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**GROWING OPPORTUNITIES
FOOD MARKET**

IN INDIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY



Flanders
State of the Art

Growing opportunities in the Indian Food Market

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FLANDERS INVESTMENT & TRADE

The purpose of this paper is to give Flemish exporters of various food products a hands-on introduction to the Indian food market. The current size and growth projections of the different market segments are given, together with the underlying trends in the retail landscape, the food service industry and online commerce. Different food categories and the opportunities for Flemish food exporters within these categories are being analyzed: processed foods, dairy, frozen and convenience food, perishables and dry foods. Furthermore, the challenges and regulations to be taken into account for a successful market entry are being mentioned. We conclude with practical points for doing business in India.

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1 WHY INDIA?

- One of the fastest growing economies with an average annual growth of 7.73% (*Nasdaq*);
- 2nd most populated country in the world with 1.3+ billion inhabitants (*CIA Factbook + The Guardian*);
- Households with disposable income of more than \$10,000 (€ 8,500) has leapt from around 2.5 million in 1990 to nearly 50 million in 2015 (*Euromonitor*).

1.1 THE INDIAN CONSUMER

- By 2025, India is set to become the 3rd largest consumer economy with a nominal year-over-year expenditure growth of 12% which is more than double the anticipated global rate of 5%;
- Demographically youngest consumer market (33% of the population is younger than 15 years and 50% younger than 24 years) (*Technopak*);
- Consumers purchase brands they recognize. In this sense, it is necessary to invest in advertising and marketing to promote one's product (*Santander trade portal*);
- A highly price sensitive market;
- 38% of the Indian population is vegetarian (*World Atlas*);
- Customers visit both traditional mom and pop (Kirana) stores and modern stores in the ratio 5:1 times on a weekly basis (*India Retailing*);
- Half of the country's wealth is in the hands of 1% of the population.

1.2 GROWTH DRIVERS

Economic developments and supportive government policies have resulted in the development of production, processing, distribution and marketing of F&B in India.

Apart from India's strong macro-indicators and production base, there are seven factors that have led to an increase in the consumption:

- Affluence of working population with increase in disposable income;
- Rising urbanization leading to changing lifestyles and less time to prepare food at home;
- Changes in taste and preference of the Indian consumers;
- Increase in tourism in India and international travel by Indians increased the interest of Indians in international food products;
- Innovative advertisements, rise in supermarkets and e-commerce boom, creating increasing awareness among consumers and also making the products easily accessible to the consumers;
- Promised quality standards, health benefits of the products;
- Increase in consumption of fast growing F&B segments during special occasions and celebrations.

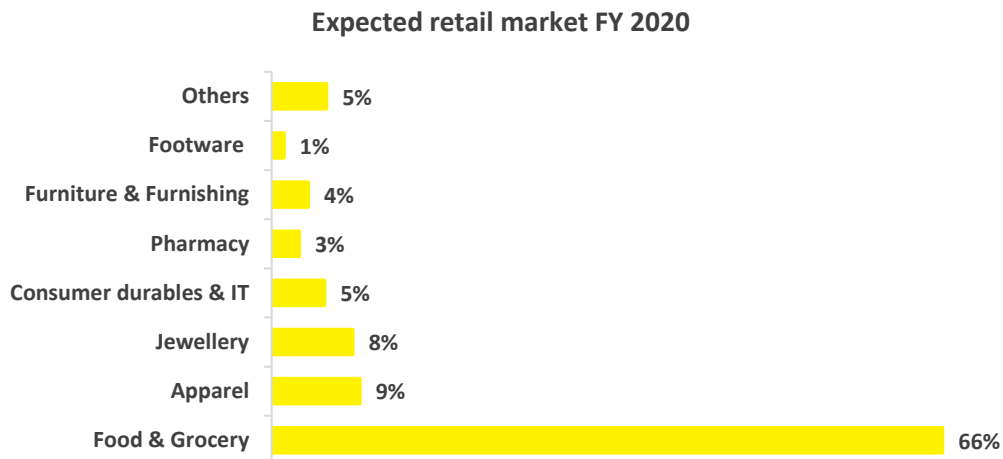
1.3 OVERALL F&B MARKET – INDIA (SOURCE: IBEF)

- The Indian food market is the world's 6th largest and accounts for approximately 31% of India's consumption basket;
- The food retail market is expected to reach € 770 billion by 2020;
- The food service industry is expected to reach € 66 billion by 2018;
- The gourmet food market is currently valued at € 1.1 billion and is growing at a compound annual growth rate (CAGR) of 20%;
- Imported food constitutes 15% to 20% of the total organized retail space and has been growing at 30-40% year-on-year for the last 4-5 years.

2 BUSINESS CHANNELS FOR F&B

2.1 RETAIL LANDSCAPE

The Indian retail market is one of the fastest growing markets in the world. Thanks to the economic growth the country is currently experiencing and is expected to reach € 926 billion by 2020. Looking at the Indian retail market structure illustrated below, one can observe that the Food & Grocery (FG) category is expected to capture 66% of the total retail sector by 2020.



Source: IBEF

Within Indian Retail, there is a strong distinction between organized and unorganized retailing. The unorganized sector is dominated by the Kirana (“mom-and-pop stores”), general stores, street markets and convenience stores whereas the organized retail encompasses department stores, gourmet stores, supermarkets and hypermarkets and e-commerce retailers. However, the organized retail sector only accounted for 9% of the total retail sector in 2017, valued at € 48.6 billion.

Since only two percent of weekly food shopping is carried out in a supermarket, Flemish F&B companies must look beyond supermarkets to distribute their products (i.e. other organized and unorganized retail formats). Below is an illustration on both segments:

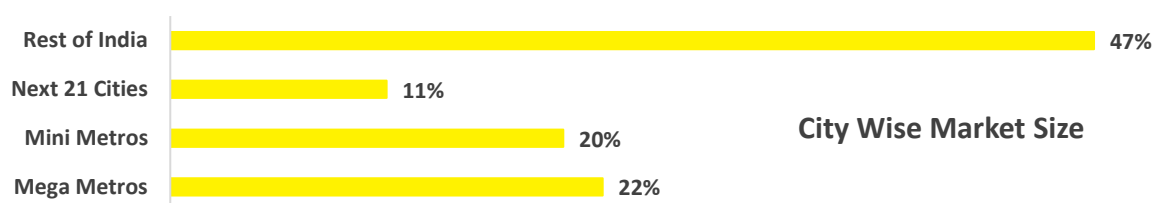
Formats	Description	SKUs offered	Store Size (sq.ft)	Major Players
Unorganized Retailers				
Kirana (Mom & Pop) / General Stores / Convenience stores	A neighborhood store which stocks small quantities of everyday use items	2,000 to 5,000	1,000 to 10,000	<ul style="list-style-type: none"> - Individually owned stores - Neelam - Foodland - Rakhangi (<i>stand-alone stores</i>)
Organized Retailers				
Supermarkets	In-city store selling predominantly food and household products	20,000 to 50,000	20,000 to 50,000	<ul style="list-style-type: none"> - Reliance Super - Aditya Birla Retail - Spencer's Daily - Big bazaar
Hypermarkets	One-stop shop, offering a wide selection of products and services, generally located on the city periphery	80,000 to 125,000	100,000 to 250,000	<ul style="list-style-type: none"> - Reliance Mart - Aditya Birla Retail - HyperCITY - Trent Spencer's
Gourmet stores	Offer limited width and high depth of products with emphasis on quality	2,000 to 4,000	1,000 to 10,000	<ul style="list-style-type: none"> - Godrej's Natures Basket - Foodhall

