates to support for setting up or expanding processing facilities dedicated to fruit pulping, pureeing, and concentrate production. By providing financial assistance and incentives, the scheme facilitates the adoption of advanced processing techniques, improving the efficiency, quality, and value addition capabilities of fruit pulp manufacturers.

Furthermore, the CEFPPC scheme aims to enhance the competitiveness of the food processing sector by addressing infrastructure gaps and promoting investments in value chain infrastructure. This includes support for cold storage facilities, transportation infrastructure, and supply chain logistics, all of which are crucial for the storage, handling, and distribution of fruit pulp products.

Moreover, the scheme emphasizes the development of backward linkages with farmers and forward linkages with markets, thereby fostering integration along the entire value chain. By encouraging collaboration between fruit growers, processors, and retailers, the scheme enhances market access and promotes market-driven production of fruit pulp.

Mango Pulp

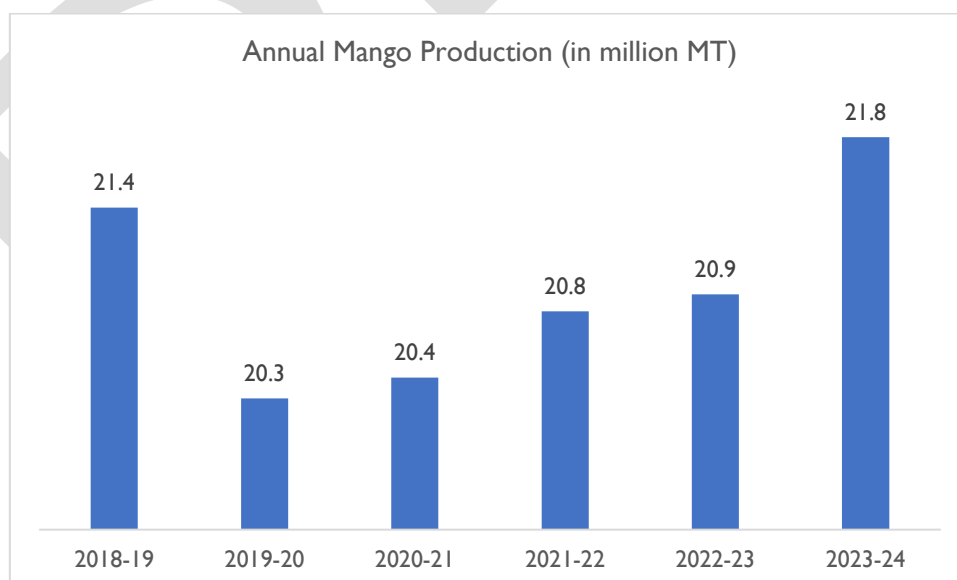
Mango pulp, made from ripe mangoes, is a popular value-added product known for its sweet taste and versatility. To make mango pulp, ripe mangoes are peeled, deseeded, and pureed until smooth. This versatile pulp serves as a cornerstone ingredient in a variety of culinary delights, offering tropical sweetness to various dishes and beverages.

The uses of mango pulp span a wide spectrum of culinary creations, ranging from beverages to desserts and savoury dishes. Mango pulp serves as a primary ingredient in the production of mango juices, nectars, smoothies, and mocktails. Furthermore, mango pulp also finds its way into the making of mango-flavoured ice creams, sorbets, yogurts, and puddings. In savoury cuisines, mango pulp adds a delightful twist to sauces, chutneys, marinades, and salad dressings.

Beyond its culinary applications, mango pulp boasts an array of nutritional benefits, as it retains essential vitamins, minerals, antioxidants, and dietary fibres inherent in fresh mangoes. Moreover, mango pulp serves as a source of natural sweetness in food formulations, reducing the need for added sugars and enhancing the overall nutritional profile of products.

Mango production in India

India is the largest producer of mango in the world. In CY 2022, India accounted for 42% of the total mango production in the world²⁵. As per the first estimates of 2023-24, Mango production in India reached 21.8 million MT, marking an annual increase of 4% over the previous years. Between FY 2019 – 2024, the production of Mango in India increased at a CAGR of 0.4%, growing from 21.4 million MT in 2018-19 to 21.8 million MT.



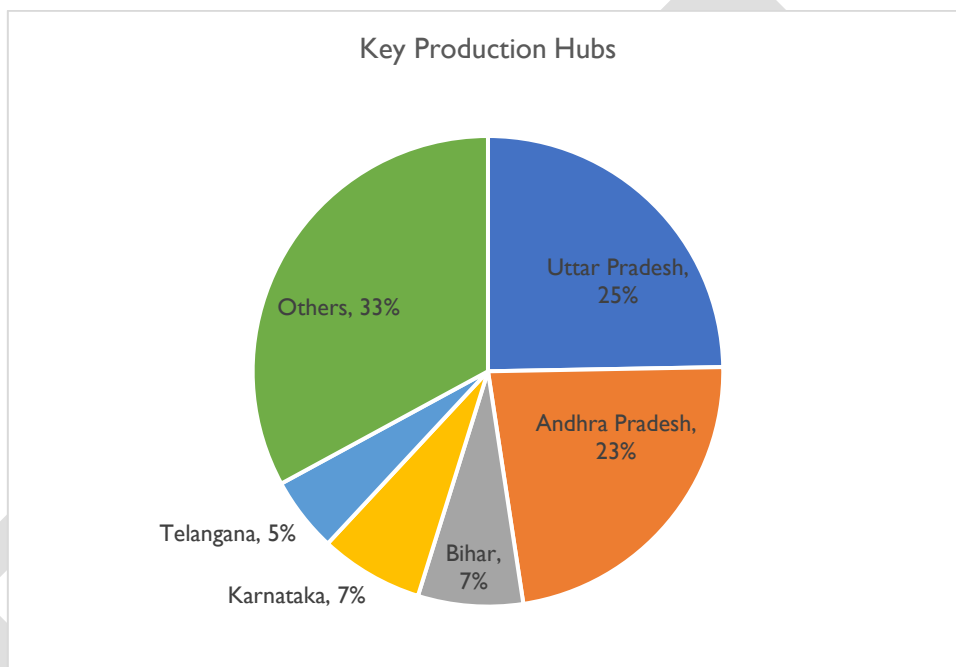
Source: Ministry of Agriculture & Farmers Welfare

²⁵ FAOSTAT

Between 2018-19 to 2023-24, India observed a decline in mango production. The most significant fall was noted in 2019-20, with a 5% decrease in production over the previous year. The low production of mango is attributed to severe weather conditions during the flowering period and alternate bearing. Unusually high temperature during the flowering season in February and March and untimely rain have been the main reason for poor flowering.

Key Production Hubs

As per the first advance estimates of 2023-24, Uttar Pradesh is the largest mango producing state in India, accounting for a share of 25% in total mango production in 2023-24. This is due to the state’s favourable climate conditions, extensive cultivation areas, advanced agricultural practices, and a variety of mango cultivators suited to the region's soil and climate. Additionally, the state government's initiatives to support mango cultivation and the presence of experienced farmers contribute to its prominence in mango production.



Source: Ministry of Agriculture & Farmers Welfare

Following Uttar Pradesh is Andhra Pradesh, accounting for a share of 23% in total mango production. This is followed by Bihar (7%), Karnataka (7%), and West Telangana (5%).

