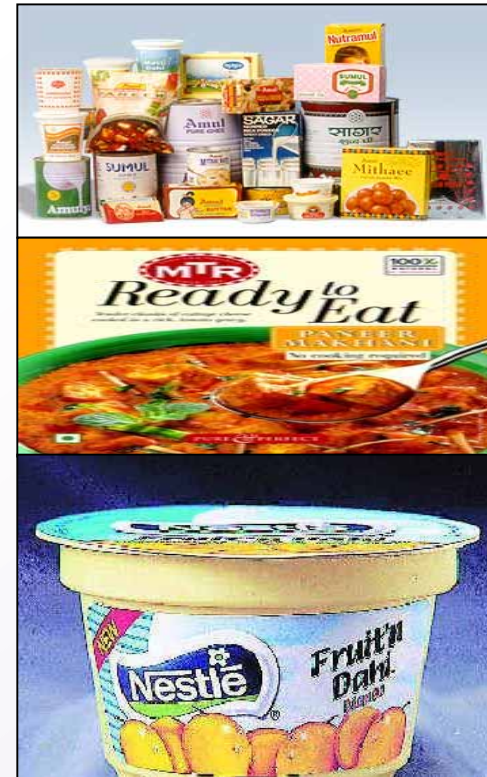
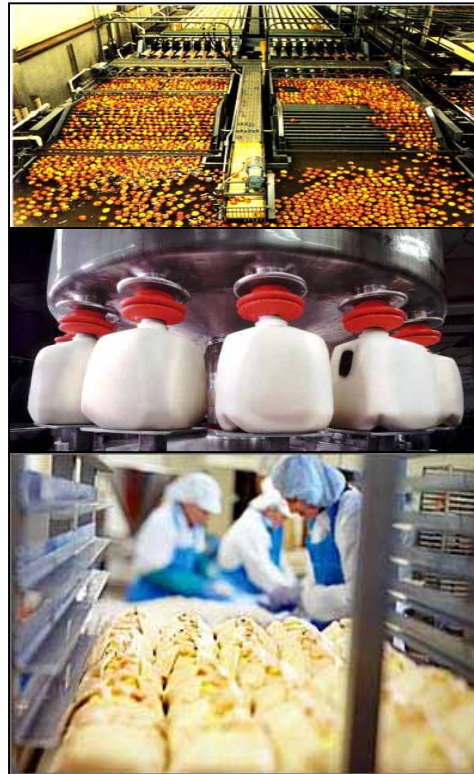
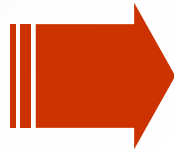


