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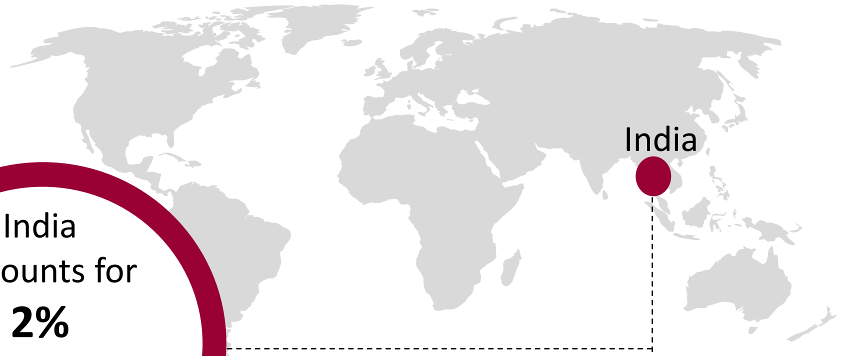
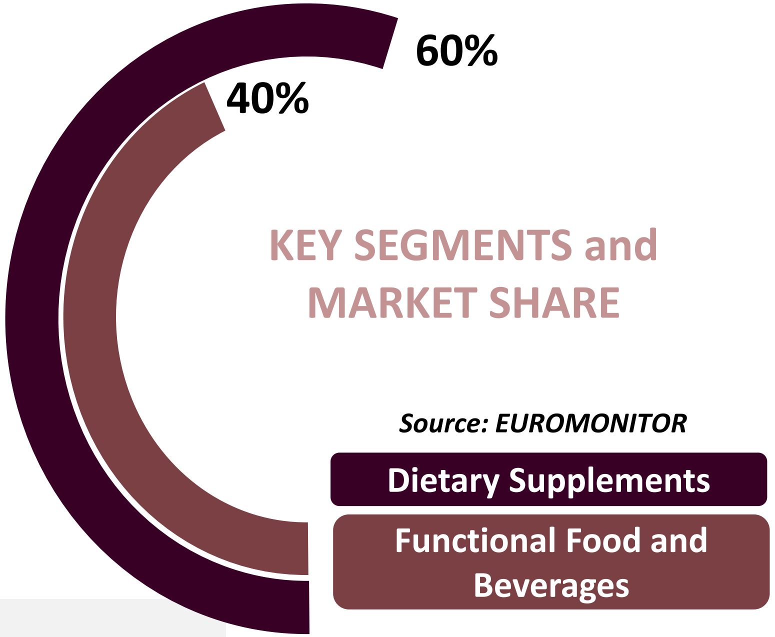
Opportunities in the Indian Nutraceutical and Wellness Sector

May 2020

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *OVERVIEW*



India accounts for **2%** of the global nutraceutical market



In terms of application, nutraceuticals are used for:

- **Nutritional Deficiency** – 51%
- **Muscle Building** – 30%
- **Weight Management** – 15%

Source: Healthcare Federation of India, BioSpectrum, Economic Times

Consumer Segments

- **Growing children**
- **Teenagers**
- **Young adults**
- **Pregnant women and new mothers**
- **60 above age groups** specifically vulnerable to diabetes, bone related issues

The dietary supplements market was valued at **USD 6 billion** in 2019.

The functional food and beverages market was valued at **USD 4 billion** in 2019.

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *DIETARY SUPPLEMENTS*

OVERVIEW

Valued at **USD 6 billion** in 2019

CAGR of **6%**

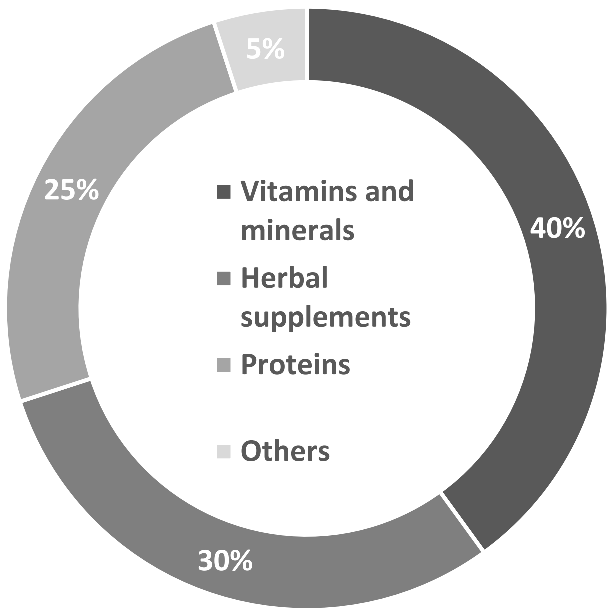
Expected to reach **USD 7 billion** by 2022