State-wise Key Mango Production Statics (2023-24)

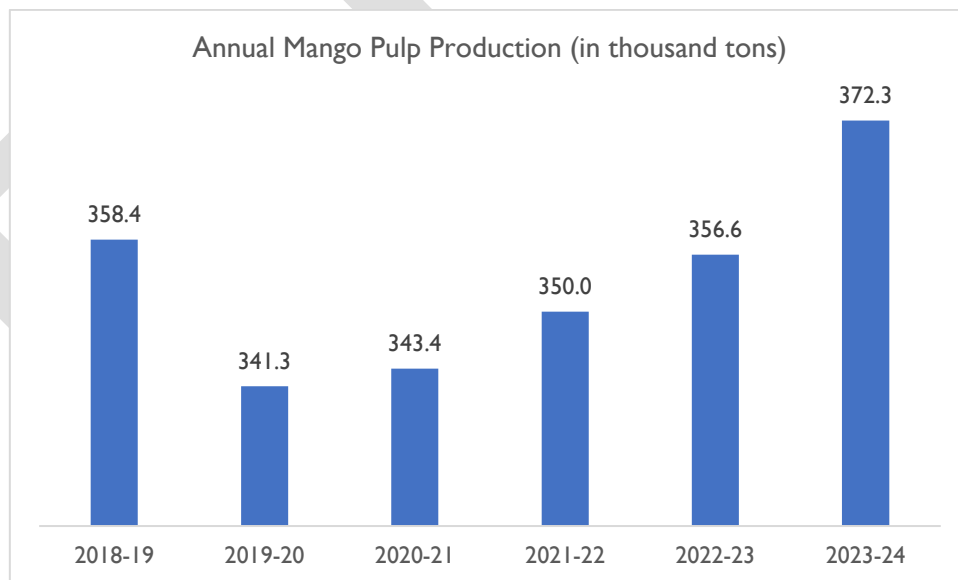
State	Mango Production (in 000' MT)	Percentage share (in in production)	Area under Mango cultivation (000' ha)	Percentage share in total cultivation
Uttar Pradesh	5384.90	25%	322.59	13%

Andhra Pradesh	4985.28	23%	398.82	17%
Bihar	1572.51	7%	162.45	7%
Karnataka	1549.99	7%	157.28	7%
Telangana	1123.12	5%	131.79	5%
Gujarat	917.00	4.2%	166.00	6.9%

Uttar Pradesh and Andhra Pradesh also lead in the largest area under mango cultivation, with latter being the larger one. While Bihar is the third largest mango producing state in India, it does not possess the third largest area under cultivation. After Uttar Pradesh, the leading states with largest areas under mango cultivation are Odisha, Gujarat, and Maharashtra, while Bihar ranks 6th, Karnataka ranks 7th, and Telangana ranks 9th.

Annual production of mango pulp

Mango pulp production in India is a significant industry driven by the country's abundant mango cultivation. India is one of the world's largest producers of mango pulp, which is processed from ripe mangoes. In 2023-24, Mango pulp production in India is estimated to have reached 372.3 thousand tonnes, observing an annual increase of 4% over the previous year.

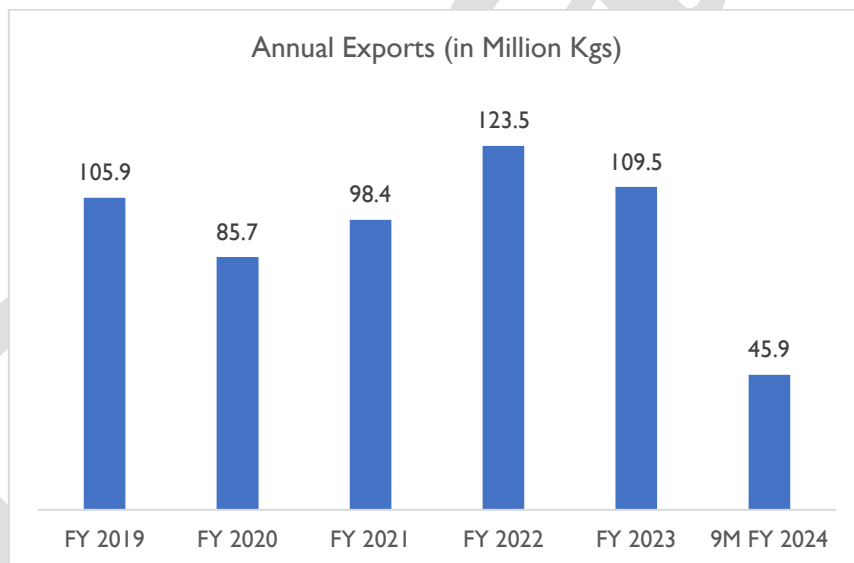
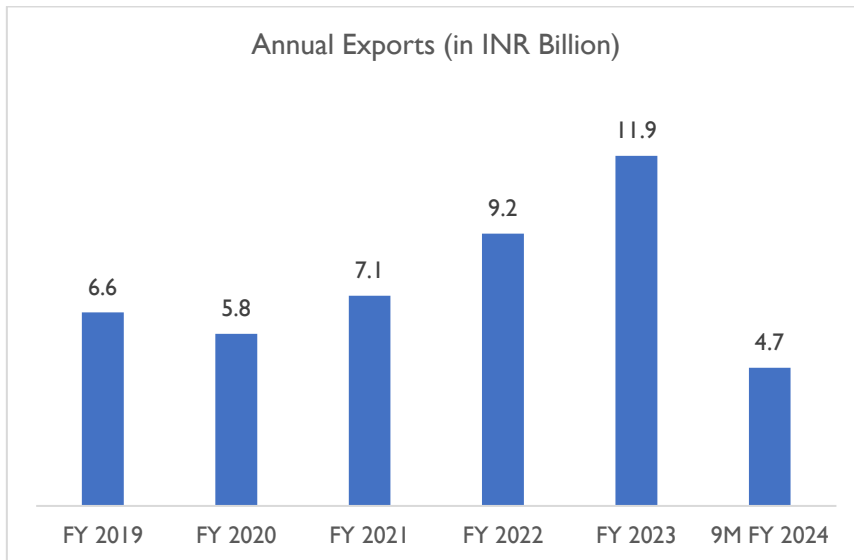


Source: D&B Research & Estimates

Adverse climatic conditions in the years preceding led to a decline in mango production, thus affecting the overall mango pulp production as well. However, with increased production in 2023-24, India offers diverse mango varieties with a wide range of flavours and textures, making Indian mango pulp highly sought after in both domestic and international markets.

Export potential: Mango Pulp

India is a leading exporter of Mango pulp. Annual Exports of Mango Pulp increased at a CAGR of 16% between FY 2019 – FY 2023, increasing from INR 6.6 billion in FY 2019 to INR 11.9 billion in FY 2023. As of 9M FY 2024, India exported Mango pulp worth INR 4.7 billion.



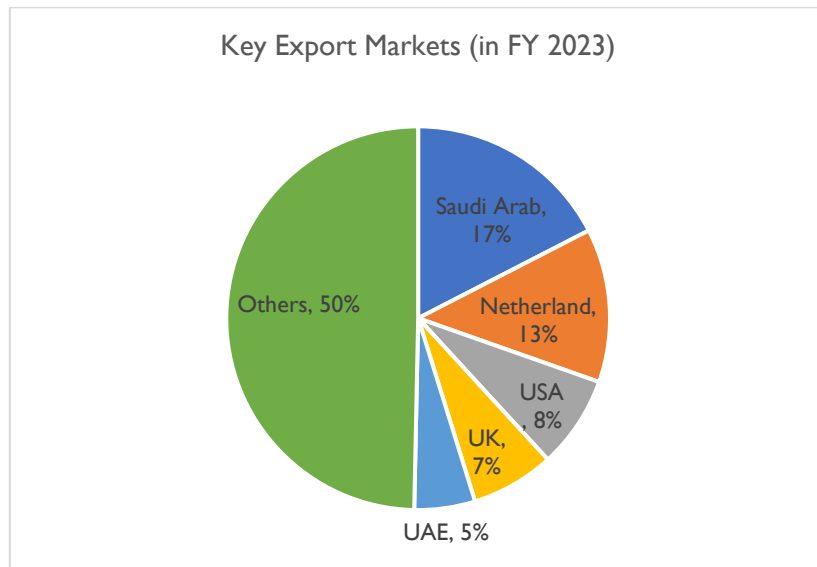
Source: DGCI&S

In volume terms, India exported 109.5 million Kgs of mango pulp in FY 2023, up from 105.9 million Kgs exported in FY 2019. FY 2022 encountered the highest surge in exports of nearly 26% by volume. A decline in production as well as covid-19 impacted exports in FY 2020 and FY 2021.

