

Industry Report

Healthy Snacks

Nuts, Seeds & Berries

Submitted To:
Proventus Agrocom Private Limited

Submitted By:
Wazir Advisors Private Limited



27th February 2023

Note

We hereby give our consent to include the contents of this Industry report and our name in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus to be filed with Securities and Exchange Board of India and / or Stock Exchange and / or Registrar of Companies which Proventus Agrocom Private Limited intends to issue in respect of its proposed Initial Public Offering. We also authorize you to deliver a copy of this letter of consent to Securities and Exchange Board of India and / or the Stock Exchange and / or Registrar of Companies.



On behalf of Wazir Advisors Private Limited,

Apoorva Sharma,

Consultant, Wazir Advisors Private Limited

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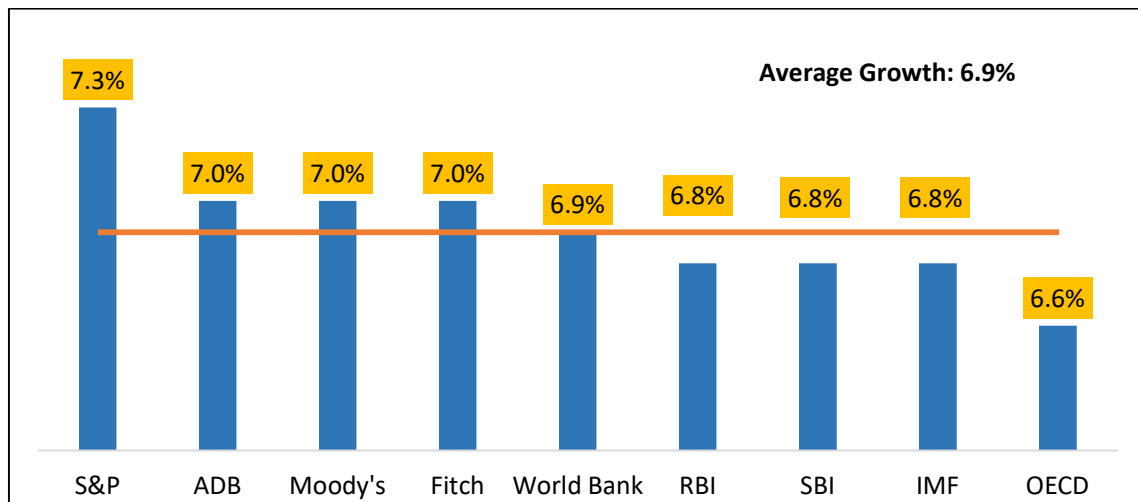
1. Overview of Indian Economy

India is set to be the second-fastest growing economy in the G20 in FY 2022-23, despite decelerating global demand and the tightening of monetary policy to manage inflationary pressures. The Indian economy was on the path of full recovery in FY22 ahead of many nations and positioning itself to ascend to the pre-pandemic growth path in FY23. Strong economic growth in the first quarter of FY 2022-23 helped India overcome the UK to become the fifth-largest economy after it recovered from repeated waves of COVID-19.

India has also faced the challenge of inflation that the European strife accentuated. Measures taken by the government and RBI, along with the easing of global commodity prices, have managed to bring retail inflation below the RBI upper tolerance target. However, the challenge of the depreciating Rupee, although better performing than most other currencies, persists. The loss of export stimulus is further possible as the slowing world growth and trade shrinks the global market size.

Despite this, agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0 per cent in FY23. These optimistic growth forecasts stem in part from the resilience of the Indian economy seen in the rebound of private consumption seamlessly replacing the export stimuli as the leading driver of growth. The uptick in private consumption has also given a boost to production activity resulting in an increase in capacity utilisation across sectors. The rebound in consumption was engineered by the extensive vaccination coverage that brought people back to the streets to spend on contact-based services, such as restaurants, hotels, shopping malls, and cinemas, among others.

