

# INDUSTRY REPORT ON SAVOURIES, SWEETS AND PAPAD IN INDIA

30<sup>th</sup> September 2022

**BIKAJI**

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## DISCLAIMER

The market research process for this study has been undertaken thorough secondary / desktop research as well as primary research, which involves discussing the status of the market with leading participants and experts. The research methodology used is the Expert Opinion Methodology. Quantitative market information was sourced from interviews by way of primary research as well as from trusted portals, and therefore, the information is subject to fluctuations due to possible changes in the business and market climate. Frost & Sullivan's estimates and assumptions are based on varying levels of quantitative and qualitative analyses, including industry journals, company reports and information in the public domain. Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

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## 1. DEFINITION AND SCOPE OF DELIVERABLES



Geographic scope is India.

The base year is considered as FY 2022. Forecast is until FY2026.

An overview of the snacks, sweets and papad market in India has been provided.

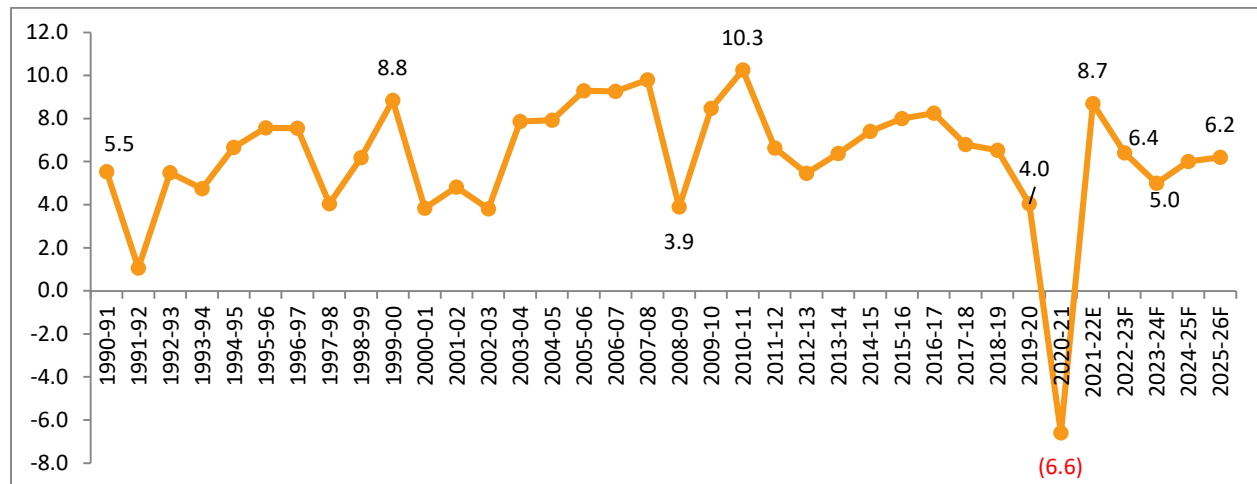
## 2. INDIA MACROECONOMIC TRENDS AND OUTLOOK

### 2.1. GDP and GDP Growth

#### 2.1.1. Real GDP Growth

The past two decades have been a high-growth period of the Indian economy, with India having achieved the status of the fastest growing major economy in the 2010's. In 2019-20 however, GDP growth had slowed down to 4.0% in 2019-20, restrained by factors such as private demand weakness and a liquidity crunch. Similar to the global trend, India entered into a deep recession with the onset of the pandemic, with growth contracting by 6.6% in 2020-21.

Exhibit 1: Real GDP Growth, India, 1990-91 to 2025-26 (%)



Note: .Data from 2020-21 onwards stands updated as on August 25, 2022. Data is presented for Indian fiscal years. Data until 2010-11 is based on 2004-05 constant prices, with 2011-12 constant prices thereafter. E indicates estimate and F indicates forecast..

Source: Ministry of Statistics and Programme Implementation; International Monetary Fund (IMF) World Economic Outlook (July 2022 update); Frost & Sullivan Analysis

For 2021-22, while India was initially expected to cross double-digit growth levels, India clocked 8.7% growth especially constrained by the second COVID-19 wave. Factors such as global slowdown and interest rate hikes will weigh in on India's growth in this fiscal year and the next, although India should still register 6.4% and 5.0% in 2022-23 and 2023-24 respectively, in contrast to recession expectations for the Eurozone and US and growth slowdown for China. Some medium-term growth drivers include India's increasing middle class, on-going and expected structural reforms, and an anticipated manufacturing sector boost.

## 2.2. Key macroeconomic trends impacting the Indian packaged food and savoury snack and sweets market

- **Growing, Young, Working-Age Population:** India enjoys a favorable 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 25.6% in 2021<sup>1</sup>. The share of the working-age population (15-64 years of age) is also on the rise, expecting to near 70.0% towards 2030<sup>2</sup>.
- **Rising Middle-Class Population:** India's middle class constitutes approximately 60.0%<sup>3</sup> of total households. As of 2016, more than 12 crore<sup>4</sup> 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<sup>5</sup> by 2025-26. The growing presence of a large middle-class population will be pivotal in driving higher packaged foods, and savory 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<sup>6</sup>. An increase in disposable income levels, indicative of a higher standard of living, will help improve affordability and demand for packaged foods and savoury snacks and sweets.
- **Increasing Nuclearization of Families:** Over 60.0%<sup>7</sup> of the households in India are said to be nuclear. Official data suggests that, over the last decade, there has been a considerable rise in the number of one-member and two-member households in India. Between 2001 and 2015, the share of persons living alone grew from 3.6% to 4.1%<sup>8</sup> and the share of households with two members from 8.2% to 11.5% respectively<sup>9</sup>. These numbers are expected to rise during the forecast period as well. A pandemic-induced shift towards smaller, less-crowded living spaces will further support this trend. Intensifying nuclearization will 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 labor force participation, giving rise to two-income nuclear families, are a key factor driving convenience and packaged food demand in India. Noteworthy, between 2017-18 and 2019-20, the share of urban working females among graduates and post-graduates combined increased from 29.3% to 32.1%<sup>10</sup>.

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<sup>1</sup> United Nations Population Prospects

<sup>2</sup> Ibid.

<sup>3</sup> Statista, World Resources Institute

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> MOSPI National Accounts Statistics 2021; Frost & Sullivan

<sup>7</sup> The National Family Health Survey (NFHS), 2015-16

<sup>8</sup> IMF

<sup>9</sup> Census Data 2001; Statista; RBI Database; World Resources Institute; Frost & Sullivan

<sup>10</sup> Press Information Bureau

- **Growing E-commerce Sales:** The growth of the online grocery segment, which was already on an upward pre-pandemic growth trajectory, received a huge boost from the pandemic and the resultant changes in lifestyle and demand preferences. Strong growth of the online grocery segment is expected to remain in place during the forecast period as well, driving e-commerce demand for packaged, ready-to-eat foods.
- **Consumer Preference for Packaged food:** The pandemic caused changes in buying patterns of customer. Packaged food segments such as spices, salty snacks, noodles saw rise in sale post pandemic. Many of these segments had gradual or stagnant penetration growth rate pre-covid, which was reversed as sudden demand for the products such as hygiene and packaged food took precedence during lockdown.

### 2.3. Top 5 India Macroeconomic Takeaways

- **India Stands Resilient Amidst Growing Global Recessionary Fears:** Fears of a global recession have compounded in recent months in the context of the lingering Russo-Ukrainian War and aggressive monetary policy tightening. In contrast to recession expectations for the US and Eurozone and ongoing Chinese slowdown, India should register 6.4% and 5.0% growth respectively in 2022-23 and 2023-24, with growth drivers including strong domestic demand, manufacturing incentives and the country's infrastructure push.
- **Manufacturing Sector Growth Supported by Supply-Chain Shifts and Government Policies:** Acceleration of manufacturing growth is vital to put India on an accelerated growth trajectory. Recent China+1 production diversification strategies bode well for India's manufacturing sector, especially supported by the government's recently launched production-linked incentive (PLI) scheme. Government efforts to enhance infrastructure development and slash logistics costs will also help boost India's manufacturing competitiveness.
- **Strong Post-Pandemic Private Consumption Expenditure Revival:** Overall private final consumption expenditure (PFCE) and PFCE per capita took a major hit following the onset of the pandemic. Strong revival is expected over the forecast period, supported by drivers such as post-pandemic consumption rebound, a growing middle-class, and higher spending in Tier-2 and Tier-3 cities. PFCE per capita will touch INR 1,48,281 by 2025-26.
- **Combined Advantage of Younger Median Age and Growing Working Age Population:** The median age of the Indian population in 2030 will be 31.7 years, compared to 42.6 years for China, 52.1 years for Japan, 37.6 years for Brazil, and 39.9 years for the US. India can also reap the benefits of a growing working age population (15-64 years) size and proportion, compared to a decline in China.
- **Packaged Foods and Savory and Sweets Market to Benefit from Economic and Demographic Advantages and Consumer Preference Shifts:** Rising disposable income levels and a growing middle-class will enhance consumer demand potential for these products. Social trends such as the growing nuclearization of Indian families as well as increasing female workforce participation will drive lifestyle pattern changes and lead to demand for more convenient consumption. The food segment also stands to receive a boost from growing e-commerce sales and increased consciousness of nutritious eating.

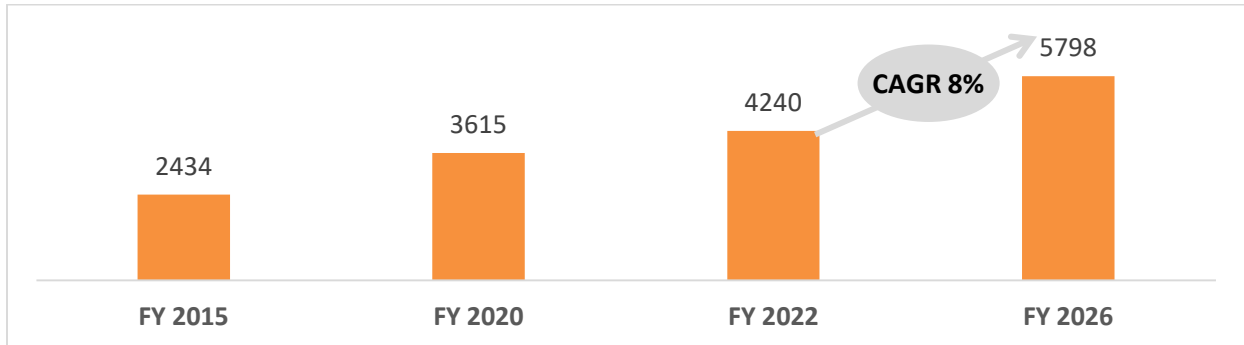


### 3. OVERVIEW OF THE PACKAGED FOOD IN INDIA

#### 3.1. Packaged Food

India's packaged food business is currently valued at INR 4240 Billion. It has grown significantly in last five years on account of changing lifestyles, rising incomes and urbanization. In FY 2015, the packaged food retail revenue was worth INR 2434 Billion and has registered a CAGR of ~8.3% from FY 2015 to FY2022. It is estimated to grow at CAGR of 8% in next five years to reach at INR 5798 Billion.