Source: *The Indian food report 2016*

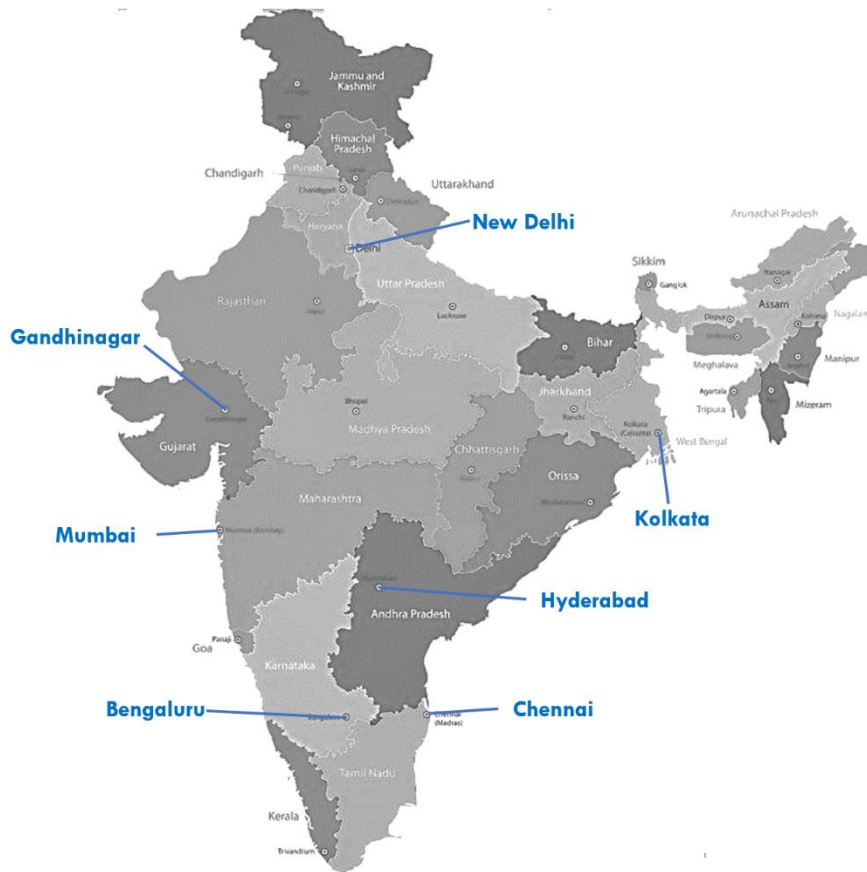
2.2 FOOD SERVICE INDUSTRY

India is booming with food joints. New restaurants are constantly coming up. Whereas a decade ago, eating out had not been a prominent feature in an Indian's life, over the years, due to changing consumer patterns, eating out has gained momentum. Online ordering, home delivery, cashback facilities, reward points and heavy discounts summarize the current delights that restaurants offer to the consumers. By 2021, the restaurant sector will contribute almost 2.1% to the nation's GDP witnessing a CAGR of 10%.

The top eight cities in India have been the center of development, especially for the organized Food Services. The two Mega Metros, Delhi and Mumbai, contribute a total of 22% (11% each) to the Food Services market. The 6 Mini Metros (Ahmedabad, Pune, Chennai, Kolkata, Bangalore, Hyderabad) constitute around 20% of the Food Services market, while the rest of the contribution comes from the upcoming 21 cities along with the rest of India.



Source: *NRAI Technopak India Food Service Report 2016*



Food Services Industry is classified in two segments: organized and unorganized based on following three key parameters:

- accounting transparency;
- organized operations with quality control and sourcing norms;
- outlet penetration.

	Market Share			CAGR		Overview
	2013	2017	2022 P	2013-17	2017-22	
Unorganized Market	70%	66%	57%	6%	7%	<ul style="list-style-type: none"> - Largely the roadside eateries and smaller food joints. - Average spend per person: € 1.5 and below (approximately).
Organized Market	30%	34%	43%	11%	16%	<ul style="list-style-type: none"> - Standalone restaurants across all formats with less than 3 outlets + chain format which has 3 or more outlets across all formats like – Quick Service Restaurants (QSR's), Pubs and Lounges, Premium and Casual Fine Dining. - Average spend per person: € 2 to € 40 and above (approximately).

- The organized standalone market share in the total Food Services market is projected to rise to 29% in 2022 from 24% in 2017;
- In case of independent restaurants (in hotels), the market share is estimated to remain constant at 3% till 2022. However, this segment is still expected to grow at a CAGR of 9% from 2017 to 2022;
- The casual dining restaurants which have around 61% of the organized standalone market share are growing at a CAGR of 16% to reach 66% by 2022 followed by QSR's growing at 15%;
- The chain food service market is expected to grow at a CAGR of 21% by 2022.

Source: Indian Food services Industry: Engine for Economic Growth & Employment

Among modern hotels and restaurants, opportunities are typically for foods or ingredients that are not readily available in India. Among four and five-star hotels, casual and fine dining restaurants, imported food and ingredients are typically limited to products that cannot be sourced in India, or products which cannot match the imported quality. Imported products primarily include wine, other alcoholic beverages, dairy products, meat, seafood, fruits, frozen French fries, sauces, seasonings, drink mixes and food ingredients. Trending international cuisines in India would include Italian, Thai, Japanese, Chinese, Mexican, and Spanish.

2.3 E-COMMERCE / ONLINE RETAILERS

E-commerce is no longer a myth in India, it is reality. One can find advertisements or read about new investments in the e-commerce space on a weekly basis.