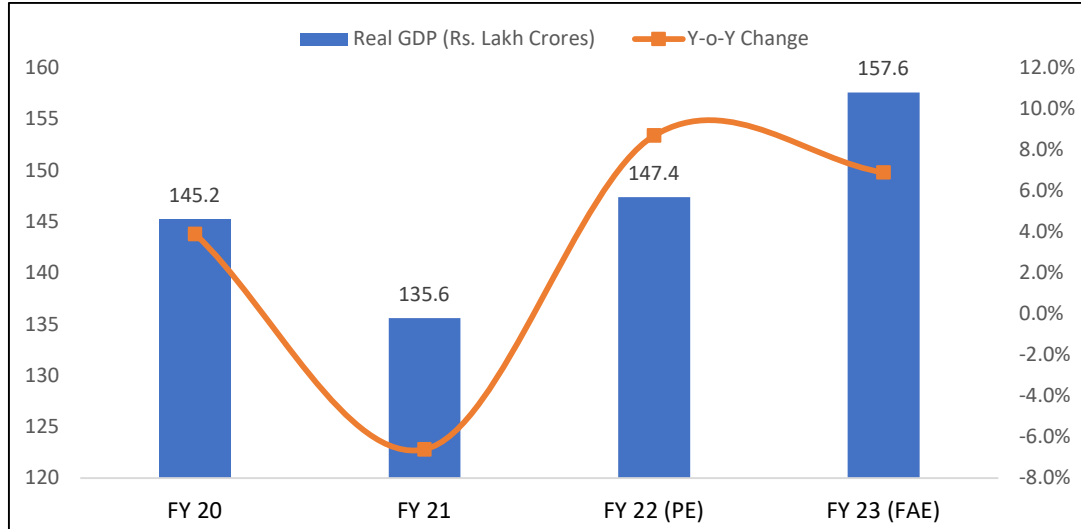
Figure 1: India's Growth Projections by various agencies in FY23



ADB: Asian Development Bank; IMF: International Monetary Fund

The GDP contracted significantly in FY 21 due to the pandemic. The following year, FY22, the Indian economy started to recover, while FY23 opened with a firm belief that the pandemic was rapidly on the wane and that India was poised to grow at a fast pace and quickly ascend to the pre-pandemic growth path.

Figure 2: India's Economic Growth



Data Source: MoSPI

PE: Provisional Estimates; FAE: First Advanced Estimates

The services sector has become the bedrock of the Indian economy contributing to more than 50% of the GDP. In line with the growth in economy, India's annual household consumption is likely to treble, making India the fifth largest consumer market by 2030. Food and beverage (F&B) is the largest segment of the consumption basket.

2. Indian Packaged Food & Beverage (F&B) Industry

The Indian food & beverage industry has been blooming quite well over the last decade. This is due to a change in social patterns and generalized economic growth. From the elementary packaged foods, baked goods, dairy and confectionery products to the deserts, snacks, and ice-cream—the industry has made considerable growth over the years. Even the beverage industry consisting of tea, coffee and other alcoholic and non-alcoholic drinks is making considerable progress. With a prominent agriculture sector, abundant livestock, and cost competitiveness, India is fast emerging as a sourcing hub for processed food.

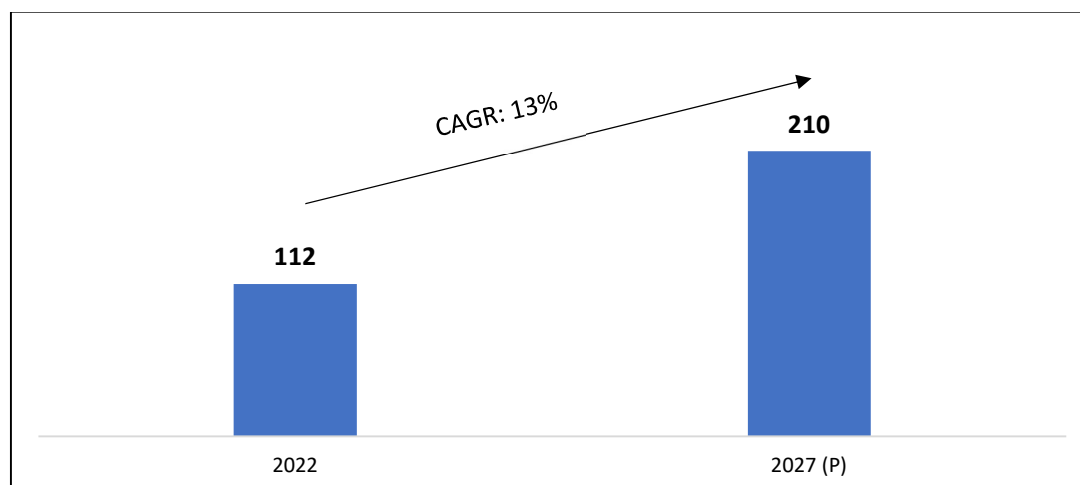
The food & beverage industry contributes to 3% of India's GDP and around 2/3rd of the total retail market in India. More than 7.5 million people in India rely on the F&B sector for employment and income. This makes it the single-largest employer in the country. F&B also acts as an engine for other sectors of the economy such as transportation, retail, hospitality services and agriculture. The current market size of the Indian Food and Beverage Industry shows a great potential for higher profit and therefore is attracting enormous foreign investments.