Key Export Markets

Saudi Arab was the key export market in FY 2023, accounting for 17% of total exports of mango pulp. This was followed by Netherlands (13%), USA (8%), UK (7%) and UAE (5%). India has managed to penetrate key

global markets like the USA and Middle east. The top 5 countries for exports together account for 50% of the total mango pulp exports.



Source: DGCI&S

Competitive Landscape

Company	Brief
ABC Fruits	<p>ABC Fruits, an esteemed Indian manufacturer, supplier, and exporter of fruit pulps and concentrates, serves both domestic and international markets. Specializing in mango, papaya, guava, pineapple, and tomato processing, ABC Fruits initially started as a mango pulp manufacturing facility in Krishnagiri, later expanding to become one of India's leading fruit pulp processing companies.</p> <p>Established in 1997, ABC Fruits has grown exponentially, with state-of-the-art facilities and advanced manufacturing capabilities. With a capacity of 30 tons per hour and processing 50,000MT annually, ABC Fruits has garnered a diverse clientele across the Middle East, Europe, and North America. Continuously expanding into new markets, ABC Fruits is renowned for competitive prices and consistent quality, solidifying its reputation as a trusted player in the industry for over 15 years.</p>
Jadli Foods (India) Pvt. Ltd	<p>Established in 1999, Jadli Foods has emerged as a premier organization in the manufacturing and export of premium fruit pulp and concentrate, including mango, guava, banana, and tamarind products. With a track record of exporting to 55 countries and serving 450 international industrial customers across Europe, the Middle East, North America, and beyond, Jadli Foods prioritizes quality and consistency.</p> <p>Certified by ISO 22000 and ISO 9001, Jadli Foods' oversees multi-location HACCP-accredited manufacturing facilities, ensuring adherence to the highest standards.</p>

	<p>With a diverse product range under their leading brand "Mansa," Jadli Foods supplies fruit pulp, concentrates, processed foods, and more to international markets, maintaining a strong focus on quality, hygiene, and customer satisfaction.</p>
<p>TMN International (TMN)</p>	<p>TMN International, a division of the esteemed 'Home Life' Group in Chennai, specializes in exporting fruit pulp and processed foods, particularly renowned for its Mango Pulp and Concentrate. Situated in Chennai, India, TMN processes a wide array of fruits, including Totapuri & Alphonso mangoes, guava, papaya, and tomato, offering customized forms such as pulp, puree, paste, and concentrate, packaged in aseptic packaging or OTS cans.</p> <p>TMN has a daily manufacturing capacity of 120 M.T. With HACCP-accredited manufacturing facilities and a skilled workforce, TMN serves major markets globally, including the U.K., European nations, Middle East, and Far East, securing repeat orders through their commitment to excellence</p>
<p>Aditi Foods (India) Pvt. Ltd</p>	<p>Aditi Group, with 37 years of relentless dedication, encompasses a diverse range of industries including fruit and vegetable processing, agriculture trading, corrugated box manufacturing, gas and petroleum trading, banking, and various service sectors.</p> <p>Aditi Foods (India) Pvt. Ltd., a division of Aditi Group, has been a trusted name in the Indian food processing sector since 1994. Their state-of-the-art technology and rigorous quality control measures ensure the production of a variety of high-quality fruit and vegetable products. Situated in Maharashtra, their facility boasts a workforce of over 450 employees, with production capacity reaching 200 tons per day. Specializing in mango pulp and jams, other fruit pulps, jams, canned vegetables, sauces, and more, Aditi Foods (India) Pvt. Ltd. is renowned for its innovation and reliability.</p>

Growth Outlook

Mango, hailed as the "King of Fruits," holds a prestigious position in India, the world's largest producer of this delectable fruit. With a vibrant mango cultivation industry, India not only satisfies domestic demand but also plays a pivotal role in the global mango pulp market.

Domestic Demand

In India, mango pulp is an integral ingredient in a plethora of culinary delights, ranging from traditional desserts like mango lassi to modern beverages and confectionaries. The country's rich cultural heritage, coupled with a diverse culinary landscape, ensures a steady and resilient demand for mango pulp. Furthermore, the rising popularity of packaged fruit products and the increasing disposable income of the burgeoning middle class contribute to the sustained growth of domestic consumption.

Trends Driving Domestic Demand:

- **Health and Wellness:** As consumers become more health-conscious, there is a growing preference for natural and nutritious food choices. Mango pulp, packed with essential vitamins and antioxidants, aligns with this health-conscious trend, driving its consumption among health-conscious individuals and families.
- **Convenience and Versatility:** Mango pulp offers convenience and versatility in culinary applications, catering to the fast-paced lifestyle of urban consumers. From instant smoothies to ready-to-use dessert mixes, the convenience factor associated with mango pulp enhances its appeal across diverse consumer segments.
- **Cultural Significance:** Mango holds immense cultural significance in India, symbolizing prosperity, fertility, and abundance. Traditional festivals and celebrations often feature mango-based dishes, sustaining the demand for mango pulp throughout the year.

Export Market Dynamics

India's prowess in mango pulp production extends beyond its borders, as it emerges as a leading exporter in the global market. The exotic flavour profile and superior quality of Indian mango pulp make it a coveted commodity in international markets, driving consistent export growth.

Factors Influencing Export Demand:

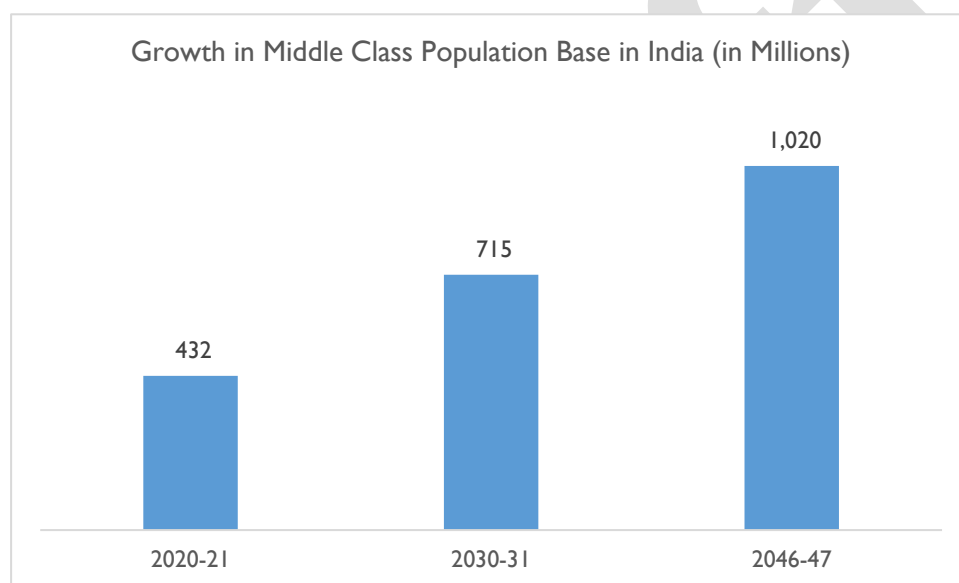
- **Quality Assurance:** Indian mango pulp adheres to stringent quality standards, ensuring consistency and excellence in taste and texture. This commitment to quality resonates with discerning consumers worldwide, fostering trust and loyalty towards Indian mango pulp brands.
- **Market Penetration:** India's strategic market penetration strategies, coupled with effective branding and promotional initiatives, have expanded the reach of mango pulp in key export destinations. Establishing strong distribution networks and engaging in trade partnerships further catalyzes the growth of export demand.
- **Global Culinary Trends:** The global culinary landscape is experiencing a paradigm shift towards ethnic and exotic flavors. Indian mango pulp, with its authentic taste and versatility, aligns perfectly with these evolving consumer preferences, driving demand across diverse culinary applications.