**Exhibit 2: Packaged food market, India, INR Billion**

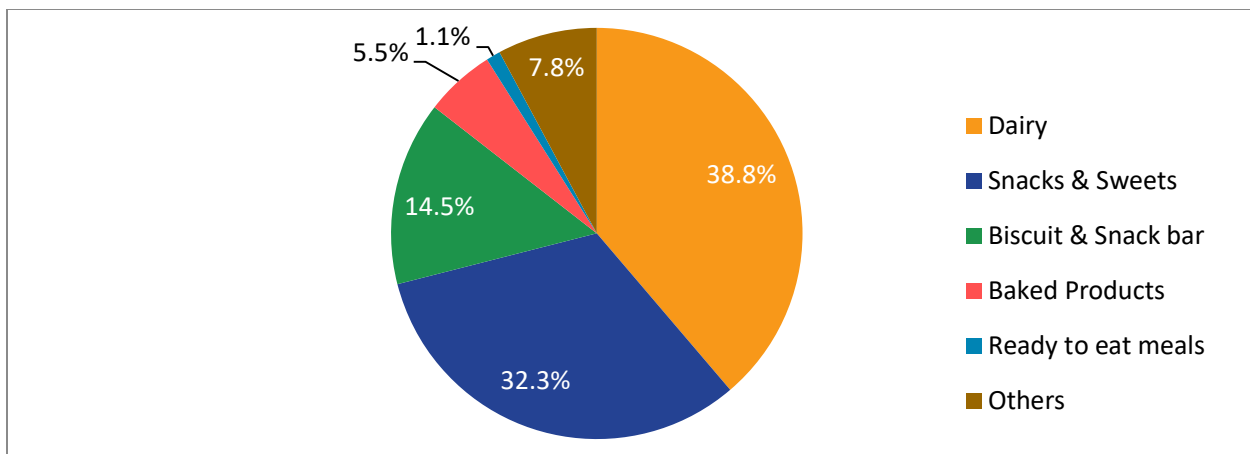


Source: Retailers association, Frost & Sullivan Analysis

#### 3.2. Category wise Packaged food market:-

In 2022, the packaged food industry was valued at INR 4.24 trillion approx. Dairy products contribute to 38.8% i.e., INR 1.64 trillion followed by Snacks & Sweet and biscuits segments at 32.3% and 14.5% respectively.

**Exhibit 3: Category wise packaged food retail market, India, FY 2022: INR 4.24 Trillion**



Source: Statista, Frost & Sullivan Analysis

Increasing product and packaging innovation, emphasis on healthy foods and increasing demand for convenience foods will continue to drive the demand for packaged foods at over 31% over the next few years, as well.

### 3.3. Key Drivers of Packaged food Industry:

Some of the key drivers for the Indian Packaged Food industry include:

#### Convenience

As families have become more nuclear and the changing lifestyle has led to the working class to look out for more convenient and healthy options of food.

#### Disposable income

Increasing disposable income will drive the growth for this market. Per Capita income has more than doubled in last 10 years to USD 2,014.



#### Safety and Hygiene

Packaged food is the ultimate solution for maintaining the hygiene of the food products and given the pandemic, consumers are more concerned about safety and hygiene than before.



#### Shelf life

Packaged food has ensured better storage by retaining their quality for longer period.



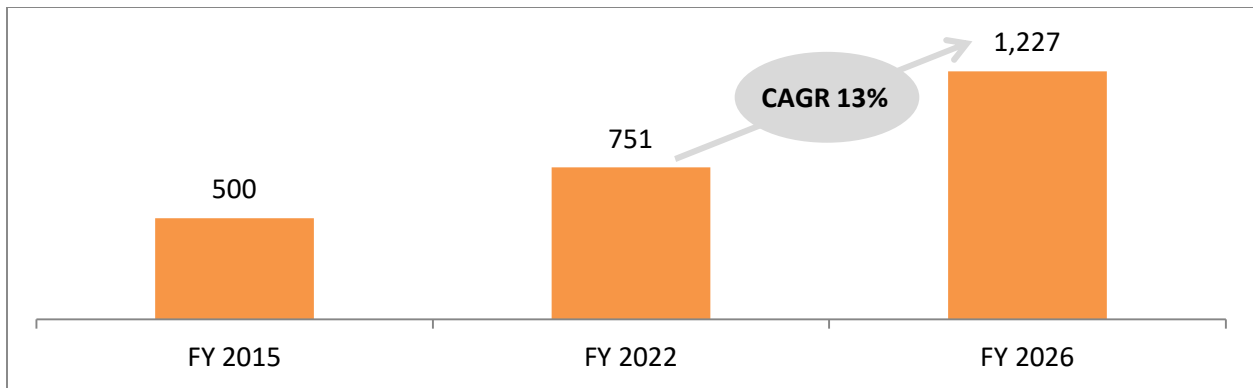
## 4. OVERVIEW OF INDIAN SAVOURY SNACKS AND SWEETS MARKET

### 4.1. Savory Snacks & Sweets Market in India

Indian Savoury Snacks market is valued at INR 751 Billion in FY 2022 and is expected to reach INR 1,227 Billion by FY 2026 at CAGR 13%.

Indian savoury snacks market can be broadly segmented into western snacks and traditional snacks. Traditional snacks market which is valued at INR 366 Billion, contributes around 48% to the total savoury snacks market. Traditional snacks market comprises of namkeens, bhujia and ethnic snacks such as dry samosa, kachori, chakli, etc. Western snacks market is valued at INR 385 Billion in FY 2022 and consists of chips, extruders and a new variety of snacks called as “bridges” which has local taste but western look.

**Exhibit 4: Indian Savoury Snacks Market in India, INR Billion**

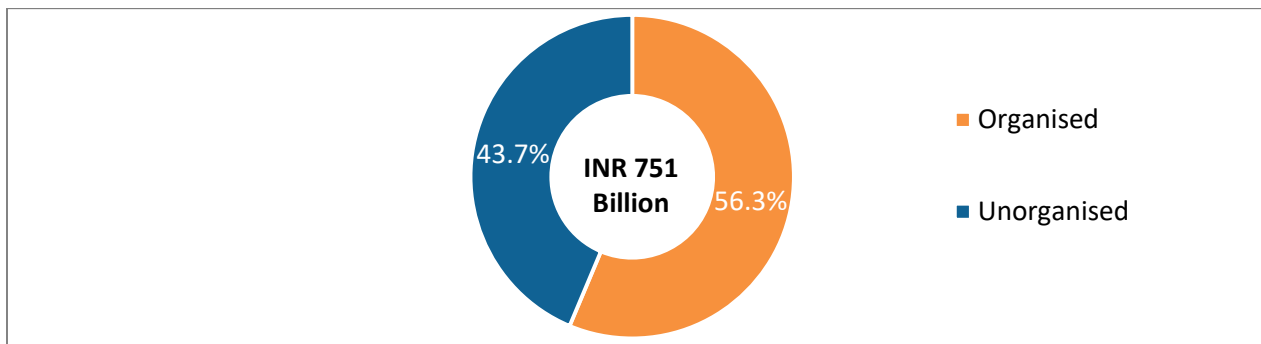


Source: Frost & Sullivan Analysis

Snacking in between the meals has always been traditional in Indian culture Covid- 19 forced lockdown has increased this habit of snacking multifold in FY 2021 and is the driving the growth of this industry. Further in FY 2022, footfall and activity levels across all touchpoints (retails, institutional, etc) have returned to pre Covid levels. This trend seems to continue in Indian market. The Indian savoury snacks market is estimated to reach INR 1,227 Billion (as per above Exhibit 4) by FY 2026 with the organized players capturing major market share due to increased concerns of hygiene and safety.

### 4.2. Packaged Savory Snacks Market in India

**Exhibit 5: India Overall Savoury Snacks Market – Market Share by Type, FY 2022**



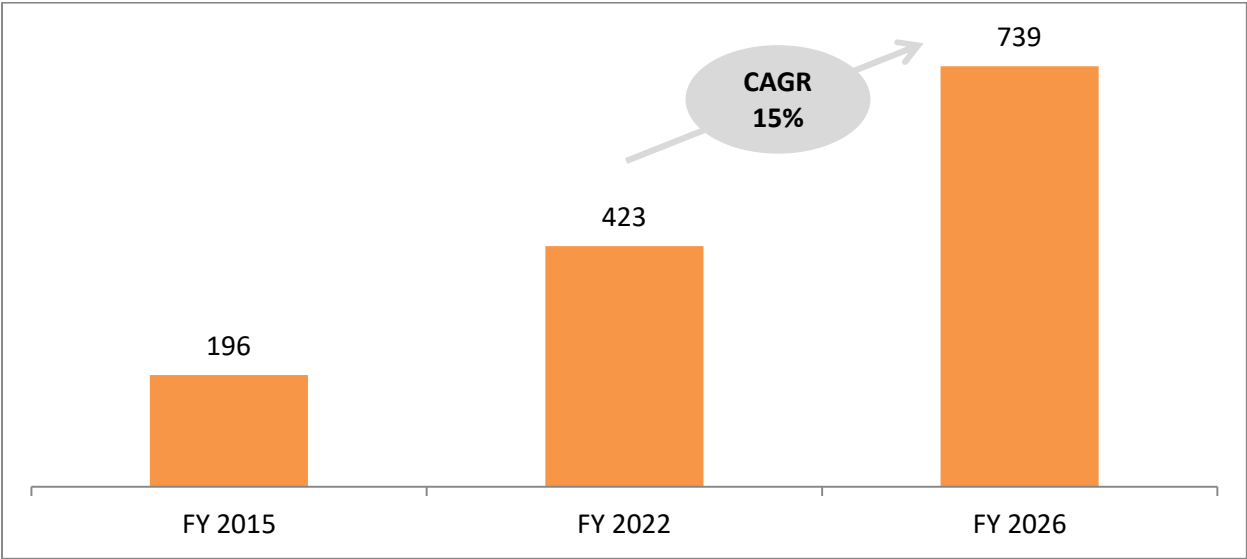
Source: Frost & Sullivan Analysis, Industry experts

The INR 751 Billion Indian Savoury and snacks market is characterized by a large number of unorganized players across the product segments. Traditionally each type of snack is very specific to each region; hence, many small companies cater to this market. These players have a slim portfolio of products, usually of a single category and in many cases only provide traditional snacks items. They also operate in a small geographic range confined to a single state or city and primarily ride on the lower price and the traditional taste.

