Opportunities in Indian Food Processing Sector

MISSP is a facilitative platform led by Embassy of India, Berne to connect Swiss SMEs, making up more than 99% of Swiss companies, with the vibrant New India. For further information, please write to missp2@missp.ch

ABOUT MOMENTUM IN INDIA: SWISS SMES PROGRAMME (MISSP)

India has made a jump of 79 positions to 63 in 2019 from 142 in 2014 in World Bank's Doing Business rankings. The World Bank has hailed India as one of the top 10 improvers for the third consecutive year. The Government of India is targeting US$ 1.4 trillion infrastructure investment over 2020-25 to enable economic growth. Switzerland is an ideal partner for India as it is amongst the leaders in the world in innovation, international competitiveness and environmental performance.

India provides a great opportunity for the Swiss SMEs sector to invest and grow.

The Embassy of India, Berne, has been promoting India as an active economic partner and investment destination for Swiss SMEs, which make up 99% of the Swiss companies. In line with this, the Embassy of India, Berne, launched the 'Momentum in India: Swiss SMEs Programme' (MISSP) to facilitate Swiss SMEs explore, enter, and expand in the Indian market.

The MISSP programme responds to the need for an organized platform dedicated to assist Swiss SMEs establish successful business models across the value chain in India. The Business support services provided by the MISSP programme to Swiss SMEs India entry/expansion strategy include the following:

- Strategy consulting
- M&A
- Operational market entry support
- Tax & legal support
- Financial services
- Project financing
- Location services
- Technology collaboration
- Partner Search and Due diligence

As you would have noticed, the MISSP is a true one-stop source for Swiss SMEs requiring support services, with the additional benefits of:

- Participation in Specialized Common Workshops by subject matter experts
- Regular tax & legal updates
- Access to the MISSP Network and Exchange Platforms to facilitate member companies to share their experiences, best practices, success stories and network among themselves

The program is implemented with the support of Central and State Governments in India and other key Indian and Swiss industry partners, who assist the Swiss SMEs have a smooth experience in various aspects of doing business in India.

As on date, 83 Swiss companies from various sectors have onboarded on the MISSP programme.

The MISSP programme is implemented and monitored by the Embassy of India, Berne, with T&A Consulting as Knowledge Partner responsible for the day-to-day management of the program and Rödl & Partner as the Legal & Tax Partner.

The MISSP team wishes you a great read of this teaser and looks forward to having you join us as the next MISSP member company.

We also invite you to visit our website www.missp.ch and follow us on Twitter at @misspeoi

Food processing is one of the fastest growing sectors in India. The sector accounts for 32% of the total CHF 544 billion Indian food market. Steady increase in the production of raw material and a growing consumer base contributed heavily to the growth of the industry.

CHF 174 billion
Indian Food Processing Sector
(2020)

CHF 33 billion
FDI in Food Processing Sector
(by 2024)

The sector is highly labour intensive employing approximately 1.77 million people who are engaged in almost 40,000 registered units.

140,000
Food Processing Units
(Registered and unregistered)