# Indian Processed Foods Industry

*Behemoth in the making*



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**SSKI**

# India...

Largest irrigated land base - 55mn hectares

Largest milk producer - 91m tonnes

Largest producer of tea ~ 1m tonnes and pulses - 15m tonnes

Second largest producer of rice, wheat, sugarcane, fruits and vegetables

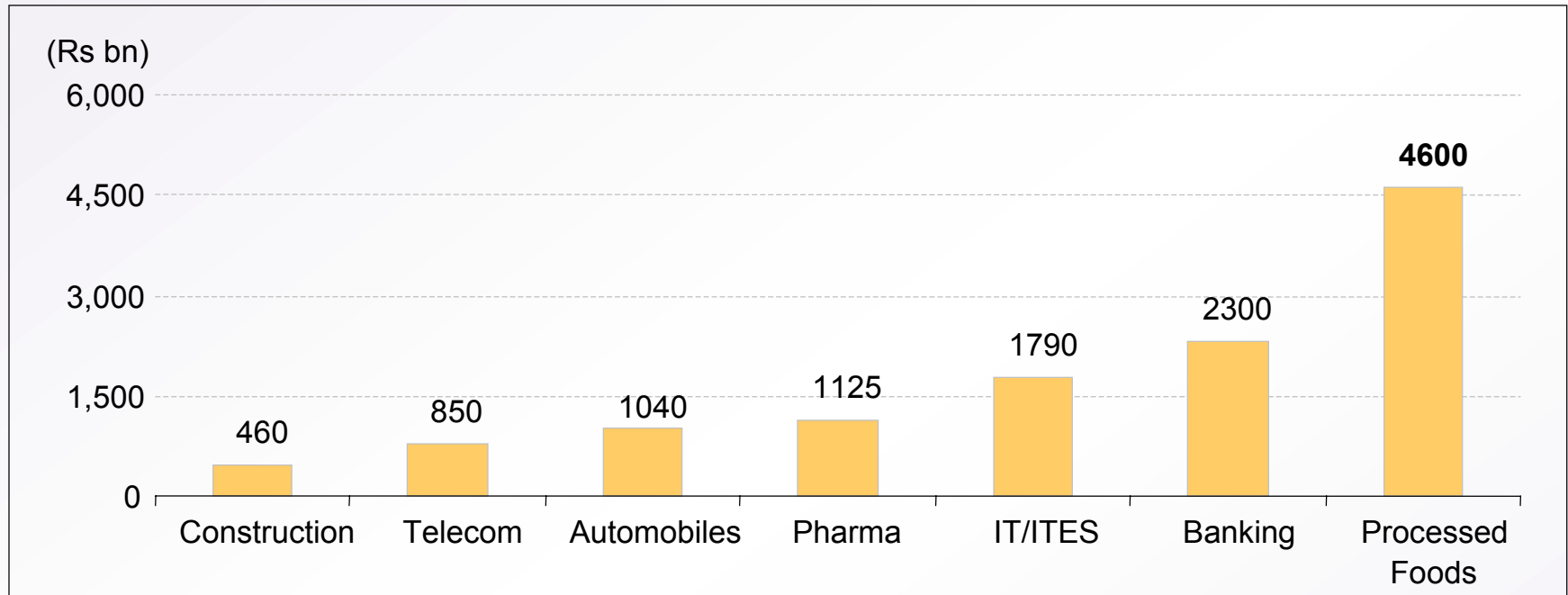
Second largest cattle head count

Leading producer of edible oil seeds and coarse grains

*...undoubtedly amongst the largest agri and food producers*

# Indian processed foods...

Industry Turnover (Rs bn)



- ✓ Domestic consumption of foods = Rs. 8.6 trillion
- ✓ Processed Foods = Rs. 4.6 trillion
- ✓ Indian Processed Foods = 2x the second largest industry (banking)

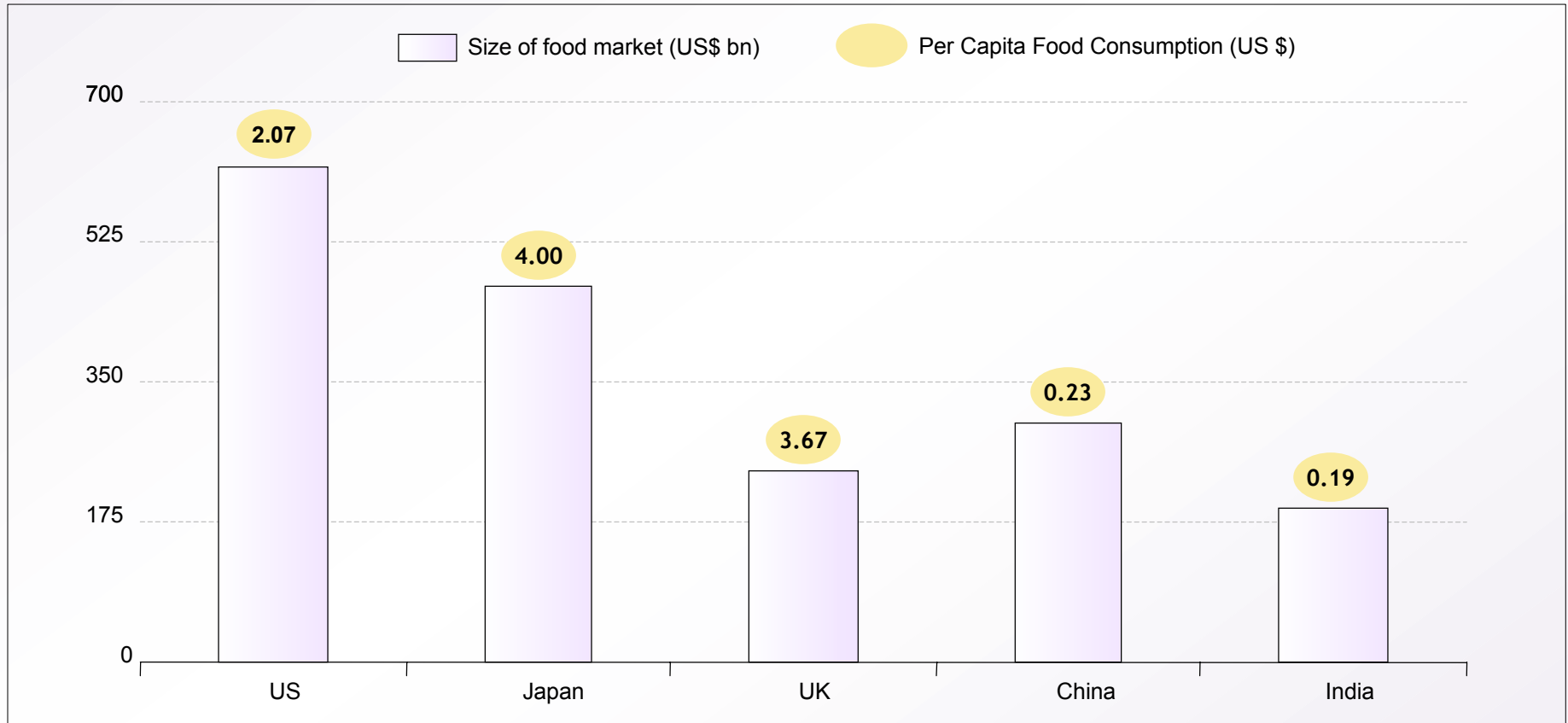
*...dwarfing every business segment in India*