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. Due to demonetization, GST rules and the covid-19 pandemic many small and regional unorganized players were forced to shut down business which has resulted in providing impetus to organized players.

Despite 43.7% of packaged savoury snacks market being unorganized, organized players such as Haldiram, Pepsico- Lays, Balaji, Bikaji have strong foothold across the country and major market share in regional pockets. Reverse migration has helped to move consumption trends to India’s smaller cities helping in brisk sale of packaged goods in these regions.

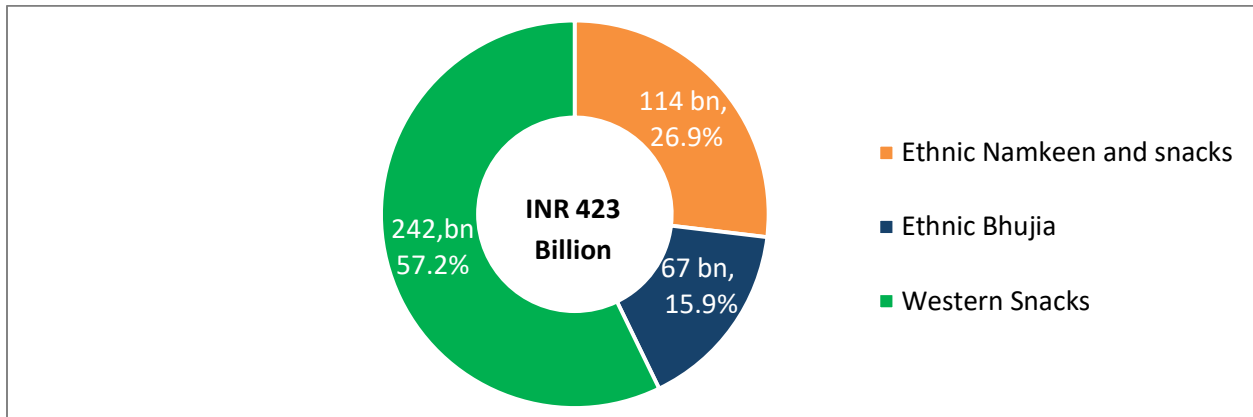
**Exhibit 6: Growth trajectory of Organized Indian Savoury Snacks market, INR Billion**



Source: Frost & Sullivan Analysis

The organized segment has been strengthening its position in the market over the last few years, with new product launches and product innovations that have been largely targeted at the urban as well as rural consumer. The organized savoury snacks market was valued at INR 196 Billion in FY 2015 and is INR 423 Billion in FY2022. It is further expected to grow at CAGR 15% till FY2026. The role of advertisement and promotions cannot be overlooked when we talk about the growth of organized sector. With deep pockets, the organized segment can afford celebrity endorsements and engagements with mega events in India. This has also been instrumental to success of the organized sector.

**Exhibit 7: Organized Indian Savory Snacks market- Market size by Type, FY 2022**



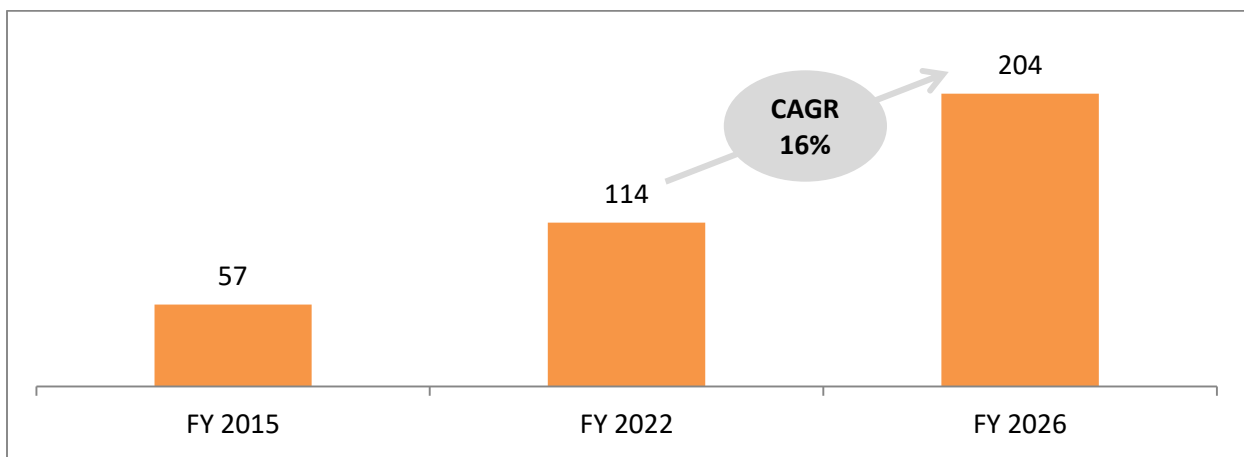
Source: Frost & Sullivan Analysis

Western snacks still dominate the organized market with 57.2% of market share in the Indian savoury snacks segment. Ethnic namkeen and snacks contribute to 26.9 % of the organized savoury market followed by ethnic bhujia which is at 15.9% in overall savoury snacks market in FY 2022.

Ethnic namkeen and snack items typically include namkeen, chaklis, a variety of masala or fried nuts, etc. and they are very region-specific even within India. But now, with urbanization and working population migration to different regions the demand for regional snacks is increasing in pan-India. This has led to domestic expansion of many regional players like Bikaji, Chitale, etc.

Another trend in the foods market is the packaging and sales of products that were previously not sold as packaged item. Typical examples are Bhakarwadi, samosas, Bhel Puri by Halidram's Aam Panna by Paperboat, packaged coconut water, etc. This trend is expected to continue as companies discover processes to increase the shelf life while retaining the authentic taste of traditional foods. Companies are also leveraging product innovation to compete within as well as outside the category Halidram's, Bikaji, Balaji Wafers Pvt. Ltd., and Bikanerwala are some of the biggest players in the traditional snacks space with larger presence, while other players have more regional coverage.

**Exhibit 8: Organized Indian Ethnic Namkeen & Snacks market- Market growth-FY 2015, FY2022, FY 2026, INR Billion**



Source: Frost & Sullivan Analysis

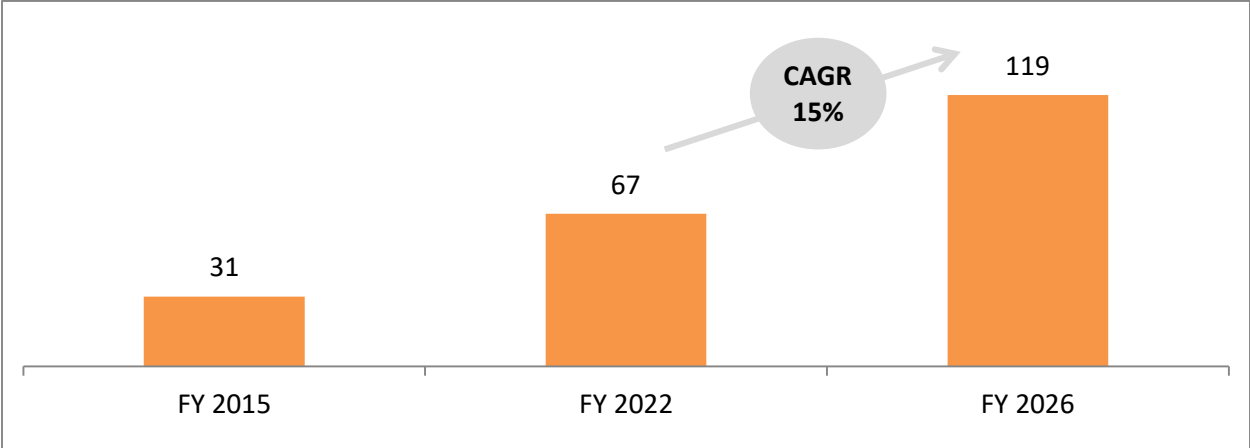


Currently the ethnic namkeen and snacks market is valued at INR 114 Billion. This segment has grown immensely since last few years and majorly since pandemic because of increase in number of consumers buying branded namkeen instead of loose products from local stores due to the hygiene issues. Alternatively, the boom in branded or organized namkeen is driven by consumers who are upgrading from unbranded segment rather than consumers of western snacks shifting to ethnic segment. Today, ethnic namkeen is the fastest gaining opportunity in Indian Savoury snacks market offering benefits of good margins, broad range of products. In response, many companies are adding more namkeen in their product portfolio.

While the overall snacks market is witnessing healthy growth, the ethnic namkeen and snacks market stands out. The growth in this segment is the highest across the segments, offering higher margins resulting in more competitors. As companies compete for share of market, new tastes, new products, and new variations of traditional products, attractive packaging and flexible price points are fueling the high growth in the namkeen market. A high growth of nearly 16% over the next four to five years is forecast. The growth is also supported by the large presence of the unorganized segment, catering to unique taste-requirement in each region and ensuring reach to even the most rural markets. In the long run, consolidation of the unorganized sector is expected.

On the other hand, companies in this sector are facing the pressure on margin due to a sharp spike in the prices of Palm Oil, a key raw material for these products. Companies are opting for long-term contracts for its key raw materials to laminates and mitigate any uncertainty in price fluctuations.