Food & Beverage Industry Statistics



India's packaged food and beverage industry currently stands at US\$ 112 billion and is expected to touch US\$ 210 billion by 2027, registering a growth of 13 per cent.

Figure 3: Indian Packaged F&B Market Size (Values in US\$ Billion)



Data Source: Avendus Report

In recent years, packaged food and beverage has become favourite among Indians especially in the urban cities. There has been a change in the eating habits in Metros. Due to the fast-paced life in urban cities, about 79% of the people prefer to have ready-to-eat food in their regular meal. The reasons behind the increase in the use of packaged food in urban cities are the steep rise in income, the standard of living and convenience.

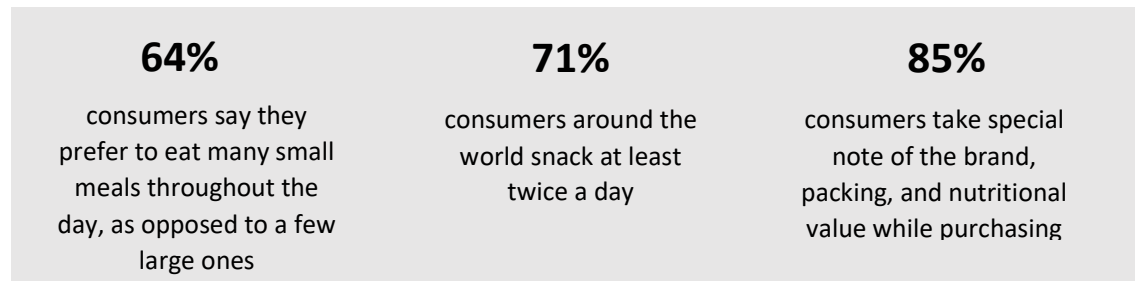
Tapping into the F&B Trends in India

- **Healthy lifestyle:** Influenced by trends for physical and mental wellbeing, Indian consumers are seeking healthier alternatives when it comes to food and beverages.
- **Convenience:** With the growing urban population and hectic lifestyles, convenience food and beverages including on-the-go snacks, ready-made meals, and packaged foods are increasingly important.
- **New experiences and flavours:** The millennial population is concerned with experiences and innovative flavours and textures.
- **Influence on Western tastes:** Over the past decade, the health food ingredients market has grown internationally. With western consumers in particular constantly seeking the next new flavour or ingredient with key health benefits, many of these ingredients originate in India.
- **Sustainability:** The younger Indian population is more concerned about environmental and social issues and seek sustainable efforts and initiatives from food and beverage companies.

3. Indian Snack Industry

A snack is everything we eat or chew either between main meals or to replace those meals. Snacking in between the meals has always been traditional in Indian culture. Further the Covid-19 forced lockdown has increased this habit of snacking multi-fold and is driving the growth of this industry.

Indian Snack Industry Statistics



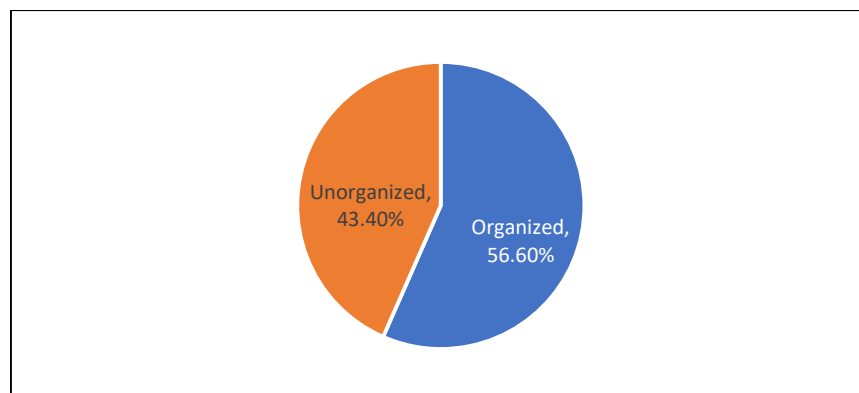
The Indian snack food market is estimated to be US\$ 6.6 billion and is growing at a CAGR of 6.3%.

Consumers are increasingly replacing meals with snacks and reporting higher likelihood to eat a snack across all three standard mealtimes. With a significant increase in main meal skipping, it is important to note that 40% of consumers “skipped at least one main meal” in 2021 vs. 30% in 2013, with breakfast being the most skipped.

Over half (55%) report their households make a meal out of snacks at least weekly. Members of Gen Z (those aged 16 to 24 years) along with slightly older millennials (25- to 34-year-olds), and specifically women within those demographics drive snacking growth.