Traditional offline retailers are more and more moving to the online platform in order to gain their share of the e-commerce pie. However, in 2016, only 2.5% of the purchases happened online. Despite the low percentage of online purchases, the Indian Brand Equity Foundation (IBEF) predicts a doubling in online purchases by 2020. The advantage of engaging with e-commerce platforms are tremendous as it offers far greater market penetration, visibility and product listing at a nominal cost in comparison to traditional

modern retail platforms. Amazon for example charges approximately € 39 per/month (VAT exclusive) per product category if a manufacturer lists with Amazon, reducing the initial listing fee substantially. *(The charges are global figures in this report).*

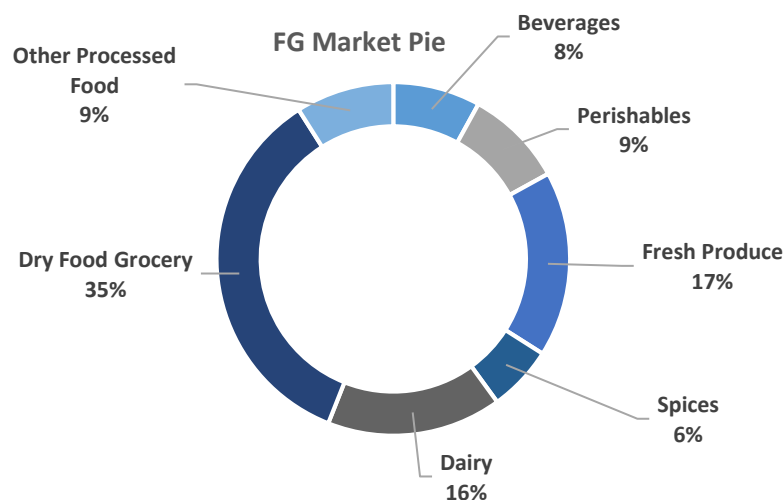
Top Players (F&B) Grofers	B2C	B2B	Cities covered	Private label	Product Categories
	Yes	No	All Major Cities + tier II cities	Yes (in the future)	- Fresh - Processed - Home Care
Amazon	Yes	No	All Major Cities + tier II + tier III cities	Yes (in the future)	- Processed - Home Care - Fresh (in the future)
Big Basket	Yes	Yes (in the future)	All Major Cities + tier II cities	Yes	- Fresh - Processed - Home Care

The population under the age of 35 has the biggest internet penetration. 7 out of the 8 users access the internet through their smartphone. Nevertheless, the most attractive group are people between the age of 31 and 54 years old. In fact, they are financially independent and have a lot of purchasing power whereas the younger generations tend to purchase for smaller amounts. Although the consumer base is growing for online retail, the new online retail customer is better informed, more demanding and less tolerant than before.

3 CATEGORIES DRIVING GROWTH IN F&B

Food grocery contributes to more than 60% of the retail sector and 90% of the overall food market. The market exists in various forms and reaches the end consumers through all types of retail channels, such as hawkers, peddlers, cart-driving street vendors to modern retailers operating supermarkets, hypermarkets and specialty food stores and shopping websites. The Indian Food Grocery Market is expected to increase between 2010 and 2020 at a rate of 15% CAGR (*Indian food report 2016*).

The Indian food grocery market is composed of seven different food categories. Among these, the dry food grocery forms the biggest group. In the next section, the different F&B categories will be explained more in detail, particularly those that are of importance to Flemish exporters.



Source: India Food Report 2016

3.1 PROCESSED FOOD

- The processed food category largely covers products such as biscuits, bakery food items, sweets, confectionery, chocolates, snacks, sauces, non-alcoholic beverages, pickles and preserves;
- This category has become the face of modern trade contributing 9% to the total food & grocery category market with a CAGR of 20%. The category is expected to be more than treble its present size by 2020.



3.1.1 Biscuits

- With a total turnover of €1 billion, India is considered as the 3rd largest biscuit manufacturing country in the world, behind the US and China, and one of the prime biscuits exporters;
- The annual consumption of biscuits is around 2kg per capita. The industry enjoys an 85% penetration rate in urban areas and 55% penetration in rural areas;
- 70% of the biscuits in India are produced by the small-scale sector, therefore making it difficult for imported brands of biscuits to compete price wise in the market;
- The biscuit market is currently growing at 20-23%. The Indian biscuits market is projected to reach € 7.1 billion by 2023 (*6Wresearch.com*);
- Major players in this category are ITC Limited, Britannia Industries Limited, Parle Biscuits Private Limited, Surya Food & Agro Limited and Unibic Foods India Private Limited.

Opportunities for Flemish exporters → Flemish exporters can contribute with quality high-end and mid-range biscuits, cookies where the domestic manufacturer is still trying to figure out its niche. Cookies and biscuit recipes that are popular in Belgium will do well in this category with a little customization.

3.1.2 Snacks

- The snack food market is categorized in two broad categories: the western and traditional snack segments. In the last 10 years, the western segment has gained popularity in comparison to traditional varieties;
- Branded snacks hold 40% of market share in presence of both organized and unorganized players;
- The consumers are looking forward to healthier and flavorful options. There is an increase in consumer interest towards snacks as there are various brands in this segment with newer technology and more benefits giving them refreshing and quick meals;
- The leading traditional brands in this sector are Haldiram and 'Uncle Chips' from Amrit Agro. PepsiCo with its diverse range of product portfolio has substantially changed the market. The other players include ITC Ltd, Bikanervala Foods Pvt. Ltd., DFM Foods Ltd., Balaji Wafers Pvt. Ltd., Balaji Wafers Pvt. Ltd., MTR Foods Pvt. Ltd., Prataap Snacks Pvt. Ltd., Parle Agro Pvt. Ltd. and Ushodaya Enterprises Pvt. Ltd.

Opportunities for Flemish exporters → Crisps, chips with a health quotient along with different combination of flavors which can compete with brands that are already being imported in India are suited for this product category.

3.13 Spreads & Preserves

The table sauce category is estimated at €125 million, growing at over 20% annually. Tomato sauce accounts for over 65% of the table sauce consumption, other categories (such as Chinese sauces, mayonnaise and preserves), while relatively smaller in size, are also growing rapidly.

- Tomato Ketchup & Sauce;
- Chinese Sauces;
- Pizza, Pasta & Barbeque Sauces;
- Mayonnaise and other spreads/preserves.

Innovation in variants and packaging is the key driver for the growth of this industry. For example Nestle has introduced a number of variants of its tomato sauce (no onion tomato sauce, hot and sweet tomato sauce, masala sauce, tamarind sauce) over the years. The company has also launched pichkoo, where the sauce is packaged in flexible packaging material, thus allowing it to be squeezed easily. Similarly, Dr. Oetker India (manufacturer of Fun food brand of products) offers a large variety of products including mayonnaises, sauces, spreads, salad dressings, cakes and dessert toppings. For its mayonnaise range alone, the company sells 8 flavors.

