Opportunities in the Indian Nutraceutical and Wellness Sector

May 2020
**INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: OVERVIEW**

**MARKET SIZE**

- **2019**: USD 10 billion
- **2025**: USD 15 billion

India accounts for 2% of the global nutraceutical market.

**In terms of application, nutraceuticals are used for:**

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

**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

**KEY SEGMENTS and MARKET SHARE**

- **60%**: Dietary Supplements
- **40%**: Functional Food and Beverages

Source: EUROMONITOR

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

**Key Segments-Market Share**
- Vitamins and minerals: 40%
- Herbal supplements: 25%
- Proteins: 30%
- Others: 5%

**Key Players-Market Share**
- Amway: 12%
- Dabur: 11%
- Heinz: 6%
- Herbalife: 5%
- Himalaya: 4%
- Ranbaxy: 2%

**Key Products**

<table>
<thead>
<tr>
<th>Company</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amway</td>
<td>Nutrilite</td>
</tr>
<tr>
<td>Aventis Pharma</td>
<td>Seacod capsules</td>
</tr>
<tr>
<td>Dabur</td>
<td>Glucose</td>
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<tr>
<td>Danone</td>
<td>Protinex</td>
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<tr>
<td>Novartis</td>
<td>Calcium Sandoz</td>
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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.

Source: Euromonitor
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%

Source: Euromonitor

KEY SEGMENTS - MARKET SHARE

- Baby Food: 16%
- Breakfast Cereals: 25%
- Bread: 8%
- Confectionery: 7%
- Dairy: 8%
- Sweet biscuits & snacks: 19%
- Vegetable and seed oil: 16%

FF vegetable and seed oil remains the largest category in value terms in 2019

KEY PLAYERS - MARKET SHARE

- Britannia: 23%
- Cargil: 21%
- Gujarat Cop: 19%
- Nestle: 13%
- Kellogg: 8%
- Agro Tech: 6%
- Nutricia: 3%
- Procter and Gamble: 3%
- Mondelez: 2%
- Others: 1%

MARKET TRENDS & PROSPECTS

- Fortification increasingly employed as a strategy to improve the nation’s health and combat malnutrition
- 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
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**

- **Hot Beverages** include plant-based, malt-based drinks
- **Cold Beverages** include liquid & powder concentrates, energy drinks and sport drinks

- **71%** Hot Beverages
- **21%** Cold Beverages

**KEY PLAYERS-MARKET SHARE**

- **GlaxoSmithKline**
- **Mondelez**
- **Red Bull**
- **PepsiCo**
- **Pioma**
- **Others**

- **57%**
- **14%**
- **4%**
- **4%**
- **7%**
- **4%**

**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
- India as a global manufacturing hub under Make in India
- Low labour cost
- Strong technical and skilled capability
- Accessibility of products through e-commerce

**STRATEGIC LOCATION**

- India as a global hub for R&D facilities
- India’s vision & commitment for world class infrastructure
- Availability of ingredients
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

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

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%
**INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: KEY PLAYERS**

- **Functional Foods**
  - The consumer healthcare division of GlaxoSmithKline—a Fast Moving Healthcare Company—include Horlicks, Horlicks biscuits, Maltova products, Boost, Viva

- **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.

- **Abbott**: It manufactures fortified B-complex capsules, nutrition products like PediaSure for toddlers, Similac for infants, Ensure for adults among others.

- **Danone**: Danone’s nutrition business comes under the umbrella of Danone Nutricia and has brands such as Protinex, Dexolac, Farex and Nusobee

- **Kelloggs**: It’s cereal, Fibreall and Metamucil fall under the category of dietary substances

- **Dabur**: India’s largest Ayurvedic medicine & related products manufacturer. Its product range includes Chavanprash, Glucose-D, Real and Active juices amongst others

- **Himalaya**: Product range include prescription based and OTC health supplements for all

- **Patanjali**: Product range included aloe vera juice, amla juice and many more under food supplements
**INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: CASE STUDY**

**NESTLE INDIA**
- **Product category:** Proteins, Fats and Oils, Bad fats, Dietary fibers, Minerals & Vitamins
- **Products with highest sales:** NAN GROW, Nestogen
- **Manufacturing units:** 8—Punjab, Tamil Nadu, Karnataka, Haryana, Goa, Uttarakhand, Himachal Pradesh
- **Pan-India presence and the market leader in the infant cereals segment**

**AMWAY**
- **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**

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

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

**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.

**MARKET SEGMENTS**
- 35% Beauty centres
- 60% Cosmetic products
- 5% Beauty treatments

**END CONSUMERS**
- 35% Beauty centres
- 60% Cosmetic products
- 5% Beauty treatments

**MARKET SEGMENTS**
- Slimming services 17%
- Fitness equipment 20%
- Fitness services 50%

**END CONSUMERS**
- Slimming services 22%
- Fitness equipment 78%
- Fitness services 25%

**GROWTH OF FRANCHISES FUELLING DEMAND**
- 78% Company Owned
- 25% Farnchises
- 22% Farnchises

**END CONSUMERS**
- 22% Company Owned
- 75% Farnchises
- 77% Farnchises

**KEY PLAYERS**
- Beauty: Elizabeth Arden, L'occitane, Este Lauder, Skinceauticals, Lamer.
- Rejuvenation: Neutrogena, MAC, Clinique, Kiehl, Loreal.

**MARKET SEGMENTS**
- 78% Slimmin services
- 25% Salon players
- 22% Rejuvenation services

**END CONSUMERS**
- 78% Slimmin services
- 25% Salon players
- 22% Rejuvenation services

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

Source: Media releases, Euromonitor, T&A Analysis.
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.

Source: Ministry of AYUSH, National Medicinal Plants Boards

**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

**GOV INITIATIVES: INDIA AS A SUPPLIER OF HERBALS**

**TOP 5 COUNTRIES:**
- India exports to: USA, Germany, Vietnam, Italy and China

**NURSERIES DEVELOPED UNDER AYUSH FOR THE PRODUCTION OF MEDICINAL PLANTS**

**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

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

*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*

**Process Flow**

1. Registration of a company → GST registration → IEC registration with DGFT
2. Agri and food products:
   - FSSAI → Certificate of origin → Phytosanitary certificate
3. Animal based products:
   - FSSAI → Certificate of origin → Sanitary import permit
4. Inspection and sampling → Approval post verification → Customers
   - Fee payment & clearance
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.

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

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

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"

In lieu of health hazard the old food possess, this parameter is monitored quite strictly
INFORMATION ON THE NUTRACEUTICAL AND WELLNESS SECTOR: REQUIREMENTS

QUALITY and STANDARDS

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

COLOUR and ADDITIVES

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

COMPOSITION

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

INGREDIENTS

Ingredients specified by FSSAI may be used.

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.

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.

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).

APPROPRIATE LISTING

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

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)
INDIAN NUTRACEUTICAL AND WELLNESS SECTOR: DISTRIBUTION CHANNELS

Segments

Store-based Retailing
- Modern retail chains
- Pharmacies
- Mom and pop store

Non-store Retailing
- Direct Selling
- E-commerce

Source: Euromonitor

Supermarkets/stores
Cash and carry stores

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