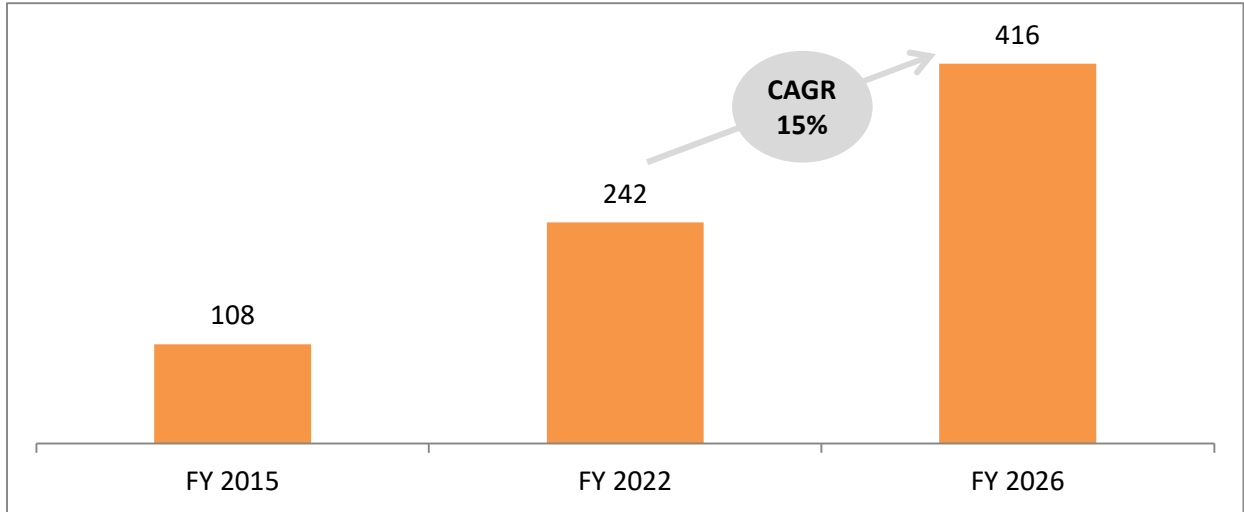
**Exhibit 9: Organized Indian Ethnic Bhuja market- Market growth-FY 2015, FY 2022, FY 2026, INR Billion**



Source: Frost & Sullivan Analysis

Ethnic Bhuja is another specialty of traditional Indian savoury market. It is a crispy snack prepared with besan and moth dal (gram flour/dew beans) and variety of spices. Origin of Bhuja can be traced back to Bikaner a city in northern part of Rajasthan, India. This delicious delicacy has not only reached various parts of India but is also popular internationally. Though today, numerous regions in India make Bikaneri bhuja, the one made in Bikaner will always remain distinct due to the geographical indication tag received by Bikaner in 2010. Apart from Bikaneri bhuja, one can find Aloo bhuja, Pudina bhuja, etc. Current organized market size of ethnic bhuja is INR 67 Billion and it is growing at 15 % CAGR.

**Exhibit 10: Organized Indian Western Snacks market- Market growth- FY 2015, FY 2022, FY 2026, INR Billion**

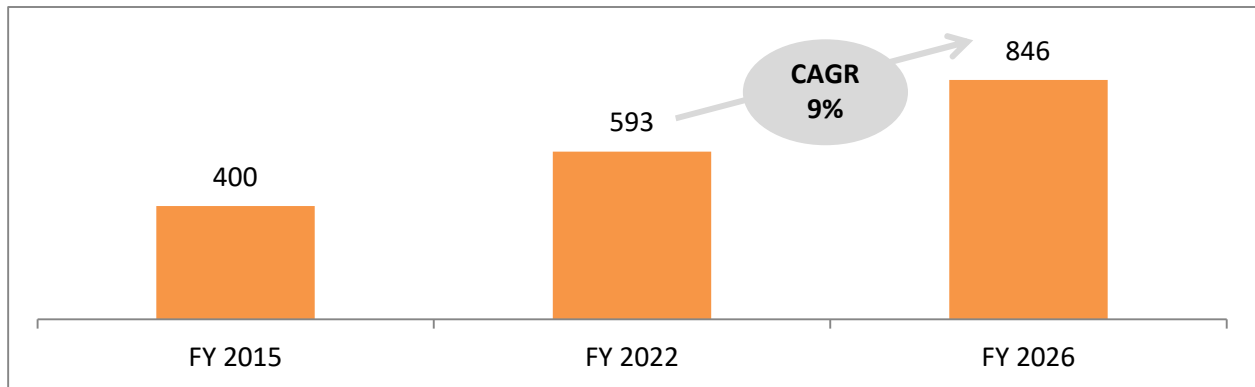


Source: Frost & Sullivan Analysis

Organized western snacks with INR 242 Billion market value, is expected to grow at 15% CAGR till FY 2026. Within western snacks we have chips, extruders and bridges-others which contribute to 52%, 33% and 15% respectively in FY2022. Companies such as PepsiCo with Lay's chips and Kurkure, ITC with Bingo, Pratap snack's Yellow Diamond and DFM food's Crax are the major players in this segment with a variety of snacks offering, easy accessibility, and a variety of SKUs. There are multiple medium-sized companies, as well, such as Maiyas, Balaji Wafers, Laxmi snacks which are gaining popularity across India. A variety of branded and unbranded chips, extruders are also available in the market which are usually restricted to a city or even a locality within a city. Further, consumer preferences in India are shifting towards packed western snacks where Bikaji's current market share is low but is growing steadily.

### 4.3. Sweets Market in India

Exhibit 11: Indian Sweets Market in, INR Billion



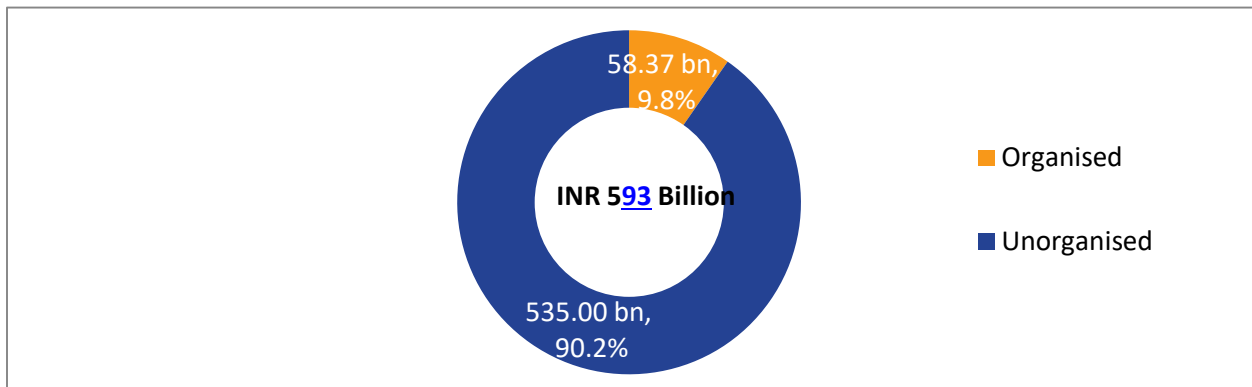
Source: Frost & Sullivan Analysis

Sweets have been very traditional and popular cultural aspect in Indian households. Not only traditional sweets are indispensable and staple part of religious and festive occasions and family functions within the country, but they also appeal Indians and NRIs on foreign shores which is sort of an emotional-cultural bonding with the motherland.

The Indian sweet market is valued at INR 593 Billion with major share coming from unorganized players. The market is predicted to reach INR 846 Billion by FY 2026 owing to the sweet tooth Indians.

Based on fruits, dairy, pulses and cereals or different combinations of different ingredients, the traditional Indian sweets, boast of a nearly inconceivable range. Adding to this diversity, majority of the sweets have been nurtured and relished for ages in different regions of the country signifying regional specialties and tastes.

Exhibit 12: India Sweets Market – Market Share by Type, INR, FY 2022



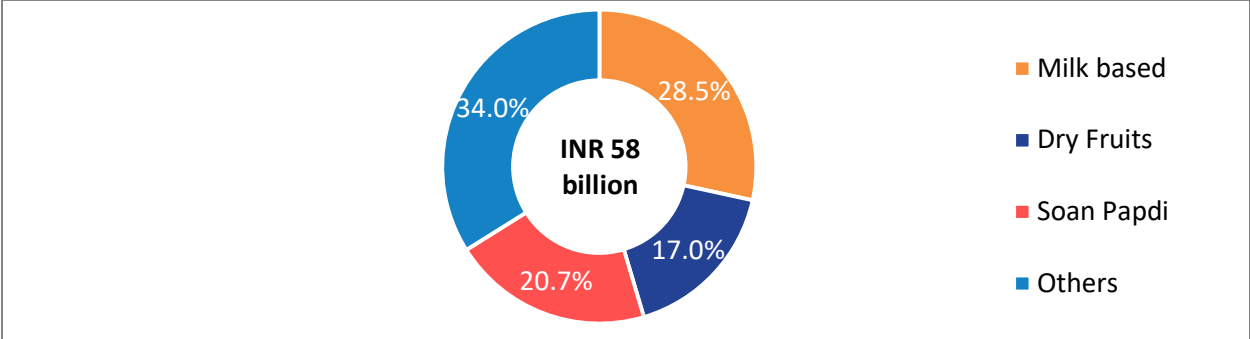
Source: Frost & Sullivan Analysis

Indian sweets market is largely unorganized with INR 535 Billion market value and share of almost 90%. Standalone mithai shops are spread across the geography in India which sale regional as well as traditional sweets such as Gulab-Jamun, Rasgulla and plethora of Barfis. Organized players in sweet market have product offerings such as tinned Gulab Jamun, Rasgulla, Bengali mithai etc. Gradually there has been increase in demand of packed sweets owing to the pressed issues of hygiene and safety because of Covid-19 pandemic.

The popularity of traditional sweets coupled with increasing consumer awareness of cleanliness and hygiene has assured that the packaged sweets have acquired good amount of traction. Moreover, the open sweets or unorganized market constantly faces the threat of rising prices of milk and other raw products leading the seller to resort to adulteration. Shelf life increasing is only possible with packaged sweets.

Also, neat packaging with all the ingredients mentioned on label for packaged sweet has gained trust of consumers. Authorities such as FSSAI are also tightening the norms related to food labeling and general safety.