The market is characterized by a large number of unorganized players across the product segments. However, with time, large FMCG companies understood the potential of the snacks market and entered it in a big way, using their existing supply chain to their advantage. These companies are typically characterized by a large product portfolio across multiple product categories, aggressive advertisements and promotions, active R&D, etc.

Figure 4: Indian Snacks Market Share by Type of Players



Data Source: Frost & Sullivan

Some key macroeconomic trends impacting the Indian snack market are as follows:

- **Growing, young, working-age population:** India enjoys a favourable demographic profile, as evidenced by the increasing share of its overall working-age and young working-age population. The young working-age population (20-34 years) share in the country's total population has steadily risen from 24.2% in 1990 to 25.5% in 2020 . The share of the working-age population (15-64 years of age) is also on the rise, expecting to near 70.0% towards 2030.
- **Rising middle-class population:** India's middle class constitutes approximately 60.0% of total households. As of 2016, more than 12 crore Indian households belonged to the middle-income class (earning a gross annual income between 5 lakh to 10 lakh rupees). The number of households in this bracket is expected to increase to 14 crores by 2025-26. The growing presence of a large middle-class population will be pivotal in driving higher packaged foods, and savoury snacks and sweets expenditure.
- **Rising disposable income:** Net national disposable income, a key determinant of consumer demand, is expected to rise from INR 185.3 trillion in 2019-20 to INR 319.2 trillion by 2025-26 . An increase in disposable income levels, indicative of a higher standard of living, will help improve affordability and demand for snacks.
- **Increasing nuclearization of families:** Over 60.0% of the households in India are said to be nuclear. Intensifying nuclearization is expected to drive changes in lifestyle patterns, with an increased inclination towards more convenient consumption.
- **Increasing female participation in the workforce:** Growing trends of higher female educational qualification attainment and rising labour force participation, giving rise to two-income nuclear families, are a key factor driving convenience and packaged food demand in India.

4. Indian Health & Wellness (H&W) F&B Market

Today's consumers are more aware of their personal health and wellbeing than ever. Desire for self-preservation, enhanced vitality, and preventing the onset of illness in the short and long term is urging consumers to proactively make lifestyle and product choices that can not only alleviate these concerns, but also enhance quality of life.

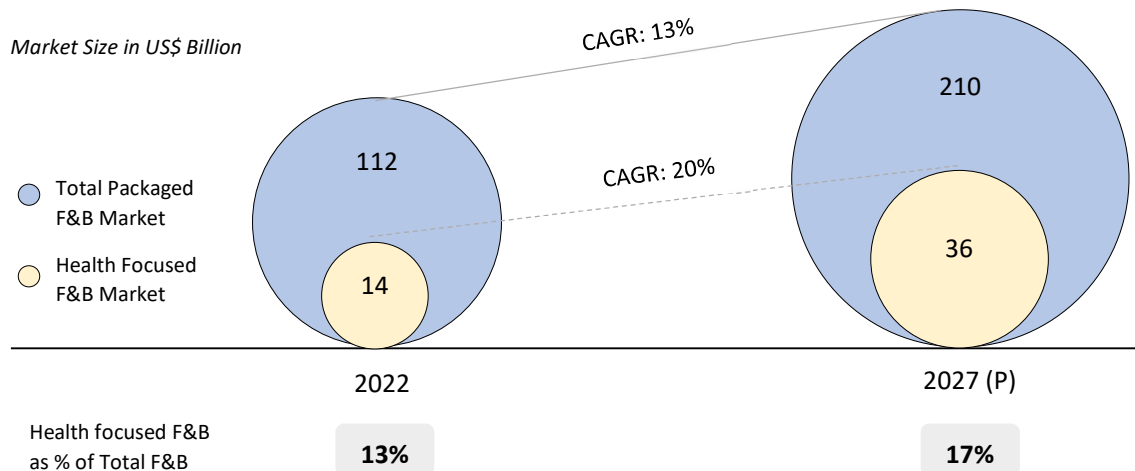
90% of global consumers believe eating healthily to be important in creating a feeling of wellbeing

55% of global consumers believe food/drinks can provide the same health benefits as non-prescription medicines

66% of global consumers are actively buying H&W F&B. A further **28%** say they are interested but not actively buying

Data Source: Food South Australia

India's health focused F&B market currently stands at US\$ 14 billion and is expected to touch US\$ 36 billion by 2027, registering a growth of 20 per cent (~1.5x of the total packaged F&B market growth).



Data Source: Avendus Report

There is a wide spectrum of products that have emerged in this space, including categories organic, functional, and plant-based foods.