Sauce manufacturers have two business models: Business to Business (B2B) and Business to Consumer (B2C). Small and medium sized enterprises typically start with supplying to businesses and then switch to retail. For example, Fun foods has been associated with Subway in developing customized variants of sauces. Veeba foods, a recent entrant in the market which supplies sauces and dips to restaurants and fast-food chains, recently raised €5 million and forayed in retail segment through its own Veeba brand.

Opportunities for Flemish exporters → Taste in this category is expanding, exporters can contribute towards the demand not only for the retail consumer but also for the Horeca segment. The variety of sauces, spreads and preserves you see at retail stores offers a wide range of options.

3.14 Chocolates

- The Indian chocolate industry was worth €725 million at the end of 2014 and is predicted to reach €1.5 billion with a CAGR of 16% by 2019. Mondelez India (formerly Cadbury India) and Nestle India are the major players with approximately between 88 to 90% of the total sales in 2014;
- International brands like Mars and Ferrero India are also making space with their delicious products. Premium chocolates contribute 10-12 % towards the market and are anticipated to increase up to 27-30% by 2021 (*source: India Chocolate market outlook 2021*);
- The urban population in India is the main chocolate eater with a share of 80% of India's chocolate consumption;
- Today children and youngsters from villages and towns are much more aware about products and enjoy chocolates frequently;
- Small packs of chocolates containing less than 30g and priced around €0.06 and €0.12 are the fastest growing segment with the largest sales volume in India. However, the per capita consumption of chocolate (approximately 0.17 kg) is limited compared

to western countries which means there is tremendous potential for chocolate market growth.

Dark Chocolates	The preferences of Indian consumers are slowly evolving and getting accustomed to the taste of dark chocolate. Urban and metro consumers are the prime target group as they are more health-conscious. Even doctors are now recommending regular consumption of dark chocolates to patients. The dark chocolates are the fastest growing chocolates segment with a 9% market share. Moreover, chocolate companies are instigating products like Bournville and Dark Chocolate to push the dark chocolate segment.
Sugar-free chocolates:	In India, this market is having only a tiny share but endless potential. Increase in demand for healthy chocolates with specific nutritional profiles including low calories which can be further categorized as low sugar, sugar-free which can be further categorized as natural sugar-free and artificial sugar-free is boosting sales of sugar-free chocolate. However, in chocolate confectionery, sugar-free products represented just 1% of new launches.
Premium chocolates:	The exposure to global chocolate brands by Indian consumers is driving the premium chocolate segment. Manufacturers are tapping the rising affluent urban population by introducing premium or higher priced products. Growing demand for premium chocolates has attracted several international brands like Hershey's, Patchi, Mars, Lindt and Ferrero Rocher, Royce to enter the domestic market.
Homemade chocolates:	Homemade chocolates are making a mark amongst other varieties. They are produced in smaller quantities and fused with flavors that blend well with the Indian Palette. Festive occasions, corporate and casual gifting form a core part of revenue generation for homemade chocolatiers.
Artisanal / Boutique Chocolates:	With the influx of international ingredients, cuisine and culture, artisanal/boutique chocolates have established a base for themselves in the Indian market. Targeted towards consumers with a refined palette, artisanal/boutique chocolates primarily focus on the quality, content and source of cacao used in their products. These enterprises are largely promoted by a bunch of cacao enthusiasts, chefs or food consultants who have either identified the best suppliers of cacao and allied products or have mastered the technique to become artisanal chocolatiers. Artisanal chocolates are high-end price wise and consist of the finest ingredients bringing the best of both worlds. Some of the top hotel chains and some entrepreneurs who are fond of cacao and are aware of its magic have forayed in this segment. Although the market share for this category is quite low, brands such as Fabelle by ITC, Mason & Co, Earth Loaf and Bean Therapy continue to create a niche with exotic products infused with flavors tempting the Indian palette.

Other products containing chocolates:

The introduction of new varieties due to the introduction of new ingredients has increased sales. The range of chocolate products available is seemingly without any limit, from cereal bars to candy cakes. Various health bars also include single or more layers of dark chocolate for improving taste and flavors.

Opportunities for Flemish exporters → Belgian chocolates are popular amongst consumers in India. Brands like Godiva, Neuhaus and Leonidas are well known with affluent consumers. Thus, “Belgian chocolate” is definitely a quality label. Chocolate makers can look towards exporting mid-range to high-end products as this category is only projected to grow further. More and more brands are entering this segment as domestic quality is stagnant.

3.1.5 Food Ingredients

- Food ingredients are the next growth wave in India. This sector is driven by the promising prospects in the food processing sector. The key products in this segment are emulsifiers, sweeteners, flavors and food enhancers, premixes for dairy, bakery, confectionery and preservatives;
- The growing population and evolving consumer tastes give thrust to growth of the sector in the coming years. The application of specialty food ingredients is in bakery, confectionery, dairy, convenience foods, beverages, meat & seafood products and functional food products;
- According to research reports, the demand of the food and beverage industry with regards to food ingredients product development is focused on superior quality, fine texture, pleasant flavor, extended shelf life, enhanced nutritional value and cost control;
- The key players in this space are AB Mauri, Camlin Ltd, Griffith Labs, Vivimed Labs, Global Calcium India Pvt. Ltd, Kerry Flavours, Sonorome, Vishaal Natural Food Products, Hima Food Additives, and Dawn Foods & Flavours along with global companies like Cargill (US), Chr. Hansen (Denmark), DuPont (US), Royal DSM (The Netherlands), McCormick (US), ABF, Danisco, Givaudan. Tate & Lyle (UK) is a leading specialist food ingredients and flavors supplier.

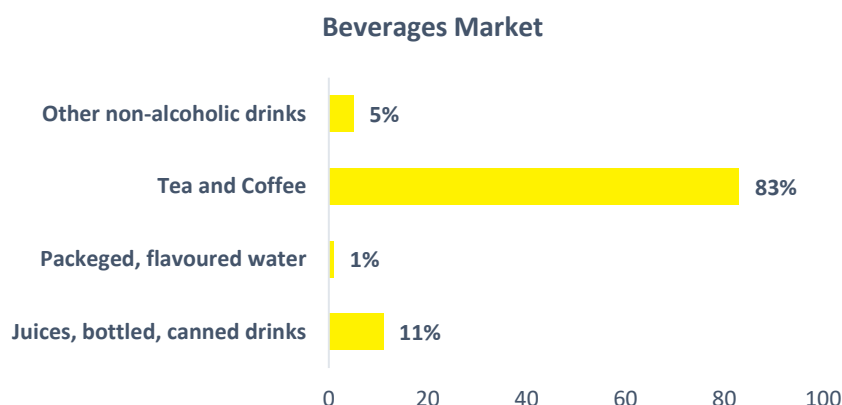
Opportunities for Flemish exporters → Companies can contribute towards pre-mixes, fruit fillings, flavoring agents and stabilizers for the confectionery, bakery and horeca industry. Chocolate for bakery and as raw material have a huge demand. The quality of domestic products are still inadequate in comparison to international standards.