Vitamins & Minerals leads with 40% of the market share

Amway leads with a market share of 12%

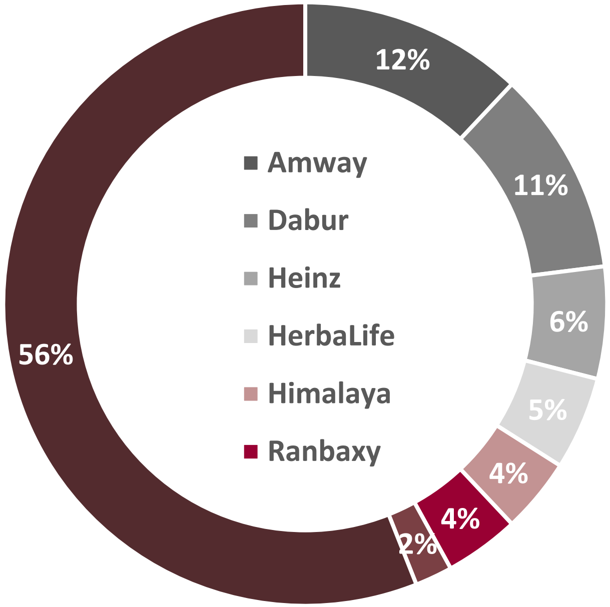
Source: Euromonitor

KEY SEGMENTS-MARKET SHARE



India is one of Amway's top 10 markets. Amway has invested USD 150 million including USD 80 million in their manufacturing and R&D facility in the southern Indian state of Tamil Nadu

KEY PLAYERS-MARKET SHARE



KEY PRODUCTS

Company	Products
Amway	Nutrilite
Aventis Pharma	Seacod capsules
Dabur	Glucose
Danone	Protinex
Novartis	Calcium Sandoz

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *FUNCTIONAL FOODS*

OVERVIEW

Valued at **USD 2.7 billion** in 2019

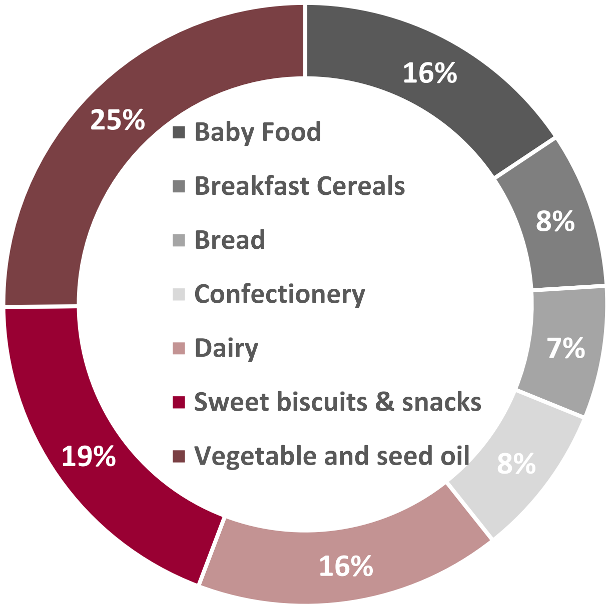
CAGR of **10%**

Expected to reach **USD 4 billion** by 2022

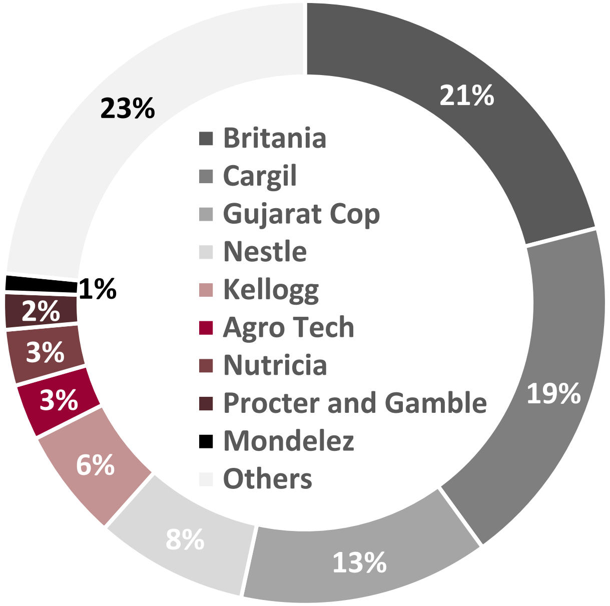
Probiotic yoghurt leads with its sales increasing by 24%