# Then why...

*...is the size of largest agri and foods play just USD2bn?*

# And...

## *India nowhere near*



# What's wrong? - Inefficiencies all around

## At the back end

- ✓ Fragmented land holdings (More than 70% of holdings is less than 1.5 hectares)
- ✓ Inefficient agri-marketing chain - too many intermediaries
- ✓ Low corporate participation - little infrastructure investments
- ✓ Slowing public investment & growing subsidies

## At the front end

- ✓ Consumer habits, prefer fresh over packaged
- ✓ Weak & fragmented retail distribution (12 million outlets, but only 3% in the organized sector)
- ✓ Poor front end infrastructure (Refrigeration available only at a very small % of retail outlets)

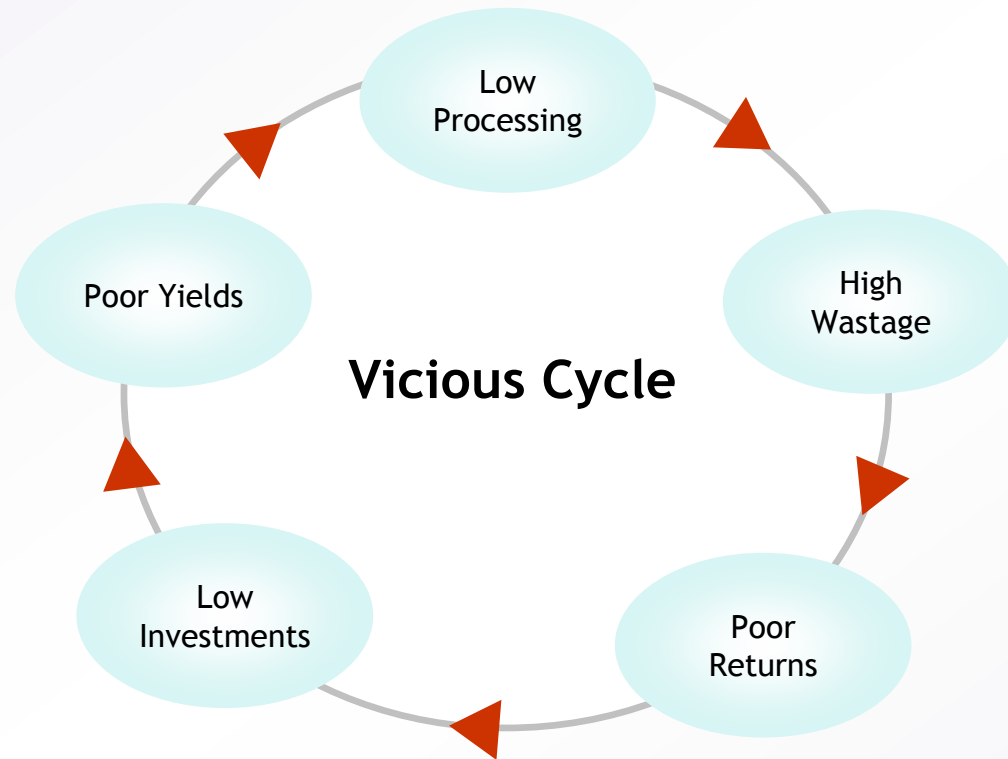
## Government policy

- ✓ Reservation for SSIs - encouraging inefficiencies
- ✓ Food taxes amongst the highest in the world
- ✓ Highly regulated - half a dozen ministries, multiple food laws