3.1.6 Beverages

- Contribute 8-9% to the total Food & Grocery (FG) market;
- The total market value of the beverages industry is close to € 24 billion and is projected to increase steadily at a CAGR of 20-23%;
- Major international brands have forayed in the last decade, at present they hold 5% of the total market share;
- Tea and coffee occupies the largest share of the market followed by juices, flavored drinks, packaged drinking, flavored water and other non-alcoholic drinks;

- Coffee consumption is largely driven by the urban areas as opposed to tea which is far more dominant in smaller cities. The coffee market is expected to triple its market share within the next 3 – 5 years;
- Urban areas lead in consumption of juices, however consumers are now shifting from fruit based drinks to fruit juices as the latter is considered healthier. Fortified wholesome drinks with high nutrition value are also in vogue;
- Soft drinks which are widely consumed publicly as opposed to household consumption, have evolved to be a part of the eating-out culture;
- Energy drinks with caffeine are high in demand. The major ingredients used in energy drinks are caffeine, amino acids, vitamins, and sugar. Red Bull GmbH has the largest market share in this category.

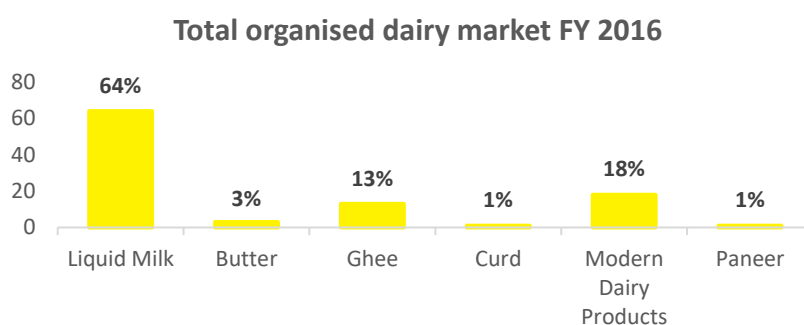
Opportunities for Flemish exporters → fruit and carbonated beverages in combination with flavors that are not available in India should do well within this category. Private labelling is gaining popularity and is a preferred choice of importers in India.



Source: NSSO, MPCE Analysis

3.2 DAIRY

- India is the biggest milk producing country in the world;
- The dairy industry accounts for 16% of the overall FG (Food & Grocery) market in India. The overall value of the dairy market in 2016 was € 453 billion;
- As illustrated in the figure below, the dairy market is composed of several types of products: liquid milk, baby foods, processed milk such as skimmed, condensed and powered milk, curd, butter, ghee (clarified butter), ice-cream and other milk products.



Source: Aurum

- The ice-cream industry is growing at a CAGR of 9.2% and the per capita consumption has gone up to 300ml;
- With growing urbanization and shifting inclination towards processed foods, Indian consumers are becoming more demanding, thus pushing individual markets of butter, cheese, ghee (clarified butter), ice-cream and other such dairy products to expand.

3.2.1 Butter

Butter can be found regularly on the table of an average Indian household. Amul has the largest market share till date, and as a brand Amul has become symbolic in the mind of Indians when it comes to butter. Although in the last 5 years international brands have entered India either via the importer/distributor model or have set up manufacturing in India to compete with domestically manufactured products, these international brands are yet to make a mark.

3.2.2 Cheese

On the contrary to butter, current household penetration in terms of cheese consumption is below 7% with an annual consumption of 200g per capita, compared to the global annual average of 7kg per person. Differences are however to be found between urban areas and rural areas. In fact, an average urban Indian consumes 700g of cheese per year and the country's six largest cities account for approximately 60% of all the cheese sold.

(source: FNBnews.com)

40 to 50 variants of the global 3,000 varieties of cheese are marketed in India. It is one of the fastest-growing markets among dairy products, worth € 192 million. The Indian cheese market is expected to grow at a CAGR of nearly 18% between 2015 and 2020. This increased interest in cheese can be explained by the rise in food service outlets (e.i. Pizza Hut and Domino's) across the country which have led to changes in food habits. The Indian fast-food market is therefore a major driver for India's cheese industry.

The Indian organized cheese market consists of variants like processed cheese, mozzarella, cheese spreads, flavored and spiced cheese.

Major players in this market include Parag Milk Foods, Gowardhan Foods, Danone, Milky Mist, Heritage Foods, Mother Dairy, Vijaya Foods, Milkfed and Verka. Some of the global brands that have a long-standing presence in India include Dabon International, Bongrain SA, Kraft's, Fromageries Bel, and Arla Cheese. However, gourmet cheese retailers are also to be found and account for 5 to 7% of the market share and experience an annual growth rate above 30%.

3.2.3 Milk

The modern value-added dairy products like flavored and frozen yogurt, UHT (Ultra-High Temperature) processed milk and flavored milk are expected to grow much faster than the dairy market, projected to grow at 25-30% per annum for the next 4 years, growing from a small base. International brands are now marketing their products in India, priced way higher than locally manufactured products but these brands are targeted towards the health conscious high-end gourmet customers with various offerings such as skimmed, low-fat, range of flavor profiles and traceability of the product.

Opportunities for Flemish exporters → Cheese and fats in form of butter, cream can contribute towards this category as international brands have created a niche in spite of domestic giants like Amul who have market share.

3.3 FROZEN AND CONVENIENCE FOOD/READY-TO-EAT

- The increasing demand for convenience food, advancements in freezing technology and cold chain logistics have supported the global Indian frozen food sales;
- Change in consumption patterns and inclusion of various international recipes have resulted in higher demand for frozen food. The demand for healthy convenience food has increased in recent years as it requires minimum time for washing, peeling and cutting;
- The Indian frozen food market is estimated to be around € 90 million, and is projected to grow at a CAGR of 3% during the forecast period (i.e. until 2022);
- Initially, the Indian frozen/convenience food industry started by offering frozen vegetables and fries. Today, it delivers a wide variety of products, ranging from fruits and vegetables to frozen meat and ready-to-cook, snacking and full meal options. Among these, frozen snacks and vegetables are the largest categories in terms of sales volume whereas frozen poultry, seafood and red meat are new to Indian customers;
- Quick Service Restaurants (QSR), fast food chains, hotels, and cafes from not only metros, but even from tier-II and tier-III cities are gearing up to offer their customers the finest in food along with the ambience. Hence, they have started using frozen food to serve their orders quickly and efficiently without any hassles;
- Frozen food has also witnessed rapid growth thanks to the evolution and growth in modern retail;
- However, in India, consumption of frozen food is still close to negligible in comparison to global standards. The frozen food segment comprises of ready-to-cook/fry and heat-and-eat vegetarian and non-vegetarian food products. The market is largely dominated by selected national brands and some regional players.