Organic	Functional	Plant-Based
<ul style="list-style-type: none"> • Minimally processed natural food and beverages • Organically grown and free from man-made chemicals 	<ul style="list-style-type: none"> • Naturally enriched or fortified foods • Low in sugar/salt and high in nutrients • Free from allergen like 	<ul style="list-style-type: none"> • Dairy, meat, and other food products derived from plants or cultures

Growth Drivers of Health and Wellness Focused Food & Beverage Market

- Change in the attitude and increase in the number of health-conscious consumers: post the Covid-19 pandemic, consumers have started searching for food with functional and natural healthy ingredients. There has been a shift in their eating more mindfully – i.e. ingesting food with specific benefits beyond general wellness and nutrition. Owing to this, many Indian companies have positioned their products as super foods and containing healthy ingredients. Some important statistics to take note of are as follows:
 - **108 million** health conscious consumers in India
 - **35 million** children consuming health food due to health-conscious parents
 - **70%** Indians say they will focus on improving overall health post covid by prioritizing dietary changes
- Rising disposable income: increased spending capacity amongst the population has encouraged the trial and adoption of health-oriented products and services.
- Urbanisation: With a higher share of population living in cities, consumers are more aware and exposed to a variety of options when it comes to making choices regarding their food.
- Rising demand from millennials: The 440 million strong millennial population of India are a strong force behind increased popularity of foods with purpose driven positioning like healthy, clean label, and vegan. Health aware millennials with a high disposable income and willingness to spend on their well-being are an important customer segment of this market.
- E-Commerce penetration: today India is home to more than 150 million online shoppers, largely residing in tier-II and tier-III cities. The broader reach of these platforms has reduced barriers to entry for smaller health wellness brands, promoting customer trials.

Increase in Healthy Snacks Consumption

The snacking industry of India is expected to reach INR 1 billion by the end of 2024. This transition in consumption – from regular meals to packaged food, is now embracing a new concept of healthier packaged food.

Healthy snacks is an emerging extension within the snack market. These are food products that are considered nutritious or beneficial for a healthy diet, which are generally consumed in between meals. Health in snack food is a flexible term. In a commercial setting, healthy snacks often include a statement or claim that promote the healthy or nutritional value of the product, for example:

- Snacks with reduced amount of unhealthy ingredients: reduced sugar, less fat, no preservatives, or additives.
- Snacks with ingredients that promote health: omega-3, wholegrain, plant protein, fibres.
- Snacks developed for a specific objective or diet: gluten-free, vegan, energy snacks for sports.

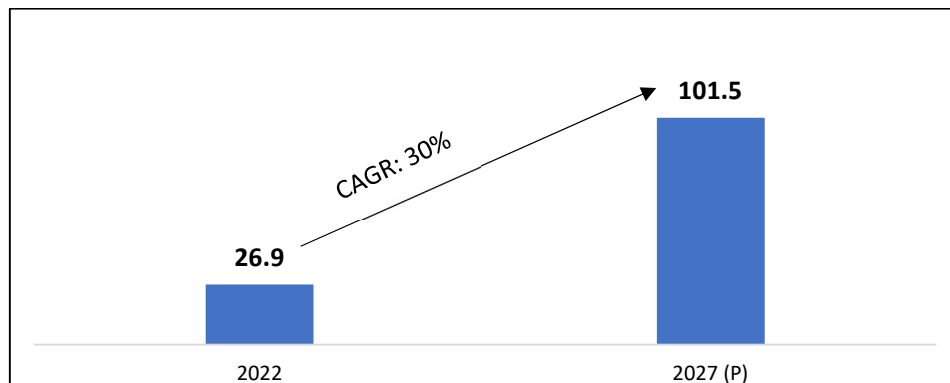
Numerous brands have emerged within this category, offering a variety of products from snack bars to trail mixes, as an attempt to cater to different consumer groups.

Bars	Trail Mixes & Superfoods	Kids Snacking	Healthy Snack
  	   	  	   

Healthy Snack Bars

The demand for quick bites has increased for saving time in this busy life and healthy bars is the perfect option for the consumer. The Indian market size of healthy snack bars is estimated at US\$ 27 billion in 2022 and is growing at a CAGR of 30%.