Britannia industries leads with a market share of 21%

KEY SEGMENTS - MARKET SHARE



KEY PLAYERS - MARKET SHARE



MARKET TRENDS & PROSPECTS

- Fortification increasingly employed as a strategy to improve the nation's health and combat malnutrition
- FF vegetable and seed oil remains the largest category in value terms in 2019
- Packaged food companies continue to expand their FF portfolios
- Sweet biscuits—largest category by sales in 2019—due to robust demand for micronutrient-fortified products

Source: Euromonitor

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *FUNCTIONAL BEVERAGES*

OVERVIEW

Valued at **USD 1.3 billion** in 2019

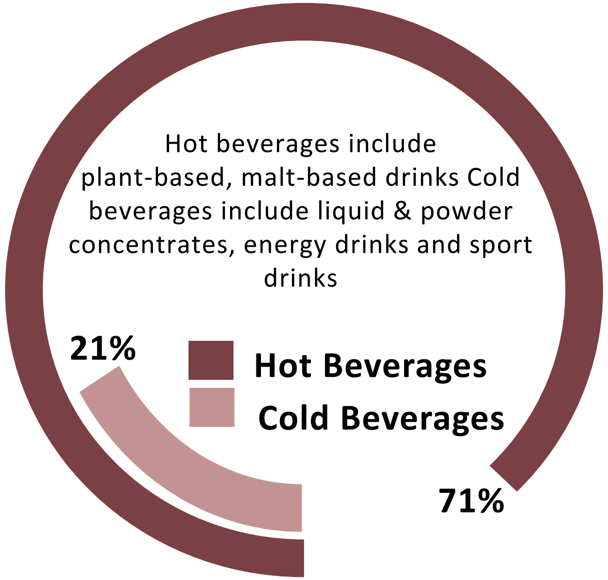
CAGR of **8%**

Expected to reach **USD 1.8 billion** by 2022

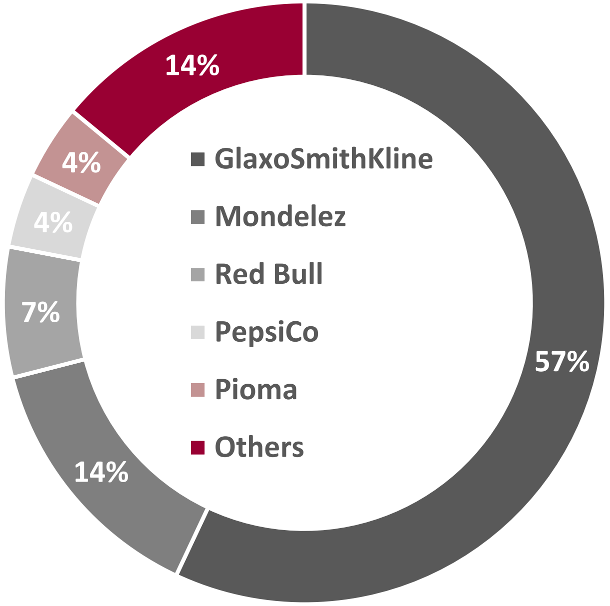
Sports drinks lead with sales-increasing by 23%

GlaxoSmithKline leads with a market share of 57%

KEY SEGMENTS-MARKET SHARE



KEY PLAYERS-MARKET SHARE



MARKET TRENDS & PROSPECTS

- FSSAI regulation-caffeine content less than 300 mg/l. Specific labelling for content above 145 mg/l
- Sport drinks witness growth as more people are engaging in physical activities
- New products launches to combat fatigue in adults - Horlicks Adult
- GlaxoSmithKline faces stiff competition from Cadbury

Source: Euromonitor

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *TRENDS AND GROWTH DRIVERS*

DEMAND DRIVERS

Micronutrient deficiency: For example, tier 1 cities like Mumbai and Delhi the vitamin deficiency covers almost 70%