## Impact

- ✓ 40% of fruits and vegetables wasted
- ✓ Increased price and time to market
- ✓ High on cost addition and low on value addition
- ✓ Lack of standardization & quality in production
- ✓ Stifles R&D and innovation

# Agri & Food value chain



*...isn't it a write off?*

# However, ...they disagree

*“Reliance is involving itself in agriculture in a big way. We think this has the potential to change the world”*

- Mukesh Ambani, CMD, Reliance Industries

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*“I expect this (agri/foods) to be a billion dollar business”*

- Sunil Mittal, CMD, Bharti Group

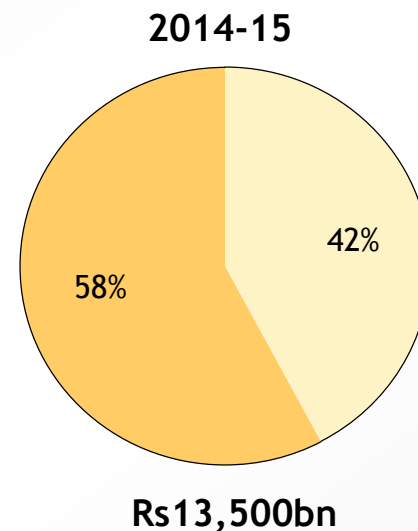
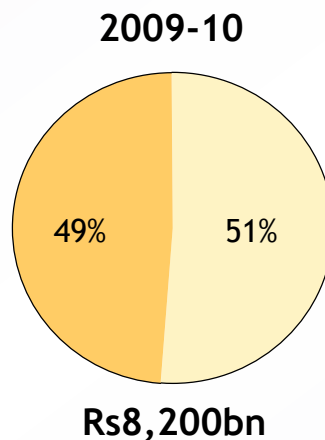
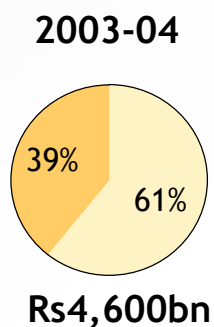
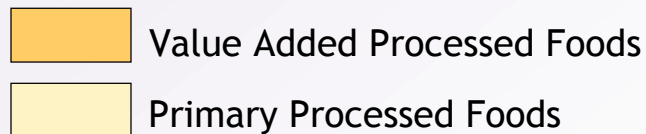
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*“ The Indian food sector has the potential to attract Rs1,500 billion investments in the next 10 years”*