Figure 5: Indian Market Size of Healthy Snack Bars (Values in US\$ Billion)



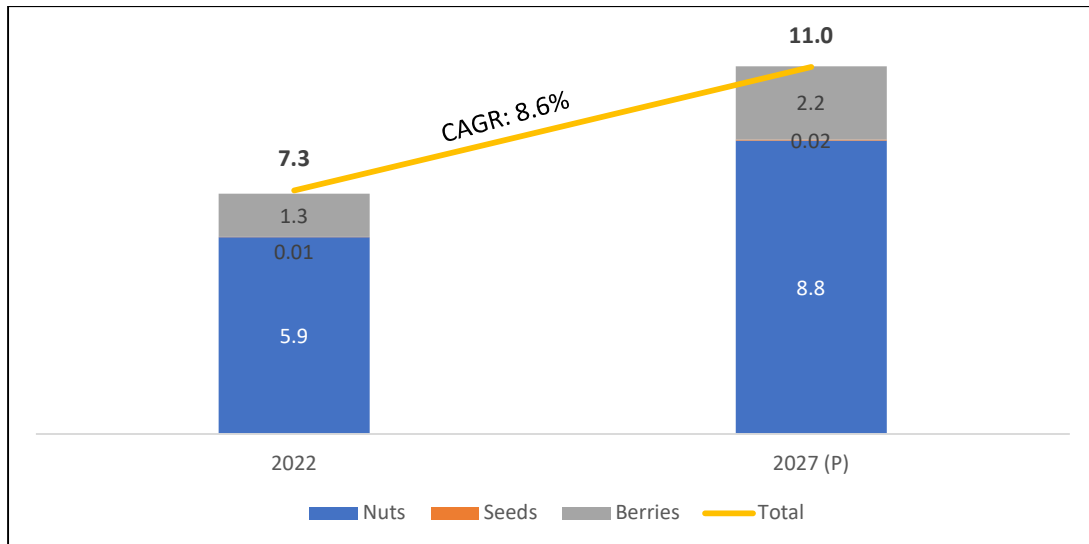
Segments of Healthy Snack Bars:

- Cereal bars
- Energy bars
- Weight loss bars
- Nutrition bars
- Other bars

5. Overview of Nuts, Seeds & Berries

The Indian edible nuts, seeds and berries market size is valued at US\$ 7.3 billion in 2022 and is expected to grow at a CAGR of 8.6%. Nuts have a dominant share in the Indian market.

Figure 6: Indian Market Size of Nuts, Seeds & Berries (Values in US\$ Billion)



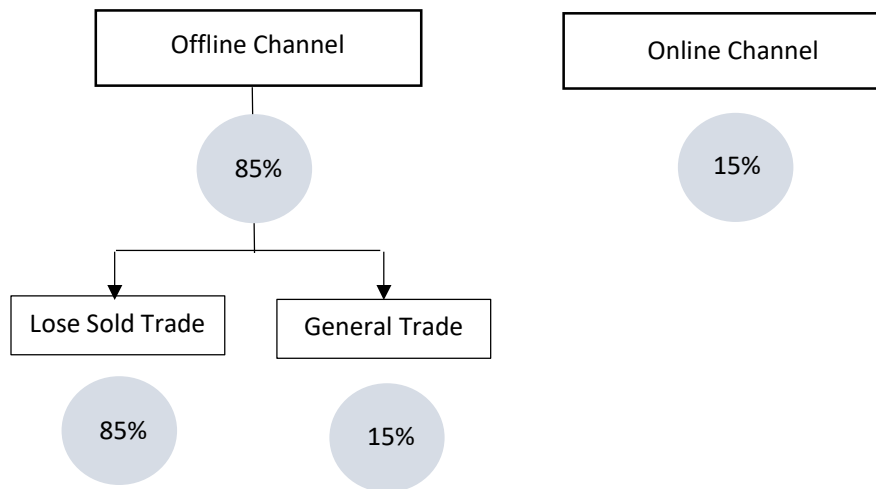
- Almond – Jammu & Kashmir is the largest producer of almonds (95% share) in India. The nut is also produced in limited quantities in the states of Himachal Pradesh and Maharashtra. However, it must be noted that most of the almond in the Indian market is imported from the USA.
- Walnut – Jammu & Kashmir (80% share), Himachal Pradesh, and Uttarakhand are the leading walnut producing states in India.
- Pistachio – Almost 99% of pistachios in India are grown in Jammu & Kashmir.
- Peanut is grown mostly in five states namely Andhra Pradesh, Gujarat, Tamil Nadu, Karnataka, and Maharashtra, and together they account for about 90% the crop's total area.
- Cashew nut is an important dry fruit grown in eight states in India namely Andhra Pradesh, Goa, Kerala, Karnataka, Orissa, Maharashtra, Gujarat, and Tamil Nadu, with Maharashtra leading the crop growth.
- Raisins are mainly produced in Sangli, Solapur and Nashik districts of Maharashtra and Vijayapura and Bagalkot districts of Karnataka
- Sunflower seeds – Karnataka (80%), Andhra Pradesh, Bihar
- Flax seeds – Madhya Pradesh & Uttar Pradesh (60%)

- Pumpkin seeds – Orissa & Uttar Pradesh (60%)

Transition from Unorganised to Organised Sales

Majority of sales in the nuts, seeds, and berries market is dominated by unorganised channels wherein these are sold openly in local markets. This market has a wide prevalence of loose, unbranded, and unpackaged products which are not always hygienically processed, thereby carry a risk of adulteration.