Affordability: Reducing affordability of hospitalization costs are driving consumers towards Health Supplements and Nutraceuticals

Affluence: Affluence of working population with changing Lifestyles, dietary patterns and an increase in disposable income

Awareness: Increasing nutrition care awareness and access to information

SUPPLY DRIVERS

- Strong macro-economic indicators
- Strategic location
- India as a global manufacturing hub under Make in India
- India as a global hub for R&D facilities
- Low labour cost
- India's vision & commitment for world class Infrastructure
- Strong technical and skilled capability
- Availability of ingredients
- Accessibility of products through e-commerce

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *OPPORTUNITIES*

Strength

- High growth potential driven by changing lifestyle patterns
- Dominance of younger population with significant nutritional deficiency
- Wide acceptance of nutraceuticals due to historical lineage of Ayurveda.
- Availability of key ingredients

Weakness

- Fragmented nature of market-key players have niche markets
- Lack of information for efficacy

OPPORTUNITIES

- Fitness related products—protein powders, muscle weight gain powders
- Manufacturer of wearable health devices and fitness products
- E-commerce specific to nutraceuticals
- Functional Foods: high growth potential
- Organic food and beverage sector
- Software for integrating healthcare apps with nutraceuticals
- PE and VC funding for early stage business under Make in India initiative
- Fermented foods, baking alternative, vegan alternatives
- Breakfast cereals-growing at a CAGR of 22%

Threats

- Spurious products and brands
- Limitation of geographies - most nutraceutical products are sold as premium products limiting their trial to urban areas

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *KEY PLAYERS*

Functional Foods

Functional Beverages

Dietary Supplements

- The consumer healthcare division of GlaxoSmithKline—a Fast Moving Healthcare Company—include Horlicks, Horlicks biscuits, Maltova products, Boost, Viva (GlaxoSmithKline)
- Amway has 16 healthcare products in the Indian market under the nutrition and wellness category. Nutrilite is a popular vitamins, minerals and dietary supplement in the market. (Amway)
- Abbott: It manufactures fortified B-complex capsules, nutrition products like PediaSure for toddlers, Similac for infants, Ensure for adults among others. (Abbott)
- Danone: Danone's nutrition business comes under the umbrella of Danone Nutricia and has brands such as Protinex, Dexolac, Farex and Nusobee (DANONE — ONE PLANET. ONE HEALTH)
- Kelloggs: It's cereal, Fibreall and Metamucil fall under the category of dietary substances (Kellogg's)
- Dabur: India's largest Ayurvedic medicine & related products manufacturer. Its product range includes Chavanprash, Glucose-D, Real and Active juices amongst others (Dabur)
- Himalaya: Product range include prescription based and OTC health supplements for all (Himalaya SINCE 1930)
- Patanjali: Product range included aloe vera juice, amla juice and many more under food supplements (पतंजलि)

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *CASE STUDY*

Product category: Proteins, Fats and Oils, Bad fats, Dietary fibers, Minerals & Vitamins

Manufacturing units: 8—Punjab, Tamil Nadu, Karnataka, Haryana, Goa, Uttarakhand, Himachal Pradesh

Products with highest sales: NAN GROW, Nestogen

Pan-India presence and the market leader in the infant cereals segment

NESTLE INDIA

Nestle entered the Indian market in 1912. It established its first manufacturing unit in 1961. It has now established R&D facilities in India

57% of Amway's revenue is generated from nutrition products

Invested USD 80 million in a manufacturing unit in Tamil Nadu .

Tamil Nadu facility to cater to European and African market

Amway previously directly sold to customers. In 2018, it launched stores

AMWAY

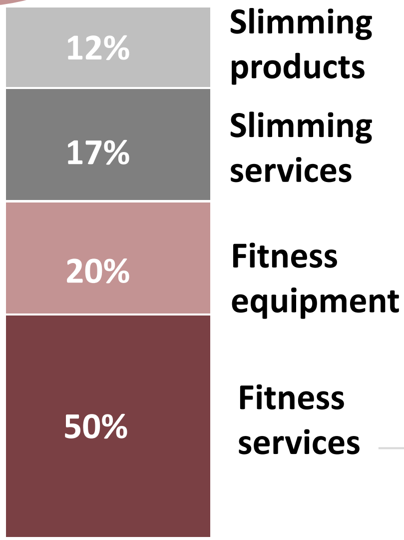
Amway targets to have India in the top 3 markets in the next 5 years. Nutrilite has a legacy of 80 years and is the world's #1 selling brand of dietary supplements