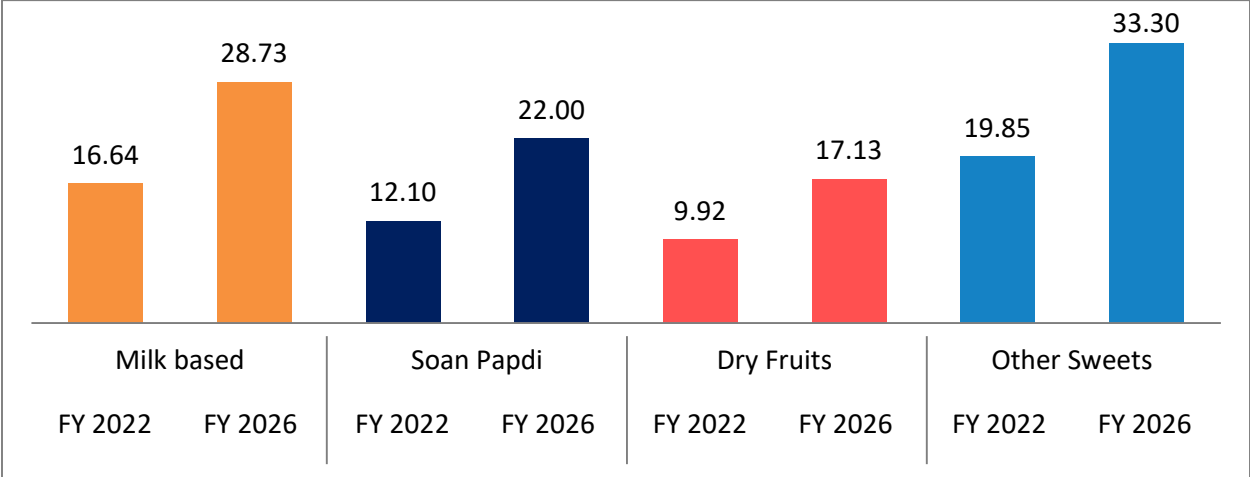
**Exhibit 13: Organized Indian Sweet- Market size by Type, FY 2022**



Source: Frost & Sullivan Analysis

The INR 58 Billion organized sweet market is segmented into milk-based sweets, Soan Papdi a, dry fruit sweets and other sweets such as ladoos, etc. Haldiram, Bikaji, Bikano are the major players in organized sweet industry which offer a wide range of packed sweets.

**Exhibit 14: Organized Indian Sweet- Market Growth by Type, INR Billion**



Source: Frost & Sullivan Analysis

Milk based sweets is growing at CAGR of 15% and is expected to reach approximately INR 29 Billion by FY 2026. Similarly, Soan Papdi and Dry fruits sweet segments are growing at CAGR of 16% and 15% respectively.

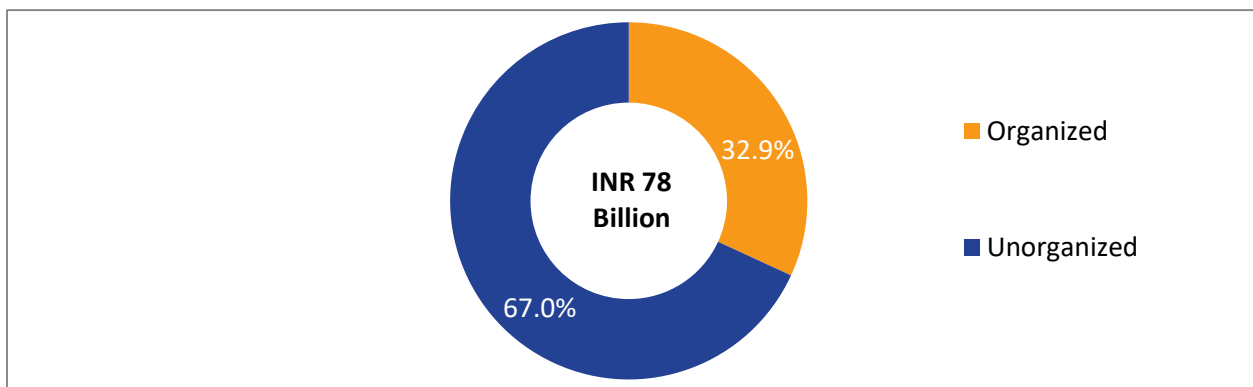
#### 4.4. Papad Market in India

Papad is ready to cook product which is consumed as snacks or during the meals by frying in oil or roasting it. Papad is generally made from cereal flour, pulses flours, potato, sabudana, etc. and can be handmade or machine made. Generally, papad are round, but triangle and square shaped papad are also available in market. Indian markets offer largest varieties of products in papad category which include, Surti papad, Chilli garlic papad, Bikaner papad, appalam papad, kali mirch papad etc.

Papad is very popular in Indian markets. It is available widely from mom-and-pop stores to e-commerce platforms. In some states of India, meal is incomplete without addition of papad to the serving. Papad are simple, cost- friendly and convenient which has led to growing demand in Indian as well as overseas market.

The major traction for this industry is the increased demand from hotel/restaurants and institutional segment internationally as well as domestically. Also, the variety, taste and quality are the factors determining the growth of papad segment.

**Exhibit 15: Indian Papad market FY 2022**

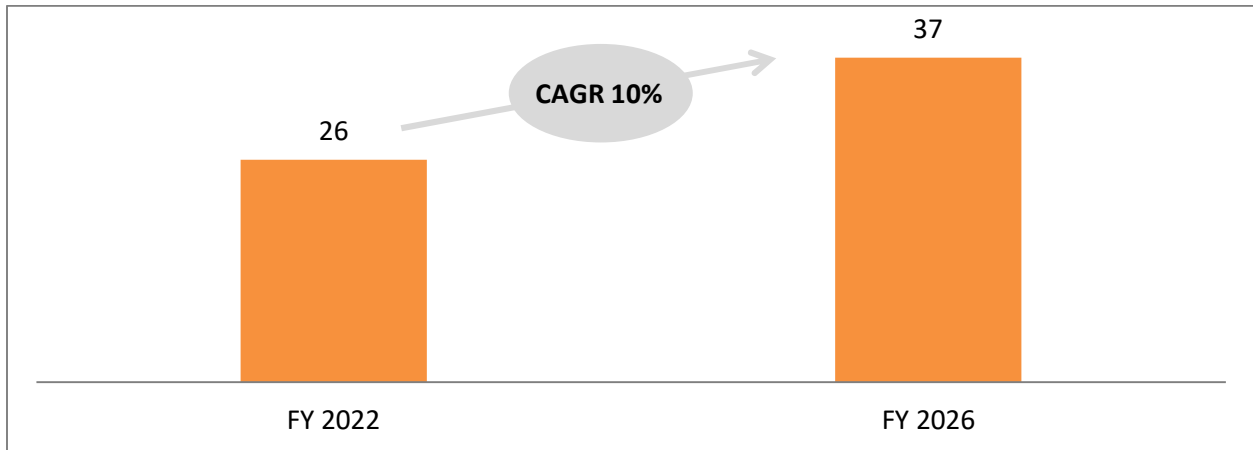


Source: Frost & Sullivan Analysis

Papad segment has majority of the unorganized players some of which are in form of women self-help groups which gives a means of earning to women across the geographies in India. There are some organized players such as Lijjat papad, Bikaji, Agarwal 420, Shree ram papad to name a few. Companies adapting to changing taste, technology and trends will grow in this segment. Bikaji continues to focus on handmade papad to retain the original authentic taste of the product along with automation to some extent.



**Exhibit 16: Organized Indian Papad market growth, INR Billion**

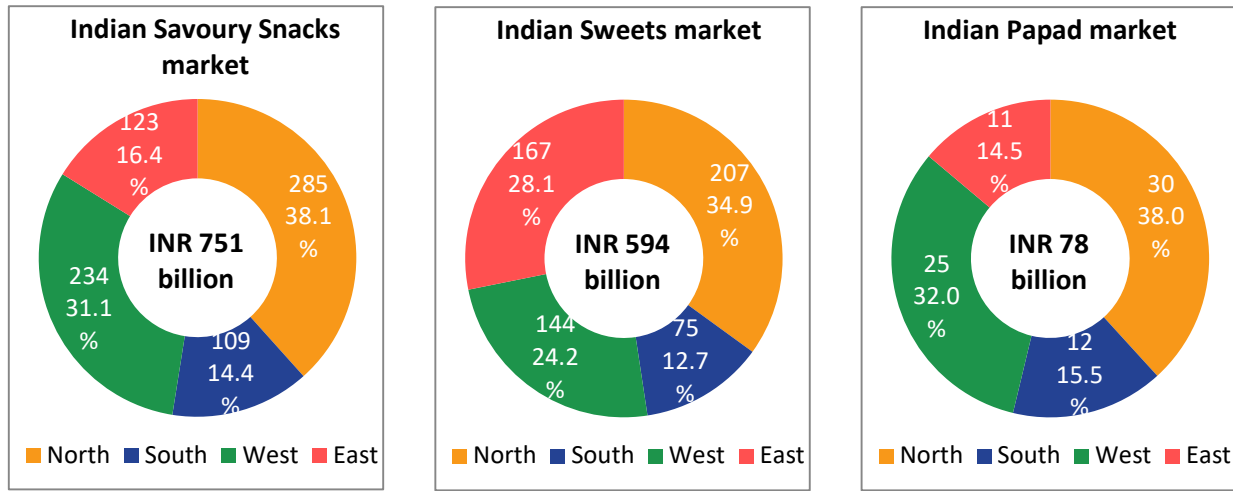


Source: Frost & Sullivan Analysis

The overall market is expected to reach INR 103 Billion by FY2026 with a CAGR of 7%. The organized market in papad segment is valued at INR 26 Billion and is growing at CAGR of 10%.