- Y C Deveshwar, Chairman, ITC



# And so do we...Vision 2015



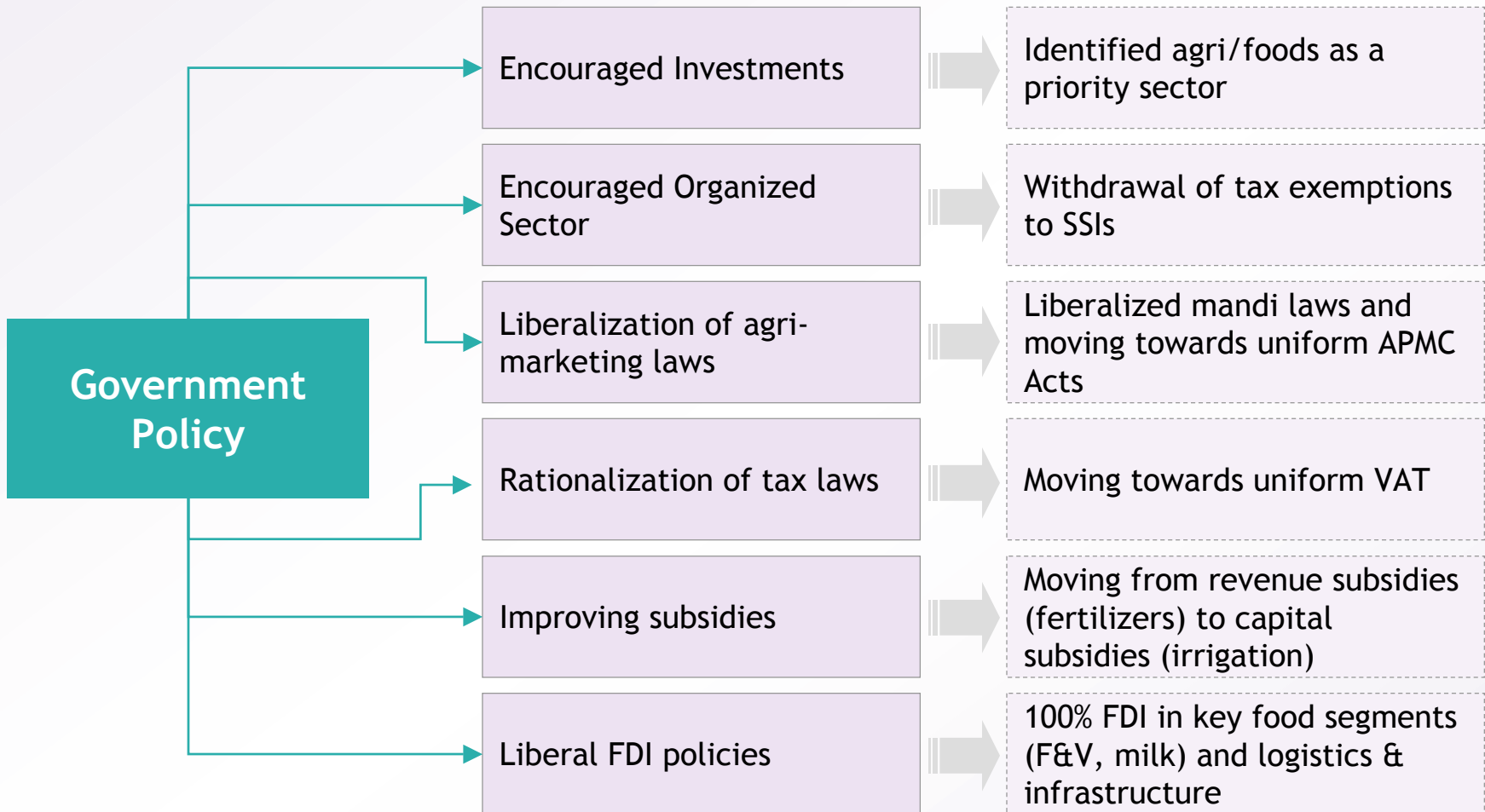
***By 2015, the processed foods will be a Rs13,500bn market***

# What is changing?



- ✓ Consolidation of the agri-marketing chain
- ✓ Investments in infrastructure and logistics
- ✓ High degree of value addition
- ✓ Increased demand for branded packaged foods

# The Government: An Unexpected Catalyst



# The Corporate Sector: Large Appetite

Corporate	Market Cap (Rs bn)	Current Projects	Proposed Ventures
Reliance	1,900	Reliance Fresh	\$3 - 5 bn; Agri produce & food retail
Bharti	1,500	Field Fresh	\$3 - 5 bn; Agri produce, R&D and food retail
ITC	560	Choupal Sagar & branded processed foods	Rs15bn; Aggregation, processed foods
HLL	450	Branded processed foods	Rs10bn: Aggregation, processed foods

*Growing Corporate Sector participation would lead to*

- ✓ Consolidation of agri-marketing chain
- ✓ Standardization of produce and improved quality
- ✓ Improved Infrastructure and supply chain

# Consumerism: The major driving force

- Change in mindset and preferences
- Continued Urbanization
- World's youngest population - median age 24 years
- Middle class population expected to increase from 300 mn today to 500 mn in 2010
- Upward mobility of the income classes and more disposable income
- Increase in the % of women in the work force
- Awareness of health & wellness platforms
- Trickle down effect of increased consumption expenditure