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *LUXURY WELLNESS*

MARKET SEGMENTS

Beauty services
Products: Skincare and haircare
Service providers: salons, spas

Fitness services
Products: Fitness equipment, slimming products
Service providers: Fitness & slimming centres

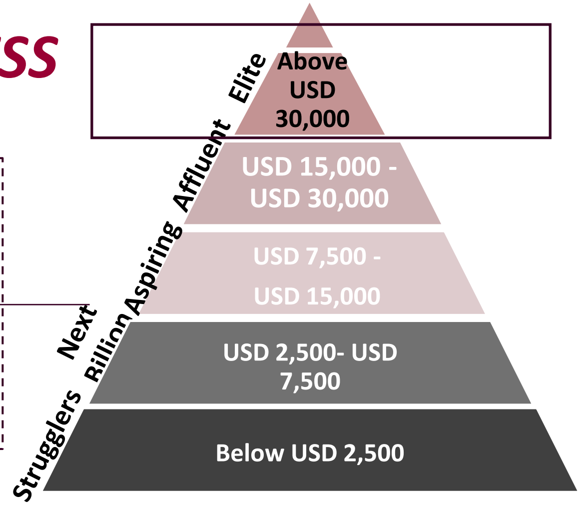


Rejuvenation:
Products: Skincare
Service providers: spas

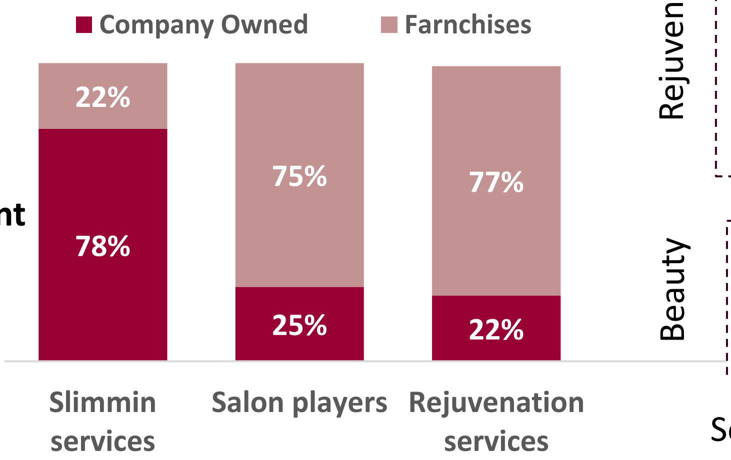
- ❖ Valued at USD 110 million
- ❖ Dominated by traditional massages and services
- ❖ Key players include—Four Fountains, Chandan Sparsh, Amatrra, Ananda spa, Aura

END CONSUMERS

- ❖ Demand generated by the elite and affluent population
- ❖ India's growing middle class fueling demand for wellness products
- ❖ Consumer spends on grooming have doubled over the last five years,



GROWTH OF FRANCHISES FUELLING DEMAND



KEY PLAYERS

Rejuvenation
- ❖ Elizabeth Arden, L'occitane, Este Lauder, Skinceauticals, Lamer

Beauty
- ❖ Neutrogena, MAC, Clinique, Kiehl, Loreal,

Source: Media releases, Euromonitor, T&A Analysis

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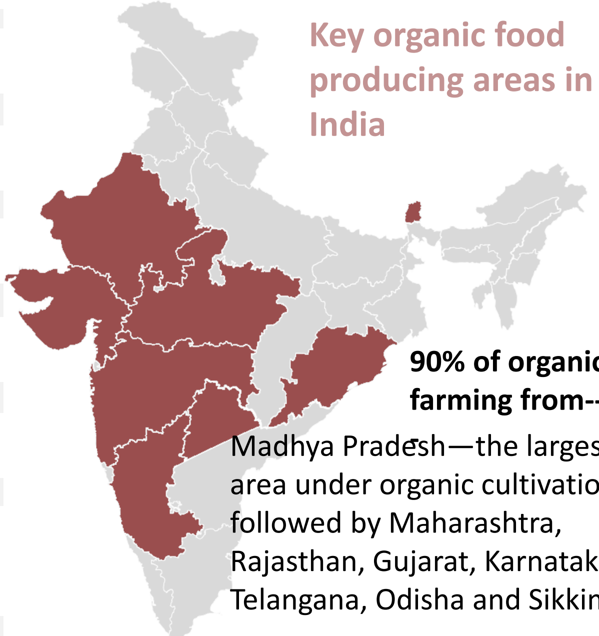
INDIAN ORGANIC FOOD: *OVERVIEW*