The growth prospects of mango pulp, both in domestic and export markets, remain robust and promising. With India's continued focus on enhancing production efficiency, ensuring quality standards, and exploring innovative marketing strategies, the demand for mango pulp is poised to soar. As consumers worldwide develop a penchant for natural, flavourful, and culturally rich food experiences, mango pulp stands poised to satiate their cravings and carve a niche as a quintessential culinary delight on the global stage.

Growth Prospects

The Indian economic growth is strongly rooted on elevated consumer demand and Government spending on infrastructure as well as social sector. Of this, the demand for consumer products is directly influenced by the trends in consumer spending, which is driven by the spending pattern of middle-class segment. Over the years, India's middle-class segment has emerged as a key demand driver for products ranging from packaged foods to big ticket items like automobiles and residential real estate.

According to a household survey conducted by PRICE²⁶ the middle-class segment in India – with an annual earning in the range of INR 5 – 30 lakhs – is expected to account for nearly 61% of total population by 2045-47. This particular population segment accounted for 31% of total population in 2020-21 and is set to rise to 47% in 2030-31 and further to 61% by 2046-47.



Source: PRICE ICE 360 Household Survey (Released in mid 2023)

According to a report by BMI Research (a Fitch Company), India is set to become the world's third largest consumer market by 2027. The country which is currently ranked as the fifth largest consumer market is expected to gain two spots over the next 4 – 5 years on the back of expected growth in number of middle class and high-income households. As per BMI Research, the growth in consumer households would elevate India's household spending to exceed USD 3 trillion.

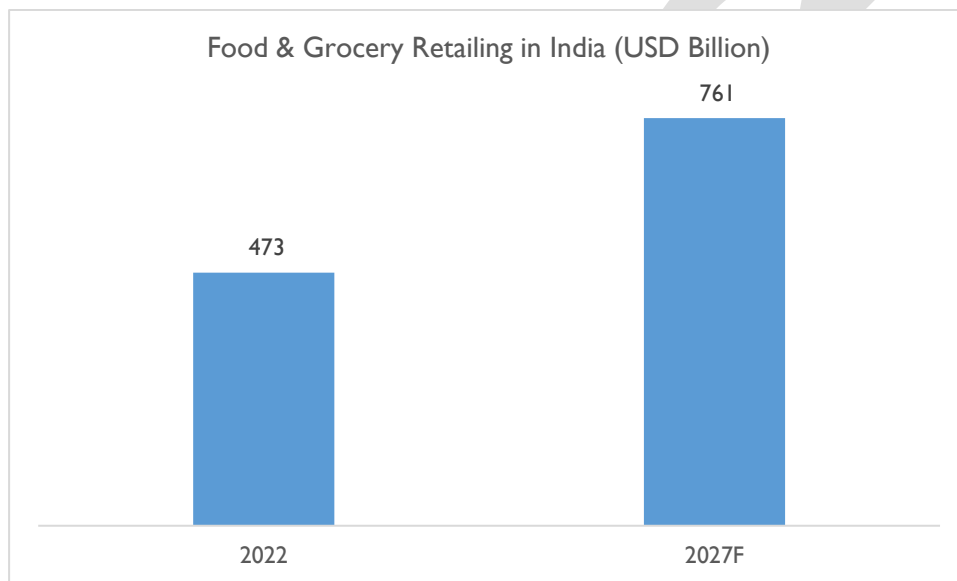
The above indicators – namely a growth in middle class consumer base as well as a commensurate increase in household spending augurs well for India's consumer product economy. Given the evolving spending pattern among India's consumers, the biggest benefits of the growth in India's consumer base would be reaped by stakeholders in consumer products industry – ranging from FMCG players to retail sector.

²⁶ PRICE Is an independent not-for-profit research centre. The survey referred to here is the ICE 360⁰ household survey that provides a 360⁰ view of households progress on financial conditions, living conditions, access to public goods, welfare, among others.

Food & Grocery Retailing

It is estimated that staples & fresh produce accounts for nearly 80% of food spending in India. However, the changes in consumption pattern and demographic profile are influencing the food spending trend in India, in favour of packaged snacks, confectionary and beverages. Two key trends that are emerging in Indian retail space is the increasing preference for packaged & branded food, as well as preference for organized retail. Although the trend is visible in urban markets, the wide pool of consumers in urban market together with their higher spending pattern has the potential to create a transition in retail spending pattern in India.

Going forward, the food & grocery retailing market in India is expected to grow by a CAGR of 10% in the coming years. By 2027 the Indian market for food & grocery retailing is expected to reach USD 760 billion.



Invest India, D&B Research

Preference for Branded & Packaged Foods

The growth in food & grocery retailing is accompanied by an increasing preference towards branded & packaged food products. Traditionally loose & unbranded food products used to be the preferred form by Indian consumers. However, a host of factors, including a growth in disposable income levels, shift in demographic profile, preference for value added products, and availability are all changing that preference.

This is most visible in urban markets, where branded & packaged food products have become the preferred choice among staples and grocery. Although their penetration in rural market is yet to become substantial, branded staples & grocery products have made considerable progress in capturing the wallet share of rural India. This transition has led to the rise of food & grocery brands, with several large FMCG conglomerate having multiple brands that clock annual turnover in excess of INR 1,000 crore.

Branded Wheat Flour Market

The branded & packaged wheat flour market in India is estimated to be worth INR 20,000 crore, with major national brands by conglomerates like ITC, Adani, and Patanjali cornering nearly half of the branded market.

The branded wheat flour market in India has been growing by a CAGR of nearly 5% between 2020 and 2023.

Assuming the historical growth rate continues unabated, the domestic market for branded wheat flour would reach nearly INR 24,000 crore in the next five years.

However, in reality, the expected growth in branded wheat flour would be higher than the historical trend.

The strengthening shift among Indian consumers towards branded wheat (from loose wheat), together with the initiatives taken by FMCG companies (to increase their footprint, as well as introduce lower priced SKU's) would help in accelerating the future growth in branded flour market.

Branded Spices

According to World Spice Organization (WSO), the branded & packaged spice market in India (comprising of both ground and blended spice) was nearly INR 35,000 crore in 2023. The entry of national players (through inorganic route) together with increasing popularity of branded spice among consumers in India is accelerating the demand growth in branded spice market. As per WSO, the branded & packaged spice market in India is expected to clock a turnover of INR 50,000 crore per annum, by the end of next 3 – 4 years.

Patel Retail Limited²⁷

Profile

Patel Retail Limited is a prominent retail supermarket chain established in 2008. They focus on providing value retail to families across Tier-III cities and suburban areas in Maharashtra, India. Their operations are concentrated in the central suburbs of the Mumbai Metropolitan Region (MMR), encompassing Thane and Raigad districts. As of December 31, 2023, they boast a network of 31 supermarkets with a total retail space of approximately 126,000 square feet.

Retail outlet network of key players in MMR region

Patel retails operates a network of 31 retail chains spread across the MMR (Mumbai Metropolitan Region)²⁸. Other major retail chains operating multiple retail outlines in the same geography include D-Mart, Reliance (Reliance SMART, Reliance Fresh), Star Bazaar. In terms of number of stores, Patel retail currently has one of the largest networks of food & grocery stores in MMR region²⁹.