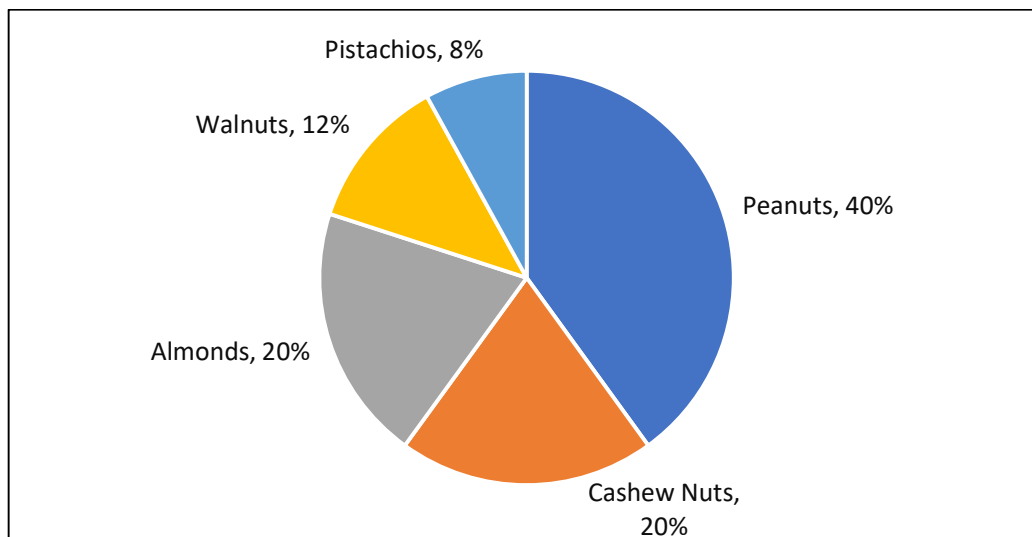
However, the share of organised sales has been on the rise, with more brands coming up each year in the retail market. A detailed breakup of the existing channel wise sales has been provided below:



Edible Nuts

The Indian edible nuts market size is valued at US\$ 5.9 billion in 2022 and is expected to grow at a CAGR of 6.7%. Peanuts dominates the Indian market with a value share of 40%, followed by cashew nuts and almonds with a value share of 16% each.

Figure 7: Market Breakup of Edible Nuts



Brand Segmentation of Edible Nuts Market

The mass segment makes up for 70% of the edible nuts market and most of the nuts are sold openly in the market or by local brands across the region. The mid premium and premium segment contribute 20% and 10% respectively.

Leading brands of edible nuts in India include: Happilo, Nutraj, Tulsi, Solimo, Vedaka, 24 Mantra, Delight nuts, Big Basket, among others.

Product Wise Price Analysis

Edible Nut	Price Range (INR)
Almonds	275-280 per 200 gm
Cashew Nuts	250-450 per 200 gm
Walnuts	200-500 per 200 gm
Pistachios	325-425 per 200 gm
Peanuts	80-140 per 500 gm

Growth Drivers of Edible Nuts Market

- Rising health & wellness awareness
 - Increasing per capita consumption of various nuts is an indicator of the increasing demand
 - Significant promotions by the industry is also helping the consumers to understand the health benefits and various applications
 - Increasing disposable income and convenience factor also favour the industry growth

- Increasing application in the food & beverage industry
 - Increasing adherence toward traceability and food safety of the nuts sourced are encouraging, especially for the products sourced from developing countries
 - Sustainability and focus on carbon footprint are seen as the supply assurance strategies by consumers

- Research and development
 - Development of new varieties with high-yield potential and drought/disease/pest resistance are the key factors in the growth of the edible nuts market

Edible Seeds

The edible seeds category has been nascent in India for the past few years with a growth rate of ~5%. This has been due to the lack of awareness around the category (demand factor) and limited supply because of a few small players in the market. This trend is pegged to change because of increasing awareness and push by the penetration of online players. The market for edible seeds is pegged to grow at ~10% CAGR in the coming 5 years.

The market is expected to witness the entry of new players with increasing demand for edible seeds. It is also expected to be highly fragmented during this growth phase with possibilities of consolidation in the long term.

Brand Segmentation of Edible Seeds Market

The economy segment makes up for 85% of the edible seeds market and is dominated by local/regional seed stores. With consumer becoming more health conscious, the premium segment is expected to grow exponentially over the years and more brands to enter this market. The premium segment on the other hand contributes the remaining 15%.