## 4.5. Split of the industry by Region

Exhibit 17: India Savoury Snacks, Sweets and Papad Market – Split by Region, FY 2022



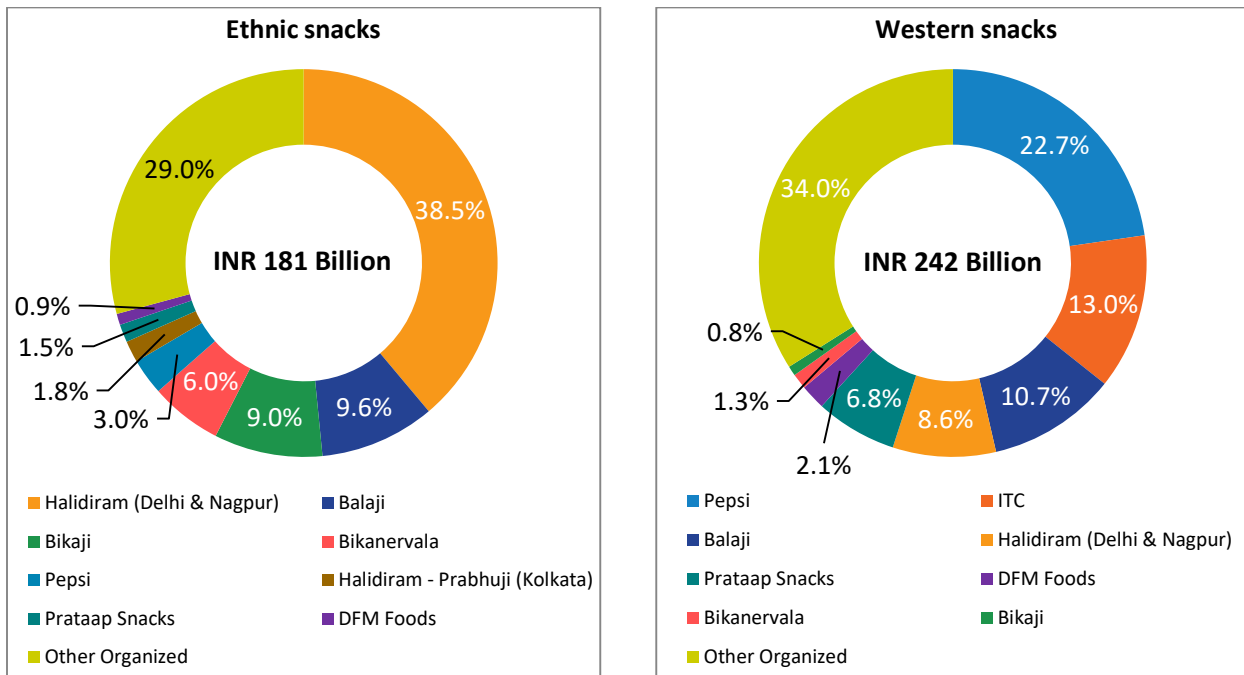
Source: Frost & Sullivan Analysis

Demand for savoury snacks is high in North India followed by West India. These regions are the major consumers of namkeen, especially in Rajasthan and Gujarat where namkeen forms an integral part of food habits. Hence, majority of the namkeen varieties originate from these regions. Further, increasing popularity and availability of numerous options in ethnic namkeen and bhujia segments are driving the growth across the regions for this segment. Consumption of savoury snacks is considerable in East India along with street food in between the meals, travels, etc. Trend shows that consumption of ethnic savories is about to increase gradually as companies such as Bikaji, Halidram looking to penetrate the market with their wide product offerings.

Sweets market is driven by North India with 34.9% share owing to UP, Delhi NCR, Punjab and Haryana. It is followed by East India with Bengali mithais dominating the market. South India and West India contribute around 12.7% and 24.2% to sweets industry. Papad is eaten with every meal and as snacks in states like Rajasthan, Gujarat and Madhya Pradesh. North contributes to around 38.0%, followed by West and South India at 32.0% and 15.5% (as per Exhibit above) respectively.

## 4.6. Estimated Market share in Pan India

Exhibit 18: India Ethnic Snacks, Western snacks Organized Market – Market Share, FY 2022



Source: Frost & Sullivan Analysis

Bikaji is among the top three Indian ethnic snack manufacturers in India. Haldiram is the market leader in Ethnic Namkeen and snacks market has always been associated with packaged traditional snacks and sweets in India and abroad. With a long heritage it is expected to dominate the market over the next 4-5 years. A large product portfolio, products to suit individual palettes, attractive price points, robust supply chain, and attractive margins are some of the key factors that attribute to this leading position. Bikaji and Bikanerwala Foods are other companies that have always been associated with the namkeen market. Bikaji foods have strong presence in North and Eastern Indian markets with a wide assortment of ethnic snacks and namkeens. Bikaji is the market leader in Bikaneri bhujia market. Balaji Wafers has also established itself in namkeen market and is competing for top position. Then there are other players such as Prataap snacks, DFM foods, Pepsi and ITC in who have forayed into ethnic namkeen and snacks market.

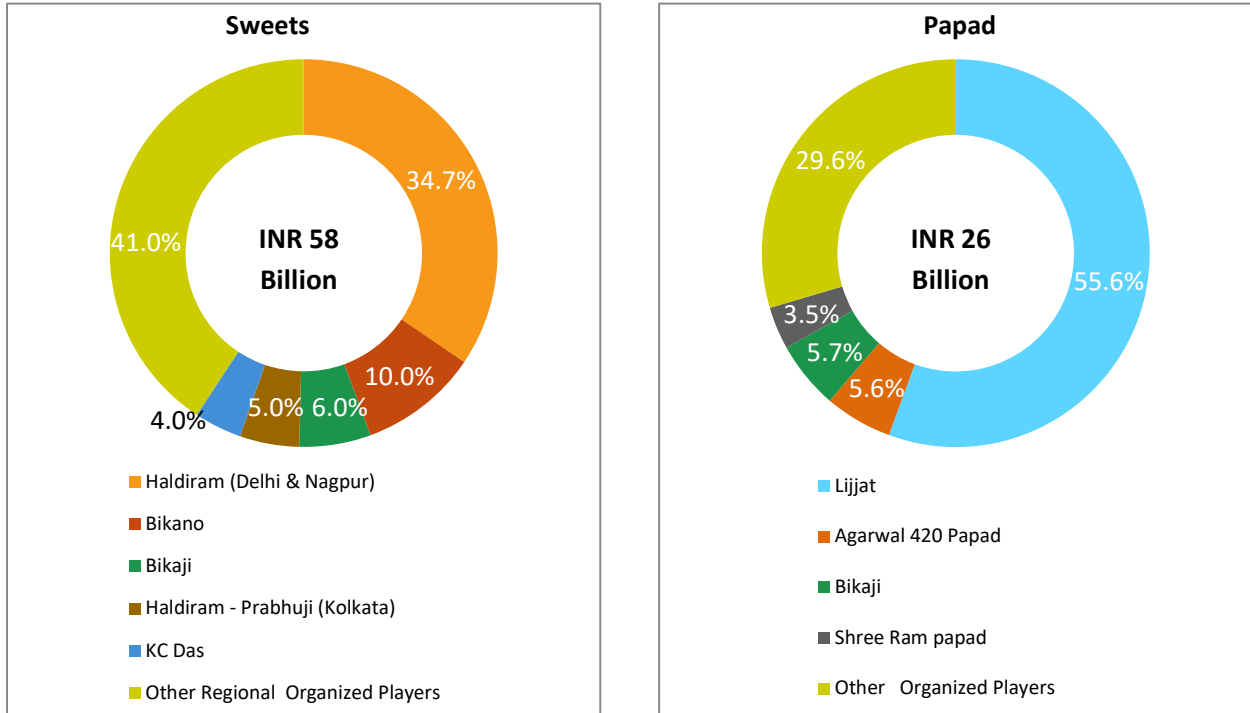
In western snacks category, PepsiCo, with its “Lay’s” and “Kurkure” brand, is the market leader with more than 22% share. A large product portfolio, strong distribution, products of Indian and international flavors available at various price points, and aggressive promotion has enabled the company to remain the dominant player.

ITC with its “Bingo” brand holds close second place in western snacks market with about 13% market share.

Market dominance of these top players has been eroded over the last few years with mid-sized companies such as Balaji Wafer and DFM chipping away the market share from PepsiCo. Aggressive pricing, more product for the same price, and increasing availability across various types of outlets have aided these companies challenge PepsiCo.

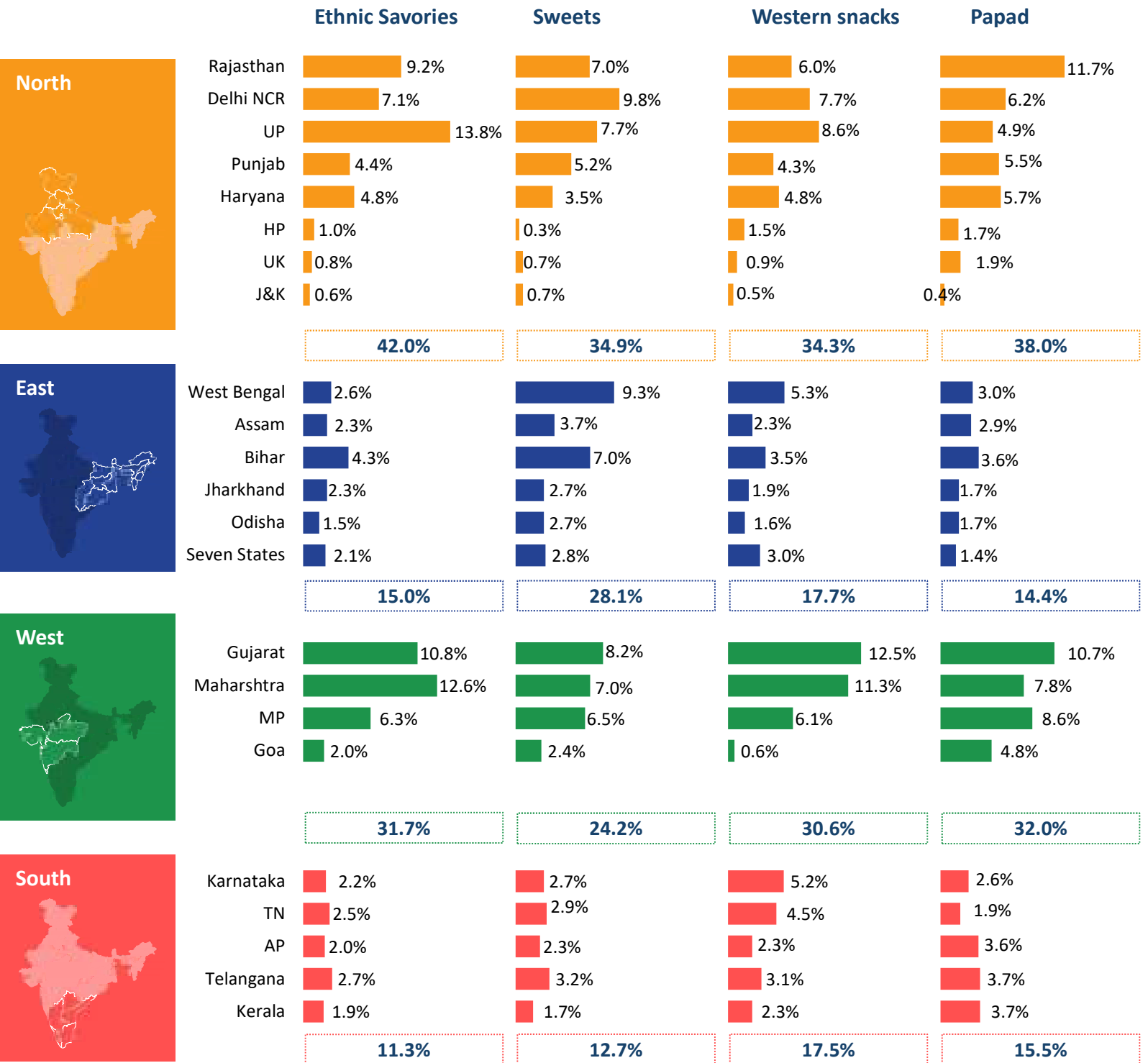
All the major food companies such as PepsiCo and ITC have pan-India presence in western snacks market. Their broader foods portfolio has ensured that their costs are optimized and, hence, they are capable of supplying pan India. They have presence in both rural as well as urban markets, stressing on the criticality of distribution to become a leading player in the market. The presence of multiple products in their portfolio having synergy with snacks further plays a role in distribution cost optimization. While DFM Foods also has presence across India, their market is mostly restricted to the urban regions with little penetration in the rural areas.