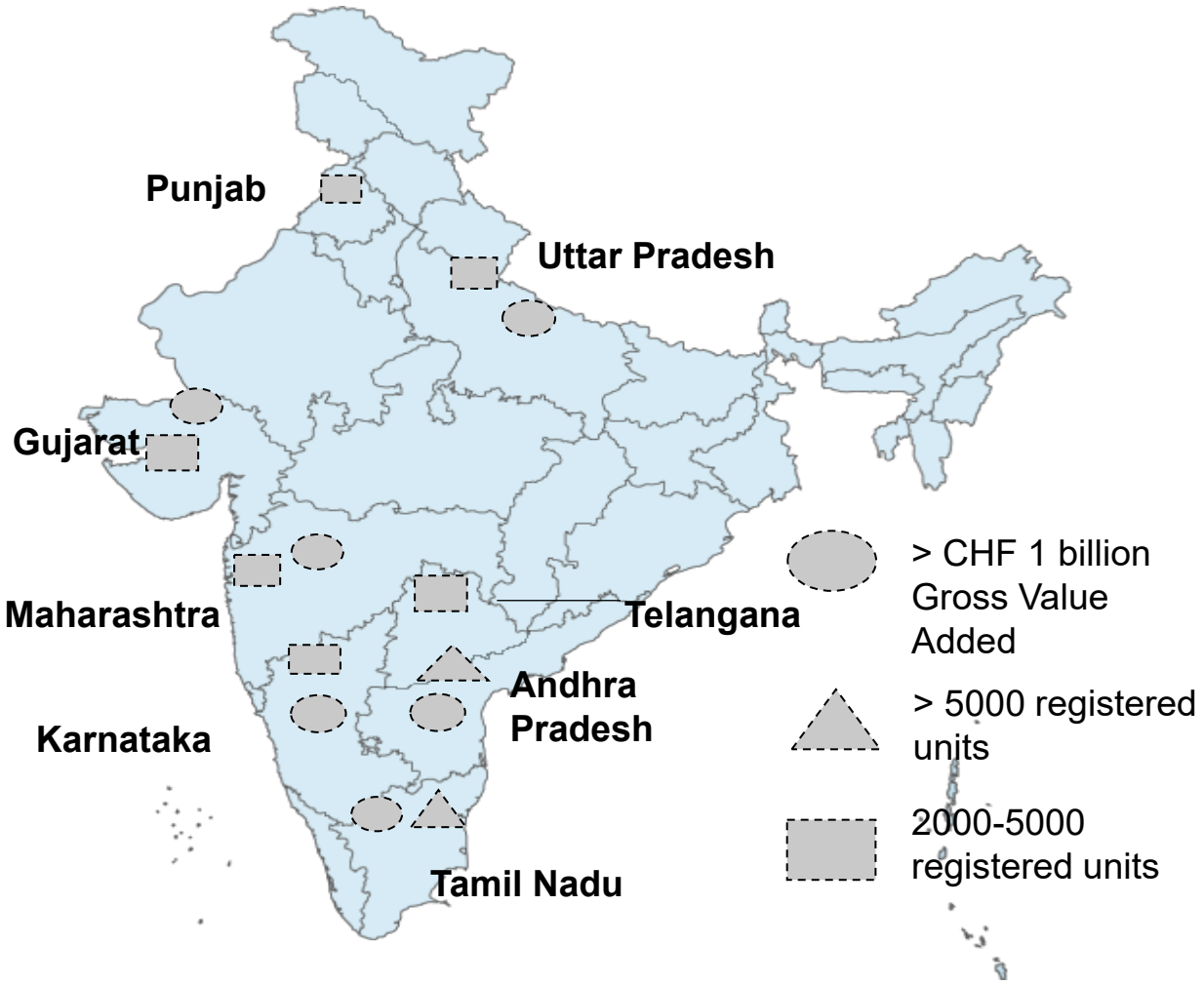
35,000
Food Processing Supply Chain Units
(Storage and transportation units)

Key Investments

Nestle (Switzerland) **Reitzel (Switzerland)**
Ferrero S.P.A (Italy) **Kerry Group (Netherlands)**

Sources: Invest India, Confederation of Indian Industries (CII), Annual Survey of Industries 2016-17, All India Food Processors' Association (AIFPA), Media releases