The top four frozen food brands are:

- Mother Dairy (50% market share);
- Venky's;
- Al-Kabeer;
- Sumeru.

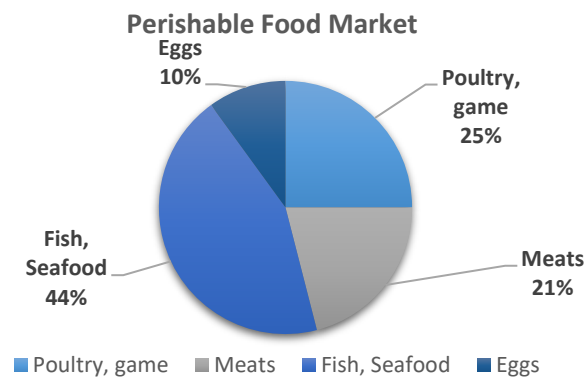
Other brands include McCain, Godrej, Gadré, Cambay Tiger, IFB, ITC, Buffet, Big Sam's, Mrs. Paul & Gortons.

- Product offerings include cold cuts, meatballs, hot dogs and sausages, samosas, kebabs, jalapeno and cheese sticks, spring rolls, nuggets, Belgian fries(frozen fries), fillets, breaded fingers, patties and cutlets, among others, some of which are available in vegetarian, chicken, and mutton variants. Value-added poultry is most popular with breaded chicken snacks at 50% of the frozen poultry category, sausages at 35% and kebabs at 15%. Ready-to-cook snacks like breaded chicken and fish are more popular than frozen raw fish and chicken.

Opportunities for Flemish exporters → Frozen fries and other ready to eat meals are gaining acceptance. There is a need for better quality, healthier options, longer shelf life within this category. Exposure to international cuisines has created a demand for these products.

3.4 PERISHABLES

- The perishables market worth € 25 billion in 2016, is growing at a CAGR of 20% and can be divided in 4 sub-categories: fish and seafood, eggs, meat, and poultry & game, and accounts for 9% of the total food grocery (FG) market;



Source: NSSO, MPCE Analysis

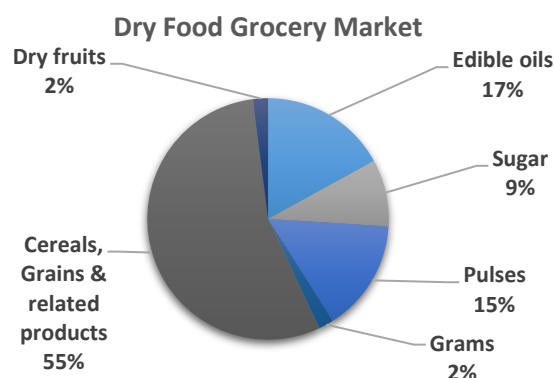
- Growing modern retail, new and evolving infrastructure and supply chains have led to significant improvements in the standards of livestock and fish farming, therefore increasing the shelf life of perishables and making them available to more consumers;
- Imported products are largely entering categories like meat, fish, seafood and poultry with products such as high quality lamb, pork, varieties of fish which are not indigenous to India and turkey meat which is now consumed due to the introduction of international festivals and cuisines.

Opportunities for Flemish exporters-> With market access for Belgian pork, the country is a leading supplier to India. The carcasses or cured form of perishables are contributing towards the category as Indian pig farms struggle to meet quality produce.

3.5 DRY FOODS

3.5.1 Grocery

- The dry food grocery market contributes to 35% of the total food grocery market in India. Dry food includes cereals, grains and related products, sugar in all possible forms, edible oils and dry fruits which can either be consumed raw or in a semi-prepared form. Among these, cereals, grains and related products account for the biggest share (i.e. 55%), as shown below:



Source: NSSO

- The rise of processed food in the past two decades has however negatively hampered the consumption of dry food groceries in raw form;
- According to the Indian Food Report 2016, the market value of dry food grocery was of € 100 billion in 2014 and has grown at a CAGR of 11% over the last decade. At this rate, the dry food grocery market is expected to reach the 187.5 billion euros mark by 2020.

3.5.2 Spices

India is indeed the largest producer, consumer (i.e. 5 million tons per year) and exporter of spices and spice products in the world. No meal leaves the kitchen without being flavored by spices. The spice market in India exists of edible salt and all other dry spices peppers, cardamom, chili, ginger, turmeric, coriander and cumin. The current market for spices is valued at € 18 billion and has grown at a CAGR of 13% over the last decade. By 2020, the market is likely to grow twice as big as it was in 2016.

Opportunities for Flemish exporters → This category is dominated by north American exporters, however if you are into commodity trading there is ample opportunity if you can price your products appropriately.

4 MARKET TRENDS

4.1 CHANGING BUSINESS CLIMATE

While the roll-out of major policy changes like the demonetisation (2016) and the Goods and Service Tax (2017) have temporarily affected the overall growth rate, the latest macro-indicators are already showing signs of revival. Improvement in infrastructure growth, capital imports and exports growth are all promising signs. The relaxation of Foreign Direct Investment (FDI) policies, and the recent jump in World Bank's (WB) Ease of Doing Business ranking are indicative of the federal government's consistent efforts to strengthen its position as a preferred place to do business.

4.2 RAPID DIGITIZATION

The average consumer's growing affinity to digital platforms is forcing the industry to rethink older paradigms of reaching out to the end user. From pamphlets stuck in your house's gate to digital menu's available on your phone; from searching and pondering over for the best deals or discounts to getting the offers in messages and apps, services have become more user-friendly and are in fact just a tap away. Digital platforms will influence 30% to 35% of all retail sales by 2025. (*Indiaretailing.com*)

4.3 HEALTHY LIFESTYLE

Rising awareness and incomes among urban consumers are making them care more about health and fitness. The mushrooming of juice bars and kiosks selling salads and wraps are cases in point. Consumers are opting for healthy options at supermarkets as well. Many now cook with healthier oils as opposed to the traditional ghee (clarified butter) and butter. Nearly half (48%) of the Indian consumers surveyed by market intelligence firm Mintel are aiming for a healthier lifestyle in the coming years. Healthy living topped the list of consumers' goals and aspirations for the next three years, ranking above better time management (30%), improving relationships with family and friends (25%) and travelling (24%).