Store Name	No. of Stores in MMR Region
Reliance (Including SMART, Fresh and SMART Bazaar)	39
D-Mart	33
Patel Retail	31
Nature's Basket	19
Star Bazaar	10
Hypercity	4
More Retail Supermarket	2

Source: D&B Research, Industry Sources,

Note: The store count of supermarkets (both pan India and region – MMR) was compiled basis information available in the public domain. D&B have relied on website of respective companies, as well as other public information to compile this. However, D&B has not conducted any primary survey / physical checks to verify the store presence. The data captured here is basis information on public domain. Independent supermarkets / department stores have not been considered for comparison

²⁷ As per the information provided and stated by Patel Retail Limited.

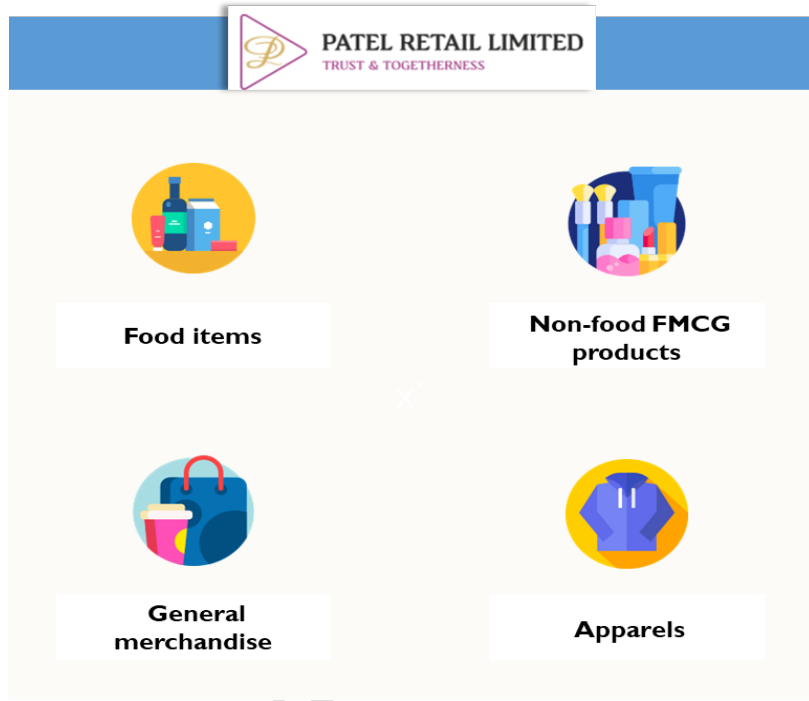
²⁸ MMR Region comprises of 9 Municipal Corporations viz. Greater Mumbai, Thane, Kalyan-Dombivali, Navi Mumbai, Ulhasnagar, Bhiwandi- Nizamapur, Vasai-Virar, Mira-Bhayandar and Panvel; and 9 Municipal Councils viz. Ambarnath, Kulgaon-Badalapur, Matheran, Karjat, Khopoli, Pen, Uran, Alibaug and Palghar, along with more than 1,000 villages in Thane, Raigad and Palghar Districts.

²⁹ This is based purely on the count of operational stores of leading retail chains in MMR region. For comparison D&B has looked at only food & grocery / supermarket chains of national / regional brands. D&B has not considered city specific supermarkets / stores who might be operating more than one store in same / multiple locations in the given region (MMR)

D&B has not considered other attributes like average size of the store, number of product segments & SKUs sold per store, annual sales per store, and others. This ranking is subject to change if the comparison is done on other attributes including store size / store turnover / number of product sold per store.

Value Retail with a Private Label Brand:

Patel Retail offers a wide range of products catering to household needs, including:



To enhance margins and brand recognition, they launched their own private label brand, "Patel's R Mart." This brand encompasses various categories like:

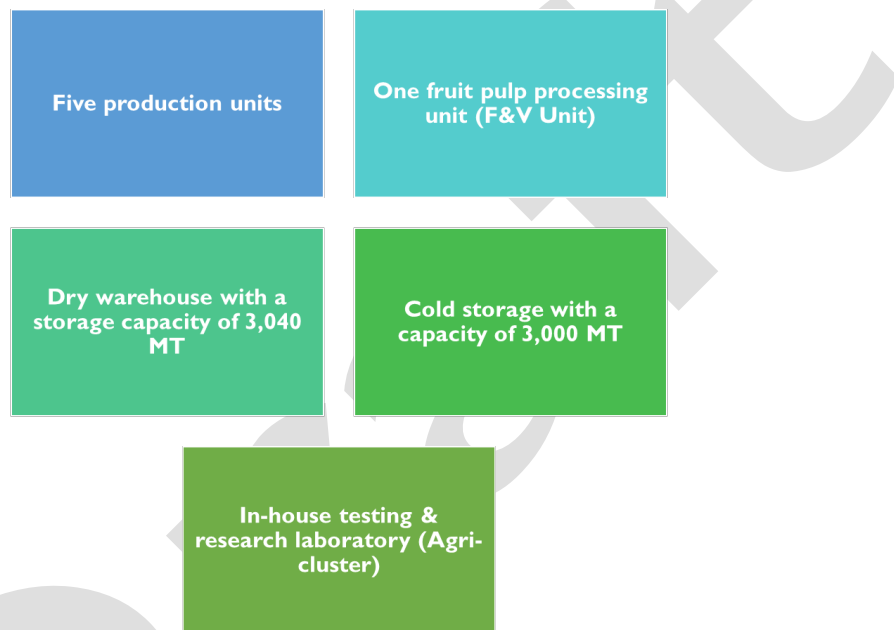
Blue Nation	Menswear
Patel Essentials	Home improvement products
Patel Fresh	Pulses, Ready-to-cook mixes
Indian Chaska	Ghee & Papad, Spices

These private label products are procured in bulk, then packaged and branded after undergoing stringent quality checks at their processing and packaging facility in Ambernath, Maharashtra (Facility 1).

Expansion Beyond Retail:

Patel Retail has strategically expanded its operations beyond retail supermarkets. They currently manage three key facilities:

- Facility 1 (Ambernath, Maharashtra): Processing and packaging unit for private label goods.
- Facility 2 (Kutch, Gujarat): Production facility for processing peanuts and whole spices.
- Facility 3 (Kutch, Gujarat): Agri processing cluster encompassing:



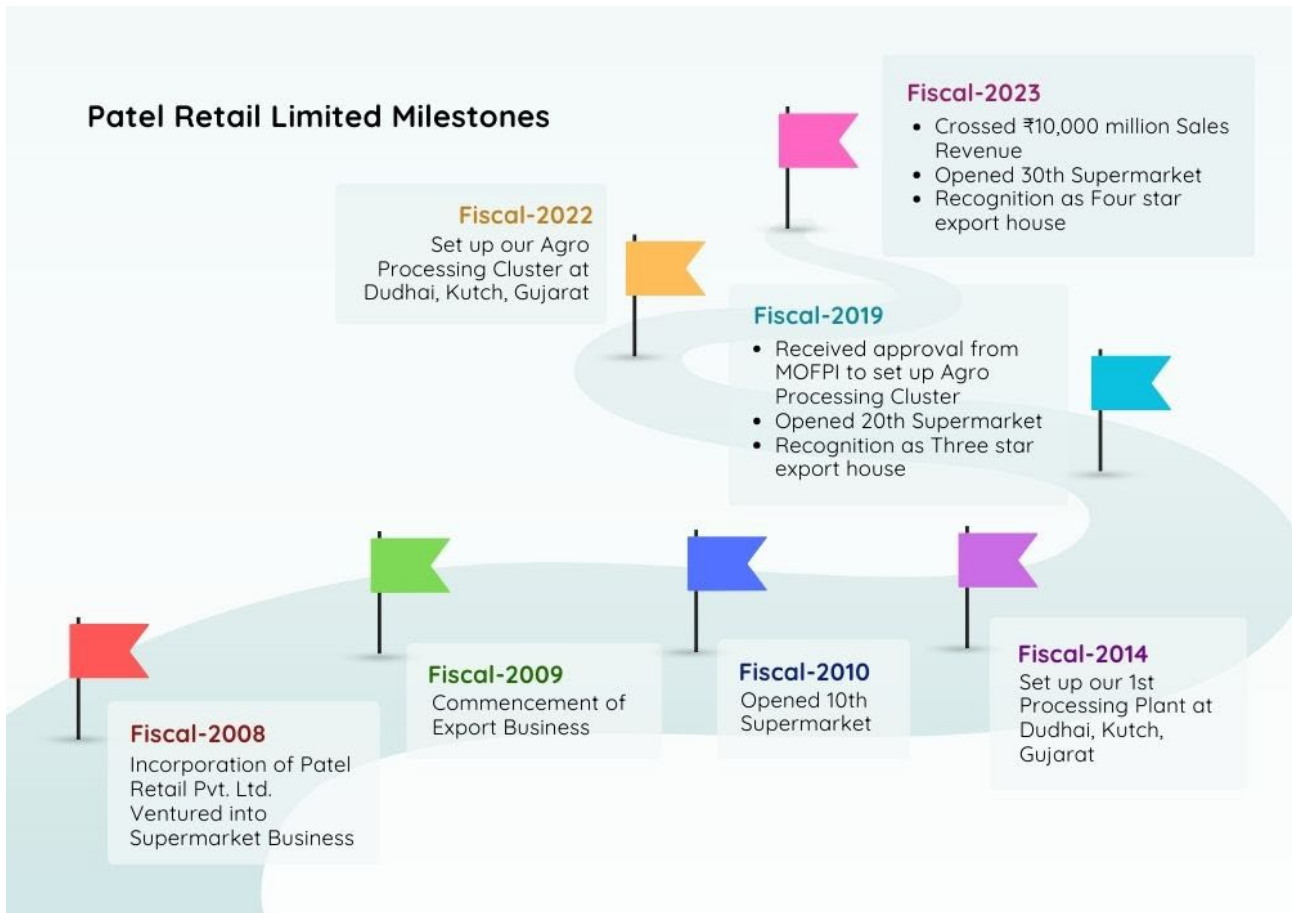
Going Global:

Patel Retail has ventured into exports, reaching over 40 countries by December 2023. Their export strategy includes:

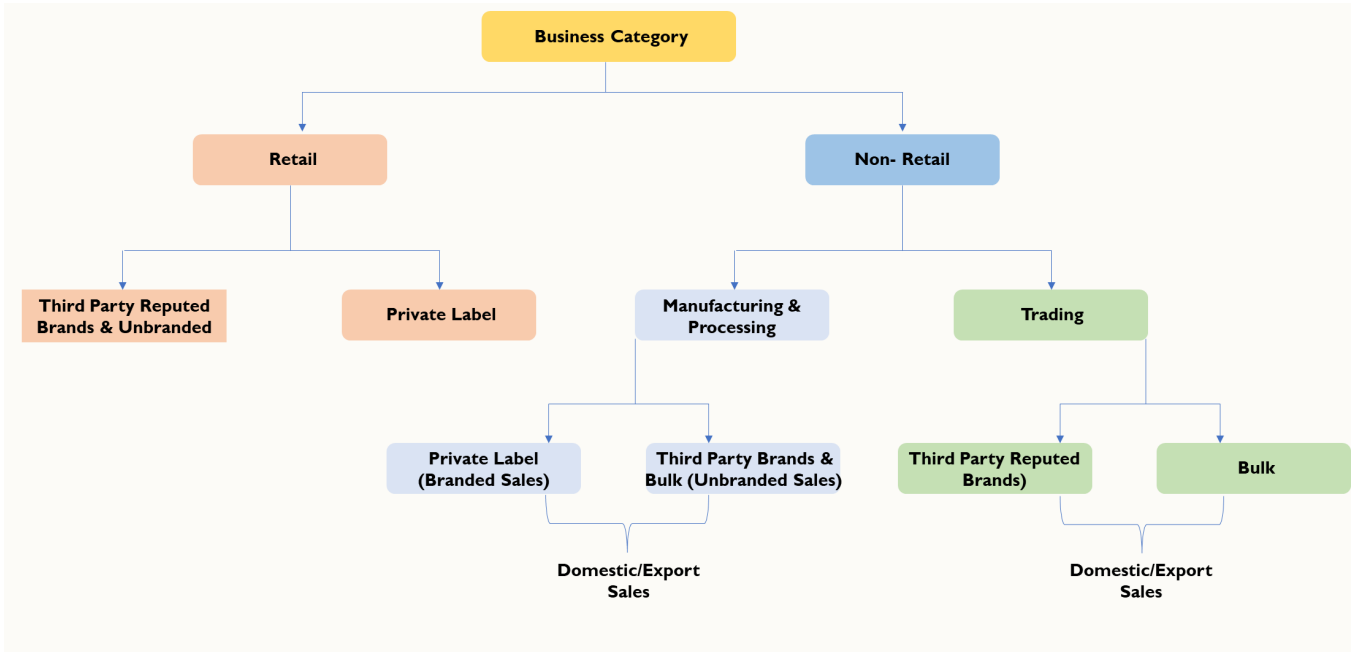
- Exporting staples, groceries, pulses, spices, and pulps under their own brands ("Patel Fresh" & "Indian Chaska") and customer brands from their manufacturing facilities.
- Domestic and export trading of assorted food and non-food products from reputed third-party brands.
- Bulk trading of agricultural commodities like rice, sugar, pulses, and edible oils.

Key Milestones during company’s journey since incorporation is summarized as herein below:

Patel Retail Limited Milestones



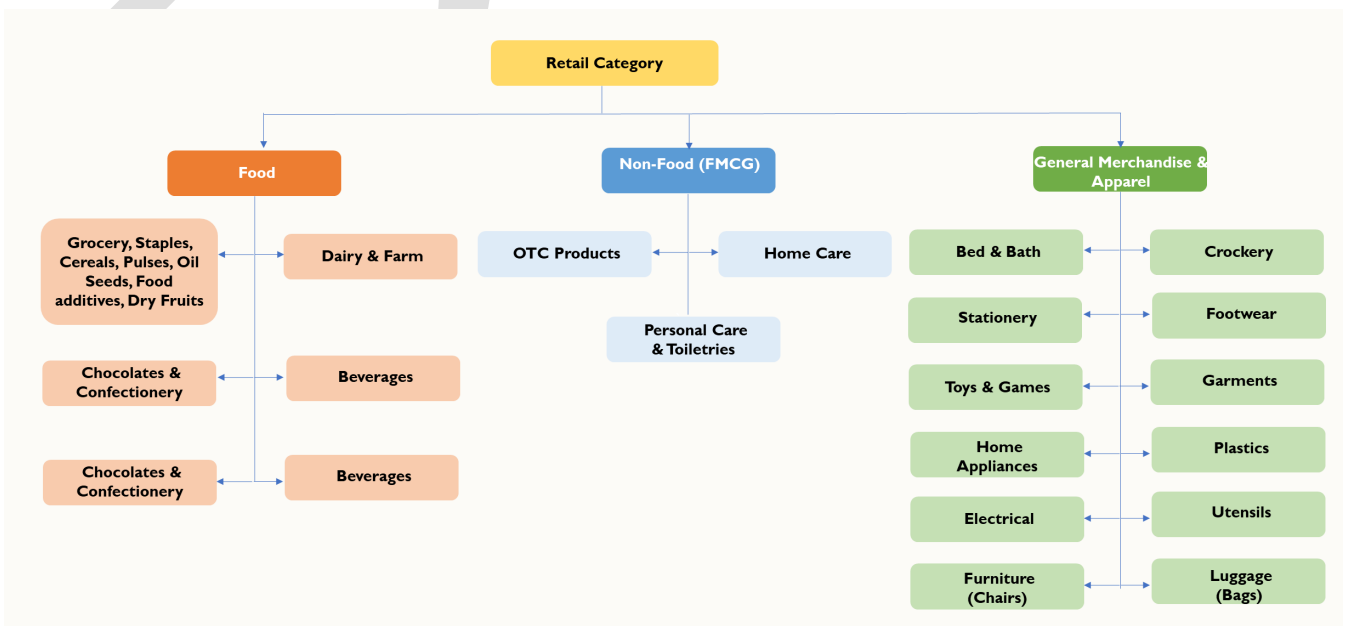
Their business can be categorized (Retail and Non-Retail) as detailed herein below:



Patel Retail Limited operates under two distinct business categories: Retail Business and Non-Retail Business.

Retail Business:

- Brand: "Patel's R Mart"
- Positioning: Dependable neighborhood supermarket offering value for money
- Location: Residential areas
- Target Market: Lower-middle class, middle class, and aspiring upper-middle class
- Concept: Value Retailing - caters to both bulk buying and top-up shopping needs



Non-Retail Business:

Manufacturing and Processing:

Strategy: Backward integration to control supply chain

Facilities:

Facility 1 (Ambernath, Maharashtra):

- Processing and packaging unit for private label goods and customer brands.
- Products: Whole spices, pulses, staples & groceries
- Processes: Cleaning, drying, grading, sorting, and packaging
- Area: 7,678 sq. ft. (excluding Distribution Centre)
- Certifications: ISO 22000:2018, BRC, APEDA, Spice Board, FSSAI license

Facility 2 (Kutch, Gujarat):

- Processing peanuts and whole spices
- Area: 3.27 Acres with a constructed area of 7460.54 sq. mtr.
- Processes: Cleaning, drying, grading, sorting, and packaging
- Certifications: ISO 9001:2015, ISO 22000:2018, FSSAI license

Special Features:

- Dedicated areas for spices and peanuts to prevent cross-contamination
- Natural processing methods to retain properties of food
- Zero-waste processing (peanut shells and other waste materials sold)

Facility 3 (Kutch, Gujarat) - Agri Processing Cluster:

- Established under Pradhan Mantri Kisan SAMPADA Yojana scheme
- Area: 15.925 Acres
- Components:
 - Five production units
 - One fruit pulp processing unit (F&V Unit)
 - Dry warehouse with 3,040 MT storage capacity
 - Cold storage with 3,000 MT capacity
 - In-house testing & research laboratory (Agri-cluster)

The detail of their units in the Agri-cluster as of December 30, 2023 is as under:

Unit	Manufacture/Process	Products	Capacity	Status
Unit-I	Cleaning, Grading, Sorting and Packaging	Mustard, Fennel,	3 TPH	Operational since January 2022

(Manufacturing of Whole Spices and Oilseeds)		Fenugreek, Carom etc.		
Unit-2 (Manufacturing of Ground and Blended Spices)	Pulverisation and Blending of Spices	(i) Ground spices which comprises of various varieties of Chilli Powder, Turmeric Powder, Coriander Powder and Cumin Powder*.	2 TPH	Operational since January 2022
Unit-3 (Manufacturing of Wheat Flour)	Cleaning, Grinding and Production	Chakki Atta, Maida, Suji, Rava, Tandoori Atta and Bran	8.5 TPH	Operational since July 2022
Unit-4 (Processing for Peanuts and Blanching)	Cleaning, Shelling, Sorting, Roasting, Blanching and Packaging	Regular Peanuts and Blanched Peanuts	10 TPH	Operational since May 2022
Unit-5 (Processing of Sesame Seed)	Sorting, Grading, Cleaning and Packaging	Sesame	4.5 TPH	Under Installation Phase
F&V Unit	Water Treatment, Sugar Syrup Preparation, Dilution of Pulp, Blending and Homogenization	Mango Pulp	1 TPH	Operational since June 2022
Dry Warehouse	-	-	3040 MT (Storage Capacity)	Operational since June 2022

Cold storage	-	-	3000 MT (Storage Capacity)	Operational since June 2022
Laboratory	-	-	NA	Operational since June 2022

*Unit 2 is equipped to manufacture Blended spices such as, Garam Masala, Tea Masala, Chhole Masala, Sambhar Masala, Pav Bhaji Masala, Pani Puri Masala, Sabji Masala, Kitchen King Masala, Chicken Masala, Meat Masala, Chatpata Chat Masala, Butter Milk Masala, Chewda Masala, Dry Ginger Powder (Sunth), Black Pepper Powder (Mari), Dry Mango Powder (Aamchur), etc.

Growth in presence of Patel Retail stores over the years across MMR region

Location	30 th September 2023	31 st March 2023	31 st March 2022	31 st March 2021
Ambernath	6	6	6	6
Ambernath (R Choice)*	-	2	2	2
Badlapur	6	5	5	4
Dombivli	7	7	5	5
Kalyan	5	5	4	4
Khopoli	1	1	-	-
Murbad	1	1	1	1
Shahapur	1	1	1	1
Shahad	1	1	1	1
Titwala	1	1	1	1
Ulhasnagar	2	2	2	2
Total	31	32	28	27

KPI Comparison

Accounting Ratios

Companies (As on March 31, 2023)	CMP*	CMP (cloing 26- Mar- 2024)	EPS (Basic in ₹)	EPS (Diluted in ₹)	PE Ratio	RONW (%)	NAV (Per Share)	Face Value	Price on Dec 29, 2023
Patel Retail Limited	NA	NA	NA	NA	NA	NA	NA	NA	NA
Peer Group									
Avenue Supermarts Limited (Consolidated)	NA	4,486.20	39.46	39.22	104.10	14.79%	NA	10	4,082.65
Spencers Retail Limited (Consolidated)	NA	87.75	-17.00	-17.00	-6.34	139.83%	NA	5	107.75
Osia Hyper Retail Limited	NA	31.10	10.09	10.09	NA	8.42%	NA	10	NA
Aditya Consumer Marketing Limited	NA	91.15	0.84	0.84	78.87	4.43%	NA	10	66.25
Sheetal Universal Limited	NA	63.95	5.89	5.89	13.94	31.39%	NA	10	82.1
Kovilpatti Lakshmi Roller Flour Mills Limited	NA	202.5	18.58	18.58	10.55	17.66%	NA	10	196
KN Agri Resources Limited (Consolidated)	NA	127.15	11.75	11.75	11.40	10.41%	NA	10	134
Madhusudhan Masala Limited	NA	103.75	6.94	6.94	17.56	52.40%	NA	10	121.85

Company-wise Financials

Particulars	Avenue Supermarts Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	24,48,981.00	42,83,956.00	30,97,627.00	24,14,306.00
Growth in Revenue from Operations (2)	18.44%	38.30%	28.30%	-2.92%
EBITDA (in INR Lakhs) (3)	2,04,024.00	3,63,703.00	2,49,850.00	1,74,305.00
EBITDA Margin% (4)	8.33%	8.49%	8.07%	7.22%
PAT (in INR Lakhs)	1,28,206.00	2,37,834.00	1,49,240.00	1,09,943.00
PAT Margin % (5)	5.24%	5.55%	4.82%	4.55%
Net Worth (in INR Lakhs) (6)	17,43,110.00	16,07,878.00	13,67,789.00	12,18,411.00
Capital Employed (in INR Lakhs) (7)	19,64,118.00	18,16,138.00	15,53,730.00	13,71,202.00
RoE% (8)	7.31%	14.76%	10.88%	9.01%
RoCE % (9)	9.02%	17.19%	13.60%	11.11%