REGIONAL HUBS



Source: Annual Survey of Industries 2016-17

CHF 40 billion

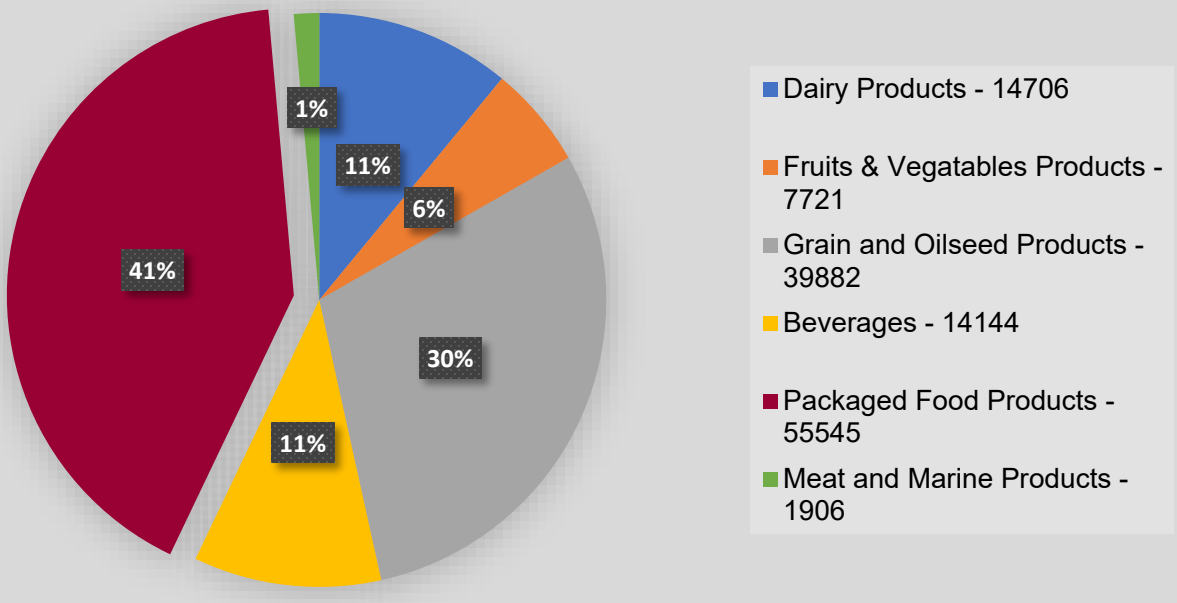
Packaged Food Market Size (2018)

High Growth Sub Segments

Savoury snacks
Seasonings
Breakfast cereals
Pet food

The industry is segmented among six major product categories based on the source of raw material and the end products.

Food Processing Segments (by number of units)



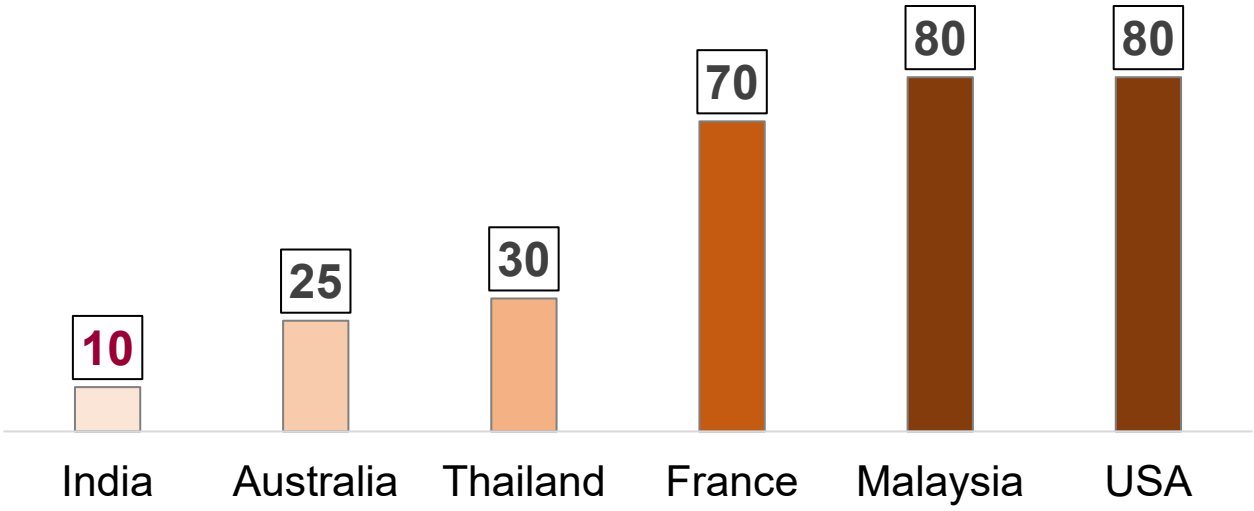
Source: Ministry of Food Processing Industries (MoFPI)

The Indian food processing sector is marred with low capacity utilization and inadequate focus on quality and safety standards.