- Valued at USD **700 million** in 2018
- Annual growth rate of **~23%** in 2018
- Production **2.67 million ton** in 2018-19
- Sugar, oilseed, fibre, cereals and millets—**85%** of the market.
- Tier 1 and Tier 2 cities are the largest end-consumer segments.
- Ready to eat snacks, cookies, medicinal plants, juices and herbs-new product categories

INDIA: A PRIME SUPPLIER OF ORGANIC FOOD

- India houses 835,000 organic farmers
- 9th in terms of area under cultivation-1.5 million hectare
- ~ **700** processors
- ~ **650** exporters
- 2nd largest exporter of organic products
- **USA, European Union, Canada and New Zealand-**prime export locations

Key organic food producing areas in India



90% of organic farming from----
Madhya Pradesh—the largest area under organic cultivation—followed by Maharashtra, Rajasthan, Gujarat, Karnataka, Telangana, Odisha and Sikkim

Government schemes aiding India's position as a prime supplier:

- **National Programme on Organic Farming (NPOF)**
- **Rashtriya Krishi Vikas Yojana**
- **Network Project on Organic Farming and Agricultural Research**
- **Horticulture Mission for North East and Himalayas**

Source: APEDA, ASSOCHAM

INDIAN HERBALS INDUSTRY: *OVERVIEW*

OVERVIEW

The India Ayurveda industry is valued at **USD 1 billion in 2019**, growing at a **CAGR of 8%**

2nd largest exporter of medicinal plants in the world

6,500 herbal plant species in India – **242** are produced more than 100 MT annually.

TOP 5 COUNTRIES: INDIA EXPORTS TO: USA, Germany, Vietnam, Italy and China

Source: Ministry of AYUSH,

MARKET TRENDS & PROSPECTS

- Herbal dietary supplements is the most dynamic category - growth of 10%
- Trend and focus on natural ingredients-dietary supplements, beauty and wellness

KEY MEDICINAL PLANTS

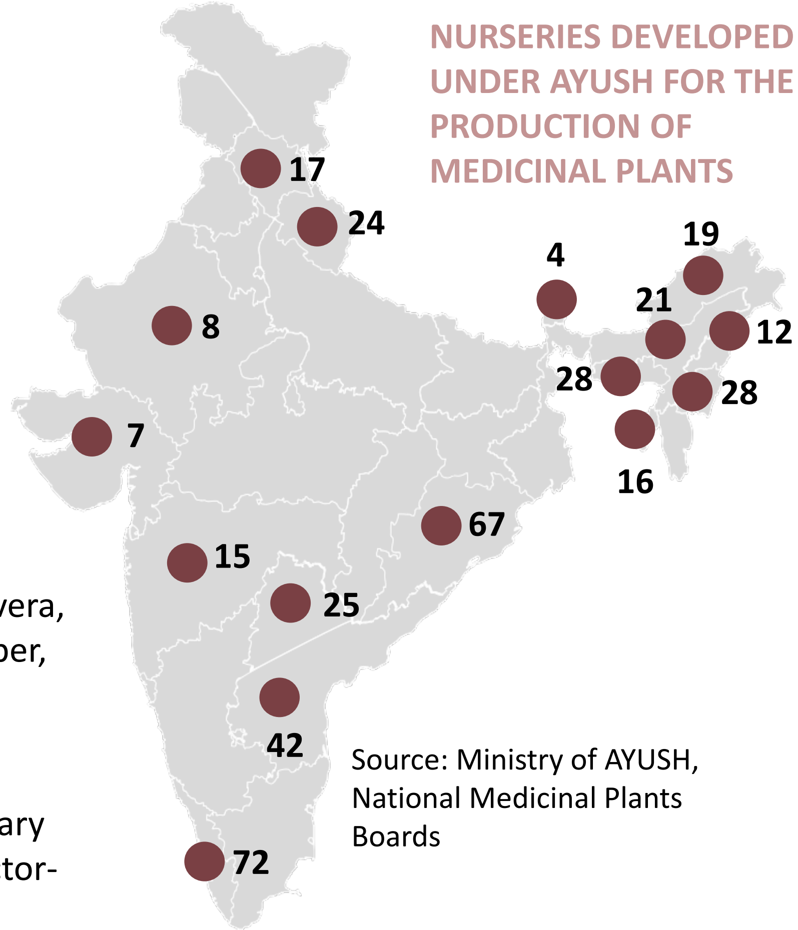
Tulsi, Neem, Amla, Mulethi, Shikakai, Aloevera, Turmeric, Ginger, Sandalwood, Black pepper, Lime