Particulars	Spencers Retail Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	1,14,421.77	2,45,258.17	2,29,968.62	2,42,807.04
Growth in Revenue from Operations (2)	-9.92%	6.65%	-5.29%	-8.20%
EBITDA (in INR Lakhs) (3)	-1,131.56	357.51	2,391.08	794.93
EBITDA Margin% (4)	-0.99%	0.15%	1.04%	0.33%
PAT (in INR Lakhs)	-13,425.98	-21,039.68	-12,146.04	-16,385.18
PAT Margin % (5)	-11.73%	-8.58%	-5.28%	-6.75%
Net Worth (in INR Lakhs) (6)	-28,573.73	-15,046.87	6,185.68	18,633.19

Capital Employed (in INR Lakhs) (7)	27,897.49	31,649.29	34,932.34	36,578.69
RoE% (8)	47.34%	141.15%	-201.47%	-88.29%
RoCE % (9)	-23.76%	-30.83%	-8.06%	-20.10%

Particulars	Osia Hyper Retail Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	47,682.53	73,881.67	58,964.31	31,581.58
Growth in Revenue from Operations (2)	38.51%	25.30%	86.70%	-7.47%
EBITDA (in INR Lakhs) (3)	3,022.35	3,891.65	2,459.95	1,577.95
EBITDA Margin% (4)	6.34%	5.27%	4.17%	5.00%
PAT (in INR Lakhs)	850.72	950.14	904.00	542.18
PAT Margin % (5)	1.78%	1.29%	1.53%	1.72%
Net Worth (in INR Lakhs) (6)	16,453.26	11,290.04	9,134.88	8,230.87
Capital Employed (in INR Lakhs) (7)	28,353.74	22,905.10	16,263.75	13,026.30
RoE% (8)	5.17%	8.42%	9.90%	6.59%
RoCE % (9)	9.71%	15.43%	12.87%	9.99%

Particulars	Aditya Consumer Marketing Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	NA	9,686.39	8,746.21	9,371.25
Growth in Revenue from Operations (2)	NA	10.75%	-6.67%	0.63%
EBITDA (in INR Lakhs) (3)	NA	377.04	285.14	221.50
EBITDA Margin% (4)	NA	3.89%	3.26%	2.36%
PAT (in INR Lakhs)	NA	122.25	14.64	1.57
PAT Margin % (5)	NA	1.26%	0.17%	0.02%
Net Worth (in INR Lakhs) (6)	NA	2,761.55	2,640.48	2,625.83
Capital Employed (in INR Lakhs) (7)	NA	3,735.14	3,487.27	3,804.12

RoE% (8)	NA	4.43%	0.55%	0.06%
RoCE % (9)	NA	6.26%	3.06%	1.04%

Particulars	Sheetal Universal Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	NA	12,881.23	3,868.76	3,763.63
Growth in Revenue from Operations (2)	NA	232.96%	2.79%	-31.54%
EBITDA (in INR Lakhs) (3)	NA	149.22	15.98	1.16
EBITDA Margin% (4)	NA	1.16%	0.41%	0.03%
PAT (in INR Lakhs)	NA	206.03	28.31	25.40
PAT Margin % (5)	NA	1.60%	0.73%	0.67%
Net Worth (in INR Lakhs) (6)	NA	656.41	450.38	422.06
Capital Employed (in INR Lakhs) (7)	NA	2012.65	1435.17	1047.12
RoE% (8)	NA	31.39%	6.29%	6.02%
RoCE % (9)	NA	18.40%	6.02%	7.33%

Particulars	Kovilpatti Lakshmi Roller Flour Mills Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	17,025.90	33,213.54	27,334.63	22,392.14
Growth in Revenue from Operations (2)	4.31%	21.51%	22.07%	-2.62%
EBITDA (in INR Lakhs) (3)	1,321.33	1,886.42	1,463.77	1,301.45
EBITDA Margin% (4)	0.08	0.06	0.05	0.06
PAT (in INR Lakhs)	637.39	1,029.80	753.02	449.89
PAT Margin % (5)	0.04	0.03	0.03	0.02
Net Worth (in INR Lakhs) (6)	6,470.74	5,832.19	4,831.48	4,175.43
Capital Employed (in INR Lakhs) (7)	12,151.78	9,815.54	9,326.78	6,487.24
RoE% (8)	9.87%	17.74%	15.22%	11.01%
RoCE % (9)	9.37%	19.74%	15.25%	16.33%

Particulars	KN Agri Resources Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	63,692.00	2,23,615.00	1,88,102.00	1,29,895.00
Growth in Revenue from Operations (2)	-40.31%	18.88%	44.81%	52.82%
EBITDA (in INR Lakhs) (3)	1,884.00	5,163.00	6,590.00	4,167.00
EBITDA Margin% (4)	2.96%	2.31%	3.50%	3.21%
PAT (in INR Lakhs)	1,266.00	2,937.00	4,719.00	2,584.00
PAT Margin %(5)	1.99%	1.31%	2.51%	1.99%
Net Worth (in INR Lakhs) (6)	29715.00	28220.00	25481.00	15818.00
Capital Employed (in INR Lakhs) (7)	29723.00	36151.00	27108.00	18068.00
RoE% (8)	4.26%	9.71%	18.54%	15.63%
RoCE % (9)	6.43%	13.11%	24.24%	21.39%

Particulars	Madhusudhan Masala Limited			
	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations (in INR Lakhs) (1)	NA	12,721.60	6,540.81	6,868.03
Growth in Revenue from Operations (2)	NA	94%	-5%	NA
EBITDA (in INR Lakhs) (3)	NA	1,133.67	216.65	289.91
EBITDA Margin% (4)	NA	8.9%	3.3%	4.2%
PAT (in INR Lakhs)	NA	575.89	81.29	44.98
PAT Margin %(5)	NA	4.53%	1.24%	0.65%
Net Worth (in INR Lakhs) (6)	NA	1,099.10	31.07	1,094.09
Capital Employed (in INR Lakhs) (7)	NA	5,316.30	2,850.60	2,060.48
RoE% (8)	NA	52.40%	261.64%	4.11%
RoCE % (9)	NA	20.69%	9.15%	11.70%

Annexure for Abbreviation Used

GDP	Gross Domestic Product
GVA	Gross Value Added
IIP	Index of Industrial Production
PFCE	Private Final Consumption Expenditure
GFCF	Gross fixed capital formation
WPI	Wholesale Price Index
CPI	Consumer Price Index
y-o-y	Year on Year
m-o-m	Month on Month
IMF	International Monetary Fund
RBI	Reserve Bank of India
MOSPI	The Ministry of Statistics and Programme Implementation
Est., Adv. Est	Estimated, Advance Estimates
P, F	Projected, Forecast
USD	US Dollar
INR	Indian Rupee
Mn, Bn, Tn	Million, Billion, Trillion
CY	Calander Year
FY	Fiscal Year / Financial year
FDI	Foreign Direct Investment
B2B	Business to Business
B2C	Business to Consumer
D2C	Direct to Consumer
F&G Retai	Food & Grocery Retail
FSSAI	Food Safety and Standards Authority of India
ONDC	Open Network for Digital Commerce
MIDH	Mission for Integrated Development of Horticulture
PMKSY	Pradhan Mantri Kisan Sampada Yojana
CEFPPC Scheme	Creation / Expansion of Food Processing & Preservation Capacities Scheme
WSO	World Spice Organization
MMR	Mumbai Metropolitan Region

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