Willingness and ability to try new products

Will try Tasty Bite's Thai ready-to-eat offerings

Increased consumption of value added foods

Will move from chakki ka atta to ITC's Aashirvad

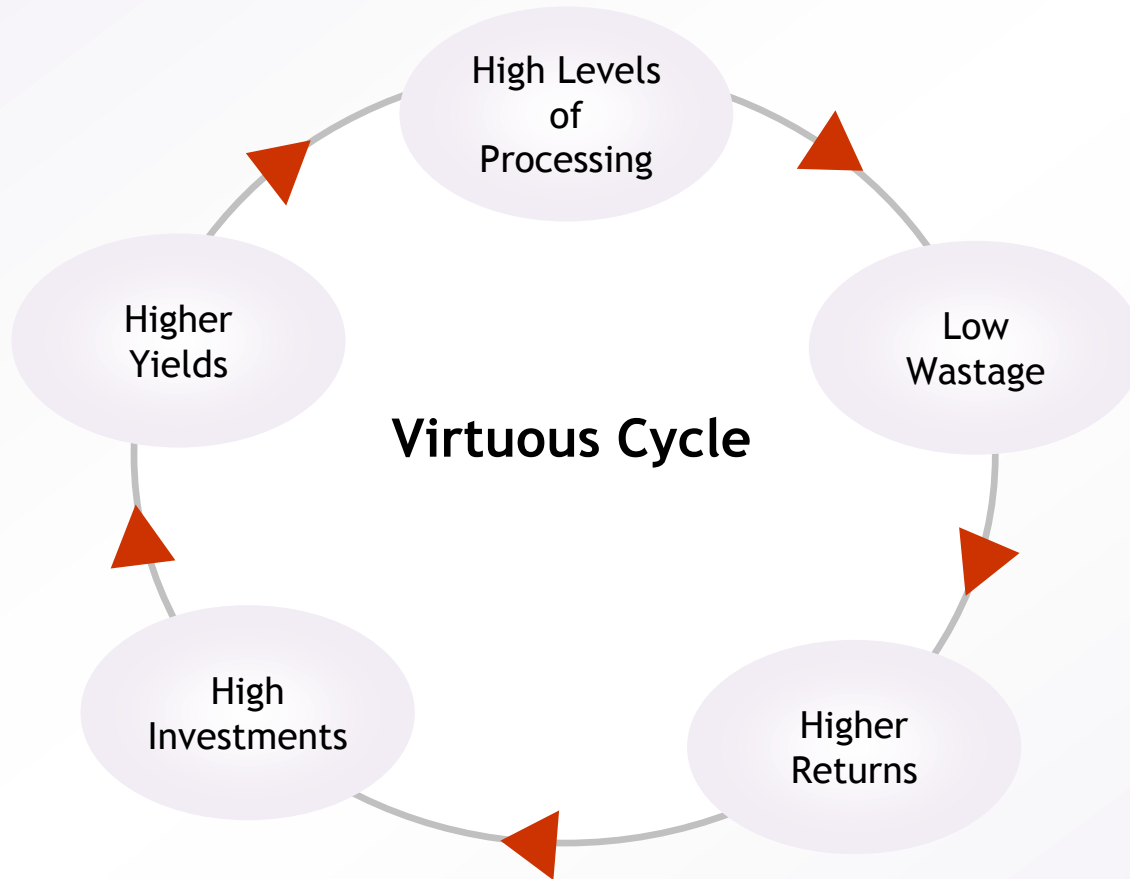
Will move from unorganized to organized retail chains

Food Bazaar, Shubhiksha experience rapid sales

Increasingly brand conscious, will move from unbranded to branded

Will buy Nestle Dahi instead of yogurt from the local dairy

...which leads us to...



*Where does the opportunity lie?*

# Mass Market Basic Foods



## Opportunity area

Nature of opportunity

Key success factor

Key challenges

Examples (mkt size)

Key players

## Mass market basic foods

High volume, low margin

Distinctive efficiency - Retail Distribution

High price sensitivity, integrating the supply chain to gain efficiency

Atta (Rs. 30 bn)  
Fresh poultry (Rs 300 bn)  
Edible oils ((Rs. 600 bn)  
Sugar (400 bn)

Godrej, ITC, HLL, Ruchi, Venky's



# Mass Market Value Added Foods

## Opportunity area

Nature of opportunity

Key success factor

Key challenges

Example

Key players

## Mass market value added foods

High volume, moderate margin

Innovative product, efficient delivery

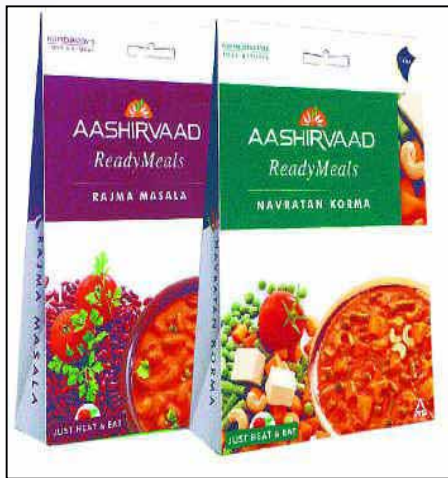
Improving product taste and quality, Strong unorganized sector, altering consumer habits

Bakery (Rs. 70 bn)  
Dairy products (Rs. 450 bn)  
Tea (Rs. 40 bn)  
Coffee (Rs. 12 bn)