**Exhibit 19: India Sweet market and Papad Organized Market – Market Share, FY 2022**



Source: Frost & Sullivan Analysis

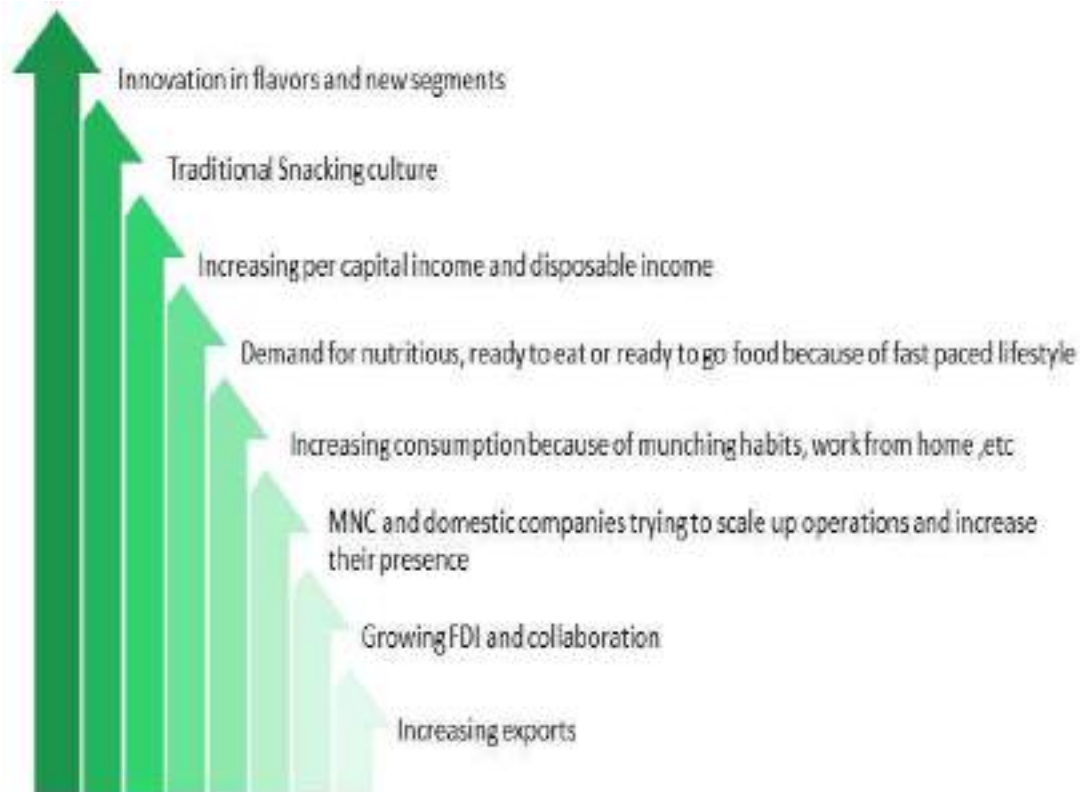
## 4.7. Region wise split of industry, FY 2022



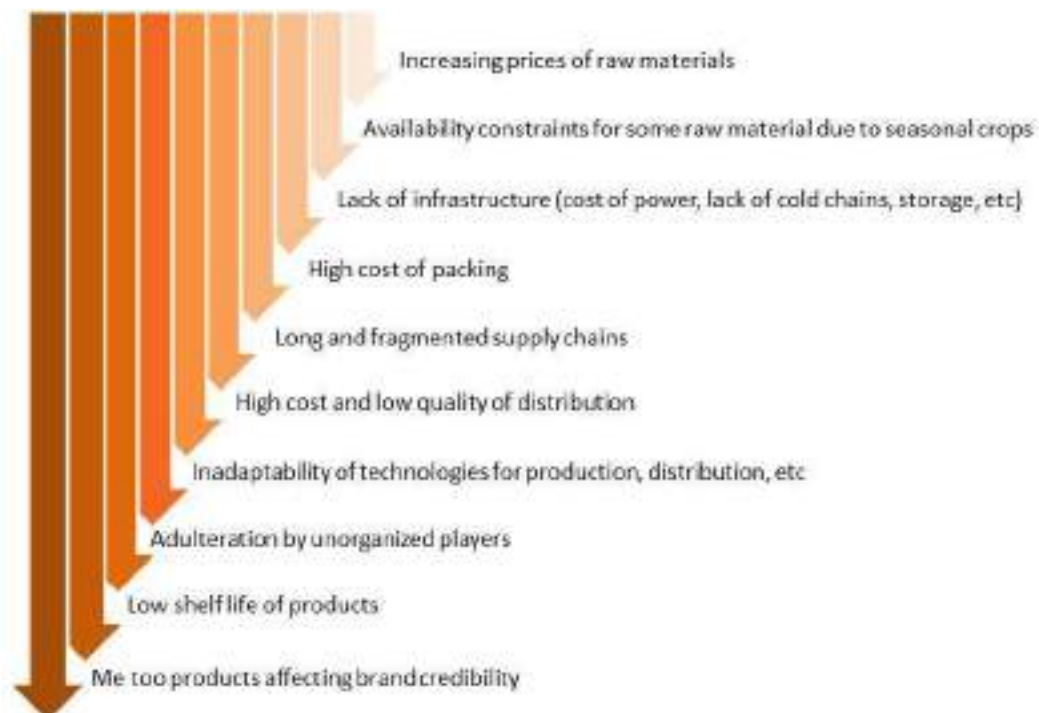
Source: Frost & Sullivan Analysis



#### 4.8. Key growth drivers for the industry



#### 4.9. Key restraints for Indian Savoury Snacks and sweets industry-



## 5. STRATEGIC POSITIONING FOR BIKAJI FOODS INTERNATIONAL LIMITED

Bikaji Foods International is the third largest ethnic snacks company with an international footprint, selling Indian snacks and sweets. Bikaji is well established brand and it is the second fastest growing company with CAGR of 21.3% from FY 2019 to FY 2022 in Indian organized snacks market. Bikaji founder and promoter Mr. Shiv Ratan Agarwal is the pioneers in the Indian snack industry and has more than three decades of experience in this industry.

To ensure production of superior quality products in snacks and sweets segment, the company has given paramount importance by significantly investing in strengthening the brand recall and consumer goodwill over the years. The company has given a novel twist to classic Indian snacks with a contemporary taste along with maintaining the regional flavors to address the evolving consumer preferences in India and internationally.

### 5.1. Diversified product portfolio

The company has a growing domestic and global presence with a well-diversified product basket of more than 300+products that ranges from wholesome bites to indulgent treats, such as namkeen, sweets, papad, western snacks, chips, and cookies.

Namkeen is the highest selling category followed by Bhujia, Sweets, Papad and Others contributing to 35.6%, 34.9%, 12.7%, 6.7% and 10.0% of the total sales in Fiscal 2022 The diversified products basket comprises of the following:



## 5.2. Largest producer of Bikaneri bhujia

In Fiscal 2022, Bikaji was the largest manufacturer of Bikaneri bhujia with annual production of 29,380 tonnes. The facility of manufacturing Bikaneri bhujia is largely automated one ensuring the consistency in quality and taste. The Bikaneri bhujia was given the Geographical Identification (GI) tag in 2010 since it is a popular cottage industry of Bikaner, providing employment to a large group of people in the region. None other than the registered users are allowed to use the name of “Bikaneri bhujia” as generic product.

The company has introduced convenient pouch packaging for Bhujia. The company was instrumental in transitioning and adapting to the packaging innovations by starting packaging Bikaneri bhujia in single-layered pouches and soon shifting to 4-layer colored packaging to retain the freshness of the product, avoid contamination, increase its shelf life and appeal. User friendly and attractive packaging has helped enhance the brand identity of Bikaji in the product segment.



## 5.3. Third largest manufacturer of packaged sweets

Bikaji is third largest player in organized sweets market with annual capacity of 24,000 tonnes for packaged rasgulla 23,040 tonnes and 12,000 tonnes for Soan Papdi and Gulab Jamun respectively..

To leverage upon emerging innovations in sweets packaging, Bikaji introduced easy-open lid can for sweets, such as Rasgulla, Gulab Jamun and Rajbhog since the inception to ensure ease of opening and handling the packages.



The company is also proud to be the first in the industry to manufacture Rasgulla on a highly automated manufacturing line and best-in-class automated softwares. The advantages of using automated manufacturing line ensure uniform weight, shape, quality of Rasgulla balls, large scale production, and consistent quality of the finished product. Soan Papdi is available in five diverse variants under Sadabahar, Manbhavan, Cashewnut, Coconut and Orange flavors. Though the product is handmade in nature involving human intensive operations, high quality production is achieved due to automated backend nature of operations.

These packaged sweets business witness significant spurt during the festive seasons with year-round demand.

#### 5.4. Second largest manufacturer of handmade papad

Majority of the papad produced by the company is Handmade and is well-known as their specialty product with focus on unmatched taste. However, they also manufacture machine made Papads. The company is the second largest manufacturer of Handmade papad with an annual production capacity of 9,000 tonnes in Fiscal 2022. The company produces diverse range of papads ranging in size from small disco papads of 1.5 inch to big 9 inch papads and popular variants such as Baat Cheet Papad, Aas Pass papad and Dil Khush Papad..



#### 5.5. Strong Presence in Family pack segment sales

Amongst their competitors, the company is the market leader in family pack segment and recorded highest share of 60.57% amongst its other SKUs of INR 5 and INR 10 packs during Fiscal 2022. This reflects their brand resilience, driven by taste and the brand preference. The products in the family pack segment are considered as trustworthy with consumption at multiple occasions by families who believe in superior quality and consistency.