Less than 10% of the total food produced is processed into value added products in India and post-harvest losses account for CHF 1.5 billion with the processing levels for fruits and vegetable and poultry products are as low as 2% and 6% respectively.

Processing Rate (%) for Perishable Items

India and the World



Source: Ministry of Food Processing Industries (MoFPI)

As the sector inclines towards innovation and looks to adopt modern technology to maximize capacity, the market for food manufacturing and processing plant and machinery is estimated to grow to CHF 51 billion by 2024-25.

Food Manufacturing & Processing

- Fortified health and processed organic food
- Convenience food
- Packaged local / traditional Indian drinks

Food Processing Equipment & Infrastructure

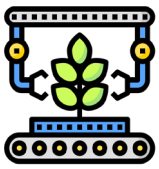
- Cold chain and storage facilities
- Food testing labs
- R&D infrastructure

Source: Ministry of Food Processing Industries (MoFPI)

GROWTH DRIVERS

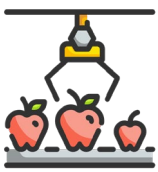
New Product Development

- Demand for new food products
- Growing market for processed, cleaned and frozen meat and poultry products



Food Processing Infrastructure

- Automation and integration of supply chain
- Packaging technology for enhanced shelf life



Fruits and Vegetable Processing

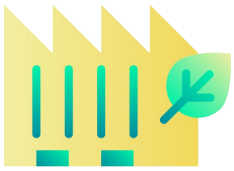
- Current processing levels in the segment are less than 2%
- Investment in technology for processing, developing, and preserving new fruit-based products

KEY GOVERNMENT INITIATIVES

The Indian Government recognizes Food Processing as a priority sector with enhanced emphasis under the Make in India initiative. Companies involved in development of infrastructure for a food manufacturing unit are eligible for a tax deduction of 100% for the initial five years.

100% FDI permitted in the sector including for trading through e-commerce

Lower GST rates of 0%, 5%, and 12% for ~80% food products



42 Mega Food Parks sanctioned including 11 operational and 4 completed parks

Note: FDI – Foreign Direct Investment, GST – Goods and Services Tax

Sources: Make in India, Department for Promotion of Industry and Internal Trade

MARKET ENTRY

Increasing consumption levels, expanding food and beverage retail segment, poor processing infrastructure set to be upgraded, and facilitative government policies offer sizeable opportunities for foreign investors across the Indian food manufacturing supply chain.

As the total consumption of the food and beverage segment in India is expected to increase significantly, the fragmented industry is looking outward at foreign players for investment in food manufacturing infrastructure, technology, and product innovation.

India Presence Modes

- Local Subsidiary/ Joint Venture
- Limited Liability Partnership
- Branch or Project Office

Distribution Channels

- Single Brand Retail
- Multi-Brand Retail
- E-commerce

As the Indian food processing sector struggles with high wastage, cold chain and storage facility infrastructure emerges as the leading segment for foreign investors to enter the Indian market. A growing young and working population has captured the interest of food processing players in frozen food products which further highlights the opportunity in processing technology.

The sector is in immediate requirement of product innovation that also retains and enhances the nutritive value of processed food.

Introduction of convenience and instant products while developing product lines that suit the diverse Indian palate presents a 'win-win' scenario for new players looking to explore the Indian market..

About Us

Business with India starts here

T&A Consulting is an international business advisory firm with operations in India, North America (Toronto, Canada) and Europe (Zurich, Switzerland) advising international businesses on their India market entry. Incepted in 2006 in the capital city of New Delhi, T&A has helped over 300 companies make inroads into the Indian market over the years.

Looking at India market? **Get in touch** **missp2@missp.ch** **+41-31-528 08 37**

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