ITC, Amul, Nestle, HLL



# Niche Market Foods



## Opportunity area

Nature of opportunity

Key success factor

Key challenges

Examples

Key players

## Niche market foods

Low volume, high margin

Innovative products

Limited size, investment in product development and brand building

Ready-To-Eat (Rs. 15 bn)  
Chocolates (Rs. 25 bn)  
Fruit Juices (Rs. 5 bn)  
Branded Staples  
Spices, Pickles  
Snack Foods (Rs. 16 bn)

Brittania, Nestle, Dabur, Parle,  
Tropicana, ITC, MDH

# Food Exports

## Opportunity area

Nature of opportunity

Key success factor

Key challenges

Examples

Key players

## Food exports

Low volume, high margin

High export quality, front end linkages

Scaling up infrastructure, improving farm produce

Basmati Rice (Rs. 100 bn)  
Spices & Pickles  
Snack Foods (Rs. 16 bn)  
RTE (Rs. 15 bn)

ITC, MTR, Haldirams, Ruchi Soya, Tasty Bite, ADF Foods



# Food Retailing



## Opportunity area

Nature of opportunity

Key success factor

Key challenges

Example

Key players

## Non-processing opportunities

High volume, low margin

High investments, high efficiencies, linkages within chain

High capital investment

Food retail (Rs. 300 bn)

Food Bazaar, Reliance, ITC, Subhiksha

# Ancillary Businesses

Business Category	Investments By 2015 (Rs bn)	Key Players
Cold Chain Logistics	23	Container Corporation, Snowman (Gateway Distriparks Limited), RK Foodland
Packaging & Bar Coding	15	Paper Products, Bartronics
Warehousing & Containerization	2	Container Corp, NBHC, CWC, Gateway Distriparks Limited
QC and R&D labs	4	Bharti, Amul
Agri Inputs & Irrigation	4	Jain Irrigation, Advanta, Syngenta
Commodity Exchanges	NA	MCX, NCDEX

# All In All.....We Believe

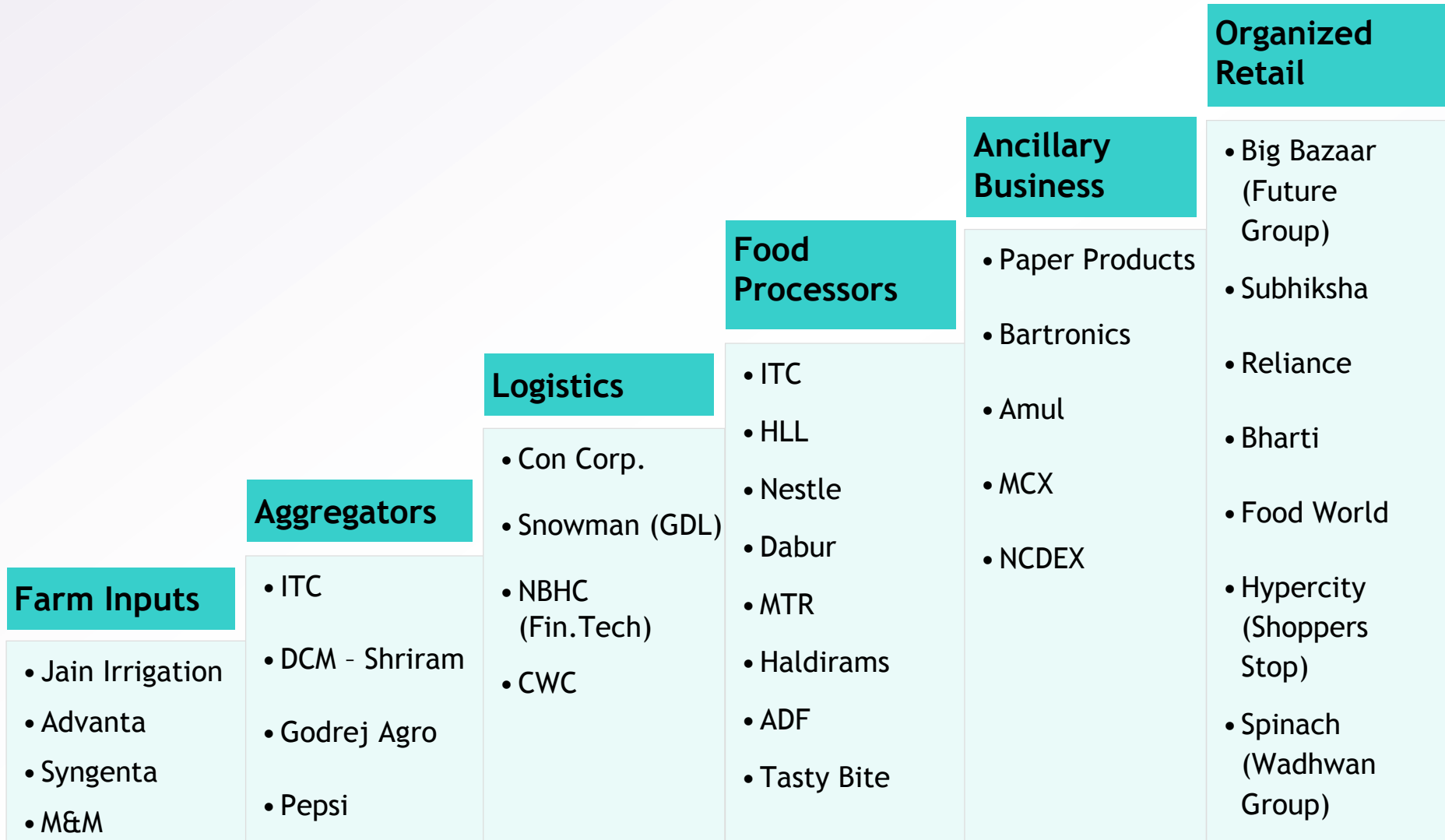
- Changing demographics
- Huge domestic demand
- Abundant raw materials