4.4 INCREASE IN PRIVATE LABELS

The Private Label-concept is rather new in the Indian food retail market. However, a large number of retailers have begun to launch their own private label brands as it gives them more control over the entire supply chain of their products. Some of the popular categories of private labels include staple foods such as packaged rice, cereals and pulses, flour, sugar, breakfast cereals and packaged tea which have begun to find greater acceptance among Indian consumers.

5 CHALLENGES

5.1 FOOD SAFETY: EVOLVING WITH TIME

The Food Safety and Standards Authority of India (FSSAI) is an autonomous body. FSSAI samples and controls each consignment arriving in India. If the food products are not as per FSSAI regulations, the consignment will be rejected and will not be allowed to enter the country.

Flemish businesses exporting food products to India must therefore be aware of the FSSAI procedures and regulations relating to food product import.

One of the main challenges for F&B manufacturers or international companies exporting to India is to adhere to the revision in rules and regulations being imposed by FSSAI. They are aiming to benchmark laws/regulations as per global standards and norms. As a result, regulations are being modified from time to time forcing F&B companies to adapt themselves to comply with the amendments.

5.2 SLOW TURNAROUND TIME FOR BUSINESS

Being a complex market, with vast diversity between different regions/provinces, expecting returns on investment is still fairly time-consuming. Be it for companies who are engaged in consumer products or products that are targeted towards businesses, the market penetration and brand recall is quite sluggish.

5.3 COLD STORAGE FACILITIES AND LOGISTICS

Although the cold storage market has been growing rapidly at about a 20% annual rate since 2011, the current cold storage capacity meets less than 50% of the country's needs. This is due to the fragmentation in the sector, more than 3,500 companies are involved in the cold chain market each serving a small part of the market. A high percentage of food produced is wasted due to inefficiencies in the supply chain (*Grant Thornton and CII Food and beverage market report*).

5.4 PRICING

Indian consumers are price sensitive. As an exporter, it is important to factor in the landed price of your product as a part of the entry strategy. Competitive pricing will provide you the edge to ultimately meet your target sales figures in the market. Adapting and customizing your product to match the price point is critical if you consider India as a potential export destination.

6 REGULATIONS

6.1 IMPORT TARIFF AND DUTIES

In addition to import regulations laid out by FSSAI, customs duties for every imported product should be taken into consideration while working out the pricing.

Basic tariffs on imported food products are around 30%. In addition to the basic import tariff, one must factor in additional CESS and counter veiling duties, retailer margins, importer margins and logistics cost to arrive at the landed price for a specific product. Below is an illustration of some of F&B products and their indicative basic import tariffs:

HS Code	Product	Tariff (%)
Chocolates		
18061000	Chocolate and other food preparations containing cocoa: Cocoa powder, containing added sugar or other sweetening matter	30
18062000	Chocolate and other food preparations containing cocoa: Other preparations in blocks, slabs or bars weighing more than 2 kg. or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg.	30
18063100	Chocolate and other food preparations containing cocoa: Other, in blocks, slabs or bars: Filled	30
Biscuits		
19053100	Assorted Biscuits, Chocolate Covered Sweet Biscuits, butter biscuits, Chocolate coated biscuits	30
Cheese		
04061000	Cheese and curd: Fresh (un-ripened or uncured) cheese, including whey cheese and curd	30
04062000	Cheese and curd: Grated or powdered cheese, of all kinds	30
04063000	Cheese and curd: Processed cheese not grated or powdered	30
04069000	Cheese and curd: Other cheese	30
Meat		
02013000	Meat of bovine animals, fresh and chilled	30
02022000	Frozen Unboned Bovine Meat	30
02031100	Meat of swine, fresh, chilled or frozen	30
02032200	Frozen Meat of Pig	30
02032200	Frozen Meat of Swine	30
02041000	Frozen Lamb Meat	30
Beverages		
22010000	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored, ice and snow	30
22021000	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices	30

The Indian budget 2018 witnessed revision in tariffs. To know the actual import tariff on your product, we advise you to check the following link: [Tariff as per HS Codes Chapters¹](http://www.cbec.gov.in/htdocs-cbec/customs/cst1617-020217/cst1617-0202-idx)

¹ <http://www.cbec.gov.in/htdocs-cbec/customs/cst1617-020217/cst1617-0202-idx>

7 ENTRY STRATEGY FOR INDIA

India is a diverse and complex market. The choice of the right partner or importer/distributor who is experienced in the matter is paramount to succeed in the market. The choice to have an indirect or direct presence has to be considered internally depending on the needs of the company.

7.1 DIRECT PRESENCE – MANUFACTURING SETUP OR A JOINT-VENTURE

Companies with direct presence in India (i.e. via a liaison office, branch office, limited liability partnership (LLP) or wholly-owned subsidiary) benefit from a better control over operations, financial and marketing activities than those who have an indirect presence via distributor(s). Despite the better control over operations, financial and marketing activities, the cost of setting up an office is higher than having an indirect presence. The second option would be to find a partner in India with whom you could create a joint venture, where the business responsibilities are split.

7.2 INDIRECT PRESENCE – IMPORTER + DISTRIBUTOR

Legal Agreement type	Might be exclusive, depending on the importers working style.
Regional reach	You can appoint more than one importer if you believe the major target cities in India are not covered. Usually a reputed importer will cover major target cities in India where the cosmopolitan population resides.
Approximate Investment	Lesser in comparison to entering the market organically (i.e.: a joint-venture/manufacturing setup).
Pilot testing	Possible, depending on the product.
Regulatory aspect	Importer should be aware of the market regulation, information should be shared from the importer to the Flemish exporter to make the product India compliant and viable.
Support and sustainability	The Flemish exporter has to engage and support the importer with a marketing strategy and dedicate budgets for creating awareness amongst end users.
Logistics	Usually handled by the importer, the cost should be factored in while drafting the legal agreement.

8 PRACTICAL POINTS FOR DOING BUSINESS IN INDIA

- Research the market before you invest. Understand the size, potential and price dynamics, and how and where you want to enter it. Is your product right for the Indian markets?
- Make sure that you have commitment and adequate resources to manage a business relationship in India. India is a high maintenance, time-consuming market;
- Visit the market and take time to build personal relationships, be prepared to make follow-up visits. Allow plenty of time for meetings and traveling around the market;
- Choose your partner with care, do thorough due diligence and take independent advice. Consider what kind of agreement you need, and don't give away too much technical information prior to finalizing any agreement;
- Try and understand the players who are in direct competition to your products in India in order for you to determine the sales strategy and position of your products;
- Choose a partner who has complimentary products rather than similar products from other manufacturers;
- Engage with your partner/importer + distributor in developing the brand recognition for your product. It takes time and strategy to reach out to the customer base in India.