Bikaji has offered their products in pouches of various sizes – from a small pack of 14-18 grams to a family party pack of 1 kg to serve wide range of consumers across all SECs' in rural and urban markets. The snack products are available in different price points to cater to the entire spectrum of mass and niche markets. Similarly, for sweets, the company offers various packaging for respective occasions in various sizes.



**Exhibit 20: Family Pack segment dominates the SKU Wise Sales, FY 2022**



## 5.6. Enhancing brand equity by roping celebrity as brand ambassador

To further enhance its brand equity, the company has chosen **Amitabh Bachchan** as its brand ambassador who is one of the most popular celebrities across all age, socio economic groups, gender, rural and urban regions with tag line **“Amitji Loves Bikaji”** since 2019. Bikaji is amongst few Indian ethnic snacks company to have a celebrity brand ambassador of such stature. While conceptualizing the campaign the key objective was to further induct youth segment into re-subscribing to ethnic snacking and in the process make Bikaji the cool and family preferred ethnic snack brand. The aim is to widen Bikaji’s appeal among millennial and customers who prefer modern snacks over ethnic ones.

Bikaji is the only company to rope a celebrity as brand ambassador like him for endorsement of their sweets and papad products range. The **'Amitji Loves Bikaji'** campaign helps the brand in creating awareness, expanding its distribution network, encouraging new channel partners and consumers to come on board and connect with the brand.

Bikaji’s advertisement expenses percentage to sales are the highest across the Indian traditional snack’s product category. Bikaji reported ~ 1.81 % of advertisement expenses in Fiscal 2022 which on an average is the highest amongst its competitors in traditional snacks product category.



## 5.7. Strengthening presence in E-comm, new gen and institutional channels

The importance of consuming packaged snacks and sweets with focus on quality and hygiene assumed paramount significance during Covid 19 pandemic. The pandemic had also encouraged the consumers to look for contactless ways to get their favorite packaged sweets and snacks for in home consumption. These change in consumption behaviors benefited Bikaji who undertook various initiatives in strengthening their presence across E-commerce, New Gen and Institutional channels by way of:

- Upgrading their already existing website to a one-of-a-kind online shopping portal - [www.bikaji.com](http://www.bikaji.com). The company also created their own mobile application that is available on both Android and iOS platforms.
- Collaborating with leading e-commerce players such as Amazon, Grofers, Swiggy, Milkbasket, Big Basket etc to sell their products.





- Actively making sales across other e-commerce platforms such as Udaan, Shop Kirana, Store King, Deal Share etc which are primarily B2B platforms to help the company increase their reach and penetration deeper in the market. The growth strategy across the above accounts is as below:

### Growth Strategy across E-comm and New Age Channels



Bikaji has a strong presence in Railway stations across which gives immense visibility and major purchase space. The company is also under process of getting listed in Canteen Stores Department (CSD), having more than 30,000 stores.

## 5.8. From concentrated player to becoming pan India dominant player

The company's vision is to expand across geographies and emerge as a dominant pan-India player. Apart from its home turf of Rajasthan, the company has a very strong presence in the states such as Bihar and Assam. The company has over the years established market leadership in the ethnic snacks market in its core three states and have gradually expanded their footprint across India, with operations across 23 states and 4 union territories serviced through 2416 distributors. Their pan-India distribution network and well-established brand has enabled them to effectively and cost efficiently increase market penetration and expand their footprint across India.

In their core markets Rajasthan, Assam and Bihar, the company has established deep penetration in Fiscal 2022 enjoys ~45 %, ~58 % and ~29% respectively, of the market share of total organized Indian ethnic snack category in such states.



The current annual production capacity for ethnic & western snacks, sweets and papad in Rajasthan is 2.15 lakh tonnes and 12,000 tonnes for western snacks in Karnataka. A contract manufacturing unit has been set up in Kolkata for manufacturing chips, corn rings and fingers. New facilities have been started in states of Bihar (Muzaffarpur), UP (Kanpur) and Rajasthan (Bikaner) for western snacks and ethnic savouries.

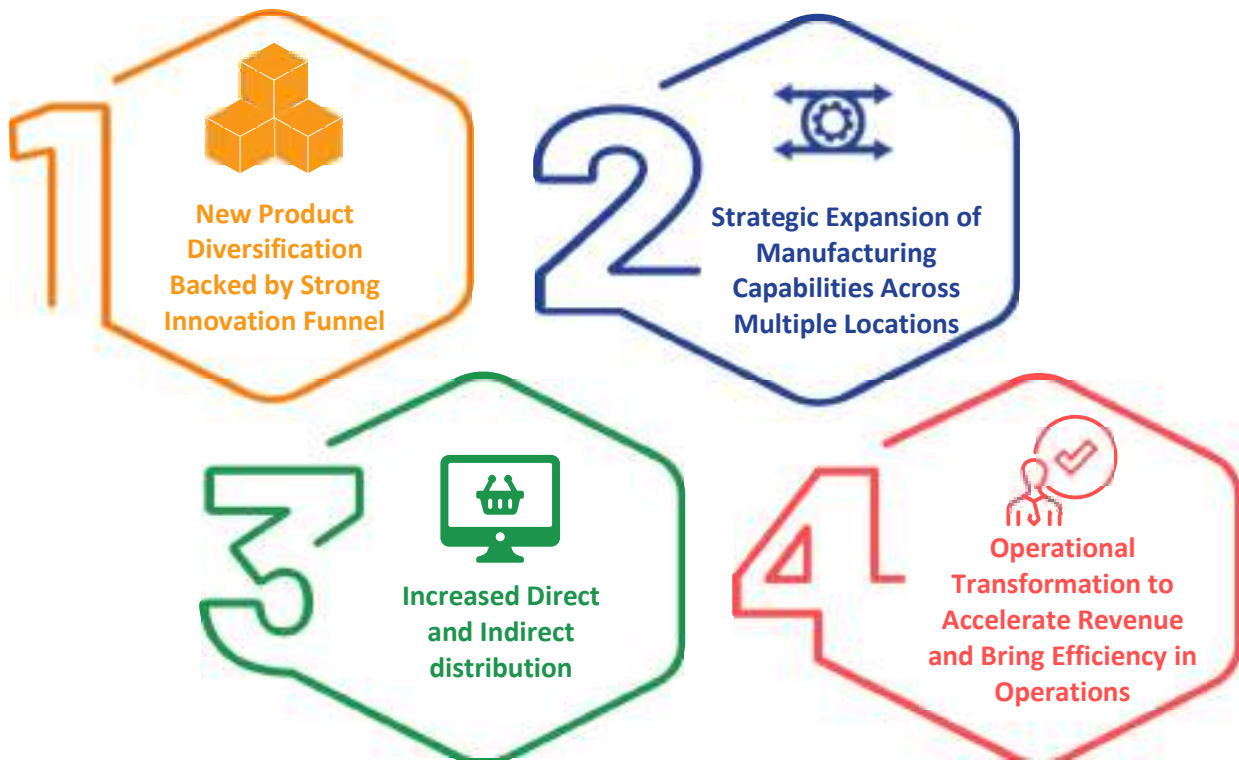
Apart from strong domestic presence, the company is a leading exporter of Indian ethnic snacks, sweets, frozen food besides savories from India with exports in 35 countries of North America, Asia Pacific, Middle East, EU, Africa and UK regions. Exports contributed ~ 4.0 % of the total sales predominantly in North America and Asia Pacific regions during Fiscal 2022.

### 5.9. Strong financial metrics

The company has registered good revenue growth over the recent years (5-year CAGR of 19.8% over FY2018-FY2022) and a growth of 9.08 % in EBITDA over the same period, while maintaining healthy profitability. The company has been continuing to report healthy cash flow from operations, with strong liquidity and credit metrics supported by strengthening of their distribution network and launching new products.

### 5.10. Strategic initiatives to ensure company's future readiness

To ensure that the company stays more global, accessible, and future-oriented brand in future, the company will be taking the following broader initiatives across the value chain:





### **New Product Diversification Backed by Strong Innovation Funnel**

The company has developed a strong product innovation pipeline with the aid of Innovation funnel to ensure new product development and launch. The company plans to introduce new products such as Roasted multigrain-mix, Jowar mix, Bajra Mix, Cheese Balls, Corn Puffs, Soya katori, fingers, Pasta & Snacks, French Fries, Twisteez, Cones in bridge & extruded under brand name of Bikaji Funkeen. Multigrain chips, popcorn, nachos, fillows, under Brand name of Bikaji Café and few region specific namkeens as part of their product diversification initiatives.



### **Strategic Expansion of Manufacturing Capabilities Across Multiple Locations**

The company aspires to set up state of the art product manufacturing facilities across various strategic locations in the country to ensure ease of product serviceability across different zones, retain freshness of the products achieved through reduction in lead times and efficiency of operations. This would ensure the company to deepen their pan-India presence. The key initiatives planned in this direction include the following:

- Setting up state of the art manufacturing plants in the states of Bihar, Rajasthan, and UP thereby establishing manufacturing presence across more locations in India.
- Penetrating their stronger and focused markets through Contract Manufacturing Units (CMU) to ensure wider presence, diversified product manufacturing, freshness and quality of the products and utilization of capital more efficiently for growth initiatives.



### **Increased direct and indirect distribution**

As strategic intervention organization has planned to increase feet on the ground to further strengthen the sales force with the stated objective of adding more outlets in the direct coverage and leverage WS for indirect distribution. The task is to strengthen the distribution network which would ensure better service & reach in the marketplace. Investment made behind the sales automation is to enable the sales team, both at back end & front end to drive efficiencies and effectiveness. In the newer geographies efforts are to increase our footprints which is the part of seeding operations initially & eventually build the market. We plan to further leverage New Age and E-Comm channels for deeper reach both to the consumer and the retailers; this is not only cost effective but efficient too.



### **Operational Transformation to Accelerate Revenue and Bring Efficiency in Operations**

Bikaji is at the cusp of a significant value creation opportunity that may be meaningfully enhanced by a focused transformation program over the next few years. Bikaji wishes to conduct an operational transformation program which would include the following initiatives:

- Process transformation and organization restructuring across Production, Finance, Sales and Marketing, Supply Chain and Accounts, IT and HR functions to make the processes efficient, transparent and system oriented.
- Induction of professional experts to further strengthen the management team.
- Structured demand and supply planning process across organization.
- As is assessment of internal capabilities, sales strategy, operating model, external assessment of selected markets across ethnic and western snacks, competition landscape and identification of sales enhancement opportunities.