- Corporate participation
- Consolidation of agri-marketing
- Improved supply chain

- Foods - major thrust area
- Relaxed regulatory framework
- Rationalized - food & tax laws

***Rs13,500bn  
Opportunity***

# ...back the value creators



# Appendices



# Appendix 1: The potential

(Rs bn)	2003 - 04	2009 - 10	2014 - 15
Fruits & Vegetables	49	290	550
Dairy	1,160	2,500	4,400
Edible Oil	495	710	980
Meat & Poultry	27	87	190
Non-Alcoholic Beverages (tea & coffee)	101	169	253
Grain Based Products (rice, flour, breads, biscuits, snack & RTE, pastas)	1,464	2,093	3,089
Marine Products	70	173	377
Sugar & Sugar Based Products (sugar, confectionery, chocolates)	260	355	519
Alcoholic Beverages (beer, spirits, wine)	234	553	1153
Pulses	400	605	810
Other Beverages (aerated & malted)	92	172	276
Spices	175	450	886
Salt	25	53	90
<b>TOTAL</b>	<b>4,600</b>	<b>8,200</b>	<b>13,500</b>
<b>Primary Processed Foods</b>	<b>2,800</b>	<b>4,200</b>	<b>5,700</b>
<b>Value Added Foods</b>	<b>1,800</b>	<b>4,000</b>	<b>7,800</b>
<b>TOTAL</b>	<b>4,600</b>	<b>8,200</b>	<b>13,500</b>

# Appendix 2: Investments required

(Rs bn)	2005 - 10	2010 - 15	Cumulative 2005 - 2015
<b>PROCESSING</b>			
Fruits & Vegetables	70	40	110
Dairy	217	101	318
Edible Oil	3	3	6
Meat & Poultry	9	11	20
Non-Alcoholic Beverages (only tea)	53	15	68
Grain Based Products (rice, flour, breads, biscuits, snack & RTE, pastas)	63	62	125
Marine Products	16	64	80
Sugar & Sugar Based Products (sugar, confectionery, chocolates)	84	88	172
Alcoholic Beverages (only wine)	5	4	9
<b>Sub-total</b>	<b>520</b>	<b>390</b>	<b>910</b>
<b>OTHER INVESTMENT: MRKT DEV + INFR</b>			
Market Development Fund	10	4	14
Infrastructure	30	43	73
<b>Sub-total</b>	<b>40</b>	<b>47</b>	<b>87</b>
<b>TOTAL</b>	<b>560</b>	<b>437</b>	<b>997</b>

# Appendix 3: Definitions

## ✓ Primary Processed Foods

- Packed fruits & vegetables, packed milk, unbranded edible oil, milled rice, flour, tea, coffee, pulses, spices and salt

## ✓ Value Added Processed Foods

- Processed fruits & vegetables, juices, jams, pickles, squashes, concentrate, processed dairy products - ghee, paneer, cheese, butter, branded edible oils, breads, biscuits, snack foods, pasta, processed meat, processed poultry, processed marine products, confectionery, chocolates, alcoholic beverages

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