9 PRACTICAL POINTS FOR DEVELOPING A MARKETING STRATEGY

- Maximizing 'country of origin' value, e.g.: Belgian chocolates;
- Promoting category attributes;
- Localization - using an international product in a local Indian dish;
- Small pack sizes, this usually makes the product more viable for consumer trials;
- Trials/pilot tests for unfamiliar/new products;
- Co-branding within the segment;
- Competitive pricing;
- Figure out how to differentiate your product in a highly price competitive marketplace.

10 WAY FORWARD

India appears to be a complex market for international companies, however the market has plenty to offer in terms of scope and growth if you can solve the puzzle. If you are able to identify the demand, position your product/solution and strategize your business plan appropriately, one should be able to meet target sales and reap profit benefits. It is definitely not a short term market and has its own challenges, but it is a market you can't ignore. India is striving leaps and bound to make a foothold amongst developed economies who have the advantage, but at the same time have reached a stagnant growth rate. India continues to be dynamic and therefore surprises time and again.

11 ANNEX – IMPORTERS/DISTRIBUTORS & RETAILERS – INDIA

IMPORTER- WEST	HQ	Website	Focus Food Category
ASHOKASHA EXIM	Mumbai	www.aepl.biz	Retail products for snacks, confectionery and chocolates
BAJORIA FOODS PVT LTD	Mumbai	www.bajoriafoods.com	Retail products, finished processed food, focus on sauces, spreads, snacks
DEVSON IMPEX	Mumbai	www.devson.in	Food ingredients for bakery, confectionery, flavouring and aromatics
DELTA NUTRITIVES	Mumbai	http://deltanutritives.com/	Bakery raw material, Pastry raw material, Ice cream ingredients , Dairy Cream, Cheese & Chocolates
DIVINE FOODS	Mumbai	http://divine-foods.com	Bakery and Confectionery
EMPIRE FOODS	Mumbai	www.empirefoods.co.in	Meat and Seafood
ESNEXT	Mumbai	www.esnext.com	Chocolates and Confectionery for Retail
FINE FOOD	Mumbai	www.finefood.in	Gourmet products for HORECA
FOODEDGE GOURMET	Mumbai	www.foodege.com	Pork meat, dry yeast, dairy and cheese, vegan ready to eat
FORTUNE GOURMET	Mumbai	www.fortunegourmet.com	Dairy, Cheese, Meat, Cold Cuts, Chocolate Raw Material, Health Foods
GENEX MARKETING	Mumbai	www.genexmarketing.co.in	Meat, Seafood, Frozen snacks and fries
KRAVOUR FOODS	Mumbai	www.kravourfoods.com	Non-Alcoholic beverages, Chocolates and Confectionery for Retail
MAPLE LEAF DISTRIBUTION	Mumbai	www.mapleleaf.in	Snacks, confectionery, sauces, spreads, preserves for retail and HORECA
MRK FOODS PVT LTD	Mumbai	www.mrkfoods.in	Dairy, Cheese, Chocolates & Confectionery
NOBLE FOODS	Mumbai	www.indiamart.com/noble-foods/aboutus.html	Chocolates for Retail
OLIVE TREE TRADING	Pune	www.olivetreetrading.com	Gourmet products for retail like dairy, cheese, ready-to-eat
PEARL FOOD	Mumbai	www.pearlfoods.in	Chocolates, Confectionery and finished retail products
RR UNIVERSAL	Mumbai	www.rruniversal.in	Finished retail products – confectionery, chocolates, sauces, spreads
SHS GLOBAL	Mumbai	www.shs-global.com	Finished retail products – confectionery, chocolates, sauces, spreads

SPHINX TRADING	Pune	https://sphinxtradingcompany.com	Alcoholic beverages, finished retail products – confectionery, chocolates
SUPREME ENTERPRISE	Mumbai	www.supremeenterprises.in	Food ingredients like pre-mixes, chocolate and fruit fillings
SWEET STUFF	Mumbai	www.sweetstuff.in	Meat products
TREE OF LIFE	Mumbai	www.tolindia.com	Finished Retail Products – Confectionery, Chocolates, Snacks, Health Food
UNITED DISTRIBUTOR	Mumbai	www.tradeindia.com/Seller-3700115-UNITED-DISTRIBUTORS-INC-/	Confectionery, Chocolates Products for Retail
WEST COAST	Mumbai	www.westcoast.in	Seafood and Frozen non-vegetarian products
IMPORTER-NORTH	HQ	Website	Focus Food Category
FARMLAND PREMIUM FOODS LLP	New Delhi	Not available	Meat Products
L-COMPS IMPEX	Chandigarh	www.lcomps.com	Finished Products for Retail – Snacks, confectionery and Chocolates
RESOURCE INTERNATIONAL	New Delhi	Not available	Seafood and Meat Products
WORLD CLASS FOODS	New Delhi	www.indiamart.com/worldwide-food-limited/profile.html	Cheese, Meat, Fish, frozen fruits & other allied food products
DUGAR OVERSEAS	New Delhi	www.dugaroverseas.com	Chocolates and confectionery for retail
HOLYLAND MARKETING	New Delhi	www.holylandgroup.com	Chocolates, confectionery, sauces and finished retail products
LUXURY GOURMET	New Delhi	www.luxury-gourmet.in	Chocolates and Confectionery for Retail
MAX FOODS	New Delhi	www.maxfoods.in	Confectionery, chocolates, snacks, preserves, sauces for retail
MIDAS FOODS	New Delhi	www.midasfoods.com	Food ingredients for confectionery, bakery, fruit fillings, frozen desserts/patisserie products for HORECA
RP GOURMET FOODS	New Delhi	www.indiamart.com/rpgourmetfoods	Frozen gourmet products, cheese and dairy for retail.
SAKSHAM IMPEX	New Delhi	www.sakshamimpex.com	Retail Food products and Non-Alcoholic Beverages
SURESH KUMAR & CO	New Delhi	www.skco.in	Retail Food products and Non-Alcoholic Beverages

IMPORTER-SOUTH	HQ	Website	Focus Food Category
COSMOS FINE FOODS	Chennai	www.cosmofinefoods.com	Chocolates and confectionery for Retail
JOHARS GROUP	Bangalore	www.joharsgroup.com	Alcoholic beverages and confectionery products for retail
NEO FOODS	Bangalore	www.neofoods.co.in	Exotic Processed and fresh produce for sourcing

RETAILERS-PAN INDIA	