KEY END USERS

Skincare & haircare manufacturers, Dietary supplements manufacturer, Wellness sector-rejuvenation centres and spas

GOV INITIATIVES: INDIA AS A SUPPLIER OF HERBALS

NURSERIES DEVELOPED UNDER AYUSH FOR THE PRODUCTION OF MEDICINAL PLANTS



Source: Ministry of AYUSH, National Medicinal Plants Boards

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *IMPORT REGULATIONS*

Registration of a company → GST registration → IEC registration with DGFT

Agri and food products
- FSSAI
- Certificate of origin
- Phytosanitary certificate

Animal based products
- FSSAI
- Certificate of origin
- Sanitary import permit

Inspection and sampling → Approval post verification → Customers

Fee payment & clearance

*Certificate of origin is required for all manufactured and processed food

*Phytosanitary certificate is issued by plant quarantine department of exporting country

*Sanitary import permit is issued by plant and animal quarantine authority of exporting country

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *LABELLING GUIDELINES*

1. *Mention of the words "Health supplements and nutraceuticals"*

A comprehensive description to indicate the true nature of the health supplement including the common names of the categories of nutrients or substances that characterize the product

2. *Nutrition Labelling*

A declaration as to the amount of the nutrients or substances with a nutritional or physiological effect present in the product

An advisory warning 'NOT FOR MEDICINAL USE' prominently written.

3. *Ingredient List*

The quantity of nutrients, where applicable expressed in terms of % age of the relevant recommended daily allowances as specified by the ICMR and bear a warning,
"Not to exceed the recommended daily usage"

4. *Warning*

A statement/warning that the health supplement is not be used as a substitute for a varied diet.

A warning or any other precautions to be taken while consuming, known side effects, if any, contraindications, and published product or drug interactions, as applicable

A statement that the product is required to be stored out of reach of children

5. *Packaging date and Expiry date*

In lieu of health hazard the old food possess, this parameter is monitored quite strictly

INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *REQUIREMENTS*

1. *COLOUR and ADDITIVES*

The colors and additives can be used by the FBO as per Schedule VI of the FSSAI standards

2. *FLAVOURS*

Use of natural flavors or natural identical flavors or synthetic flavors in accordance with section 3.3.1 of Food and Safety Standards (Food Products Standards and Food Additives) Regulations, 2011

3. *QUALITY and STANDARDS*

The tablets, capsules and syrups shall fulfil the general quality requirements and standards as specified in Indian Pharmacopoeia, British Pharmacopoeia or United States Pharmacopoeia

4. *NUTRIENTS*

The quantity of nutrients added to the articles of food shall not exceed the recommended daily allowance as specified by the Indian Council of Medical Research (ICMR)

5. *COMPOSITION*

Composition to deliver desired level of essential nutrients required according to guidelines by ICMR

6. *TOLERANCE LIMIT*

The tolerance limit for variation in case of articles of food during analysis of samples of finished products, shall not be more than (-) 10% from the declared value of the ingredients on the label.

7. *INGREDIENTS*

Ingredients specified by FSSAI may be used

8. *APPROPRIATE LISTING*

Botanical plants, vegetables, non-modified food, hormones and steroids—not to be listed under nutraceuticals or health foods

9. *CONTAMINANTS*

The articles of food shall conform to the Food Safety and Standards (Contaminants, Toxins and Residues) Regulations, 2011

Source: Research Centre for Health Supplements and Nutraceuticals (ReCHaN)

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INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: *DISTRIBUTION CHANNELS*

- **Segments**
  - **Store-based Retailing**
    - Modern retail chains
      - Supermarkets/stores
      - Cash and carry stores
    - Pharmacies
    - Mom and pop store
  - **Non-store Retailing**
    - Direct Selling
    - E-commerce

Source: Euromonitor

Functional Foods:
92% is store based selling.
8% is non-store-based selling

Functional Beverages:
100% is store based selling.

Functional Beverages:
75% is store based selling
25% is non-store based selling.

THANK YOU