Leading brands of edible seeds in India include: Happilo, Delight nuts, True Elements, Rostaa, Tong Garden, Sattvic Foods, among others.

Key Product Variants



While there are five major seed categories, it has been observed that companies are trying to differentiate their products by introducing flavour and seed combination variants in the market.

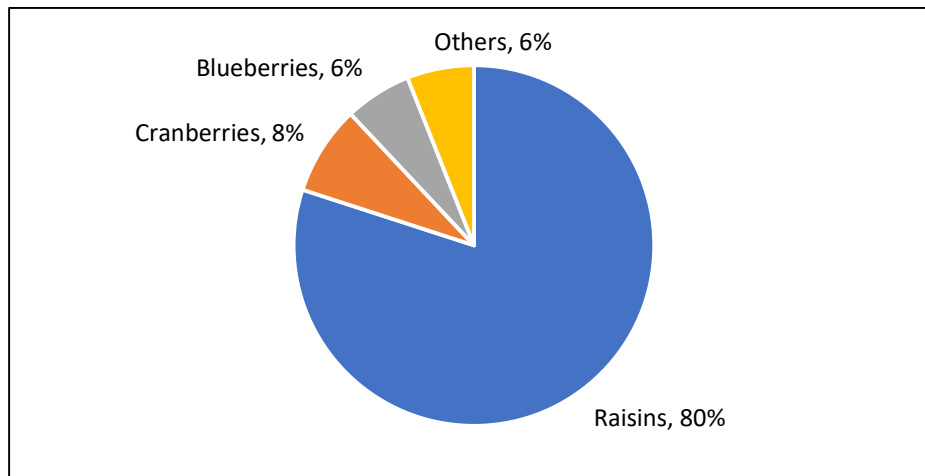
Product Wise Price Analysis

Edible Seed	Price Range (INR)
Sunflower seeds	100-210 per 200 gm
Pumpkin seeds	230-310 per 200 gm
Flax seeds	80-250 per 500 gm
Chia seeds	350-500 per 500 gm

Dried Berries

The Indian dried berries market size is valued at US\$ 1.3 billion in 2022 and is expected to grow at a CAGR of 10%. Raisins dominates the Indian market with a value share of 80%. Other dried berries (strawberries, prunes, goji berries) have a share of 6% in the Indian market.

Figure 8: Breakup of Dried Berries Market



Brand Segmentation of Dried Berries Market

The mass and economy segment makes up for 90% of the dried berries market. Raisins have a dominant share in the overall dried berries market. Blueberries and cranberries are mostly imported and still need to reach the mass segment of Indian market. The premium segment contributes the remaining 10% to the overall market.

Leading brands of dried berries in India include: Happilo, Nutraj, Rostaa, True Elements, Vedaka, Big Basket, among others.

Product Wise Price Analysis

Dried Berry	Price Range (INR)
Raisins	100-145 per 200 gm
Blueberries	590-750 per 200 gm
Cranberries	295-370 per 200 gm

Growth Drivers of Dried Berries Market

- Surging preference for healthy, organic substitutes is a contemporary trend expected to drive the market, owing to factors such as rise in disposable income and prevalence of heart diseases and hypercholesterolemia among other chronic diseases.
- Growing application in baby food, cereals, healthy snack bars, ice creams, exotic chocolates, and other products has augmented the product demand.
- Product innovations in cereal and snack bar categories and growing appeal of natural and organic ingredients in countries.
- The ever-increasing demand for organic consumables, especially among aging population coupled with changing lifestyle of consumers due to increasing awareness about health, is anticipated to drive the global dried berries market.
- Rising per capita consumption of bakery and confectionary products.

6. Conclusion

India's consumption pattern has seen a great shift since the 90's. It went from embracing the regular meal as the only source of nutrition to having tonnes of food options to choose from. This transition was drastic & saw visible health repercussions as people moved to packaged food.

Today, the desire of consumers for self-preservation, enhanced vitality, and preventing the onset of illness in the short and long term is urging them to proactively make lifestyle and product choices that can not only alleviate these concerns, but also their enhance quality of life. They are slowly shifting from not eating just packaged food but healthy packaged food.

Given that dry fruits and nuts are nutritious, gluten-free, vegan, and very friendly to the Indian palate, many derived products such as bars, laddus, and bakery products are already popular. India is expected to witness a massive demand for dry fruits and nuts as healthy snacking alternatives in multiple product formats like on-the-go sachets, snack bars, breakfast bars, bliss balls, and nut butter cups infused with nuts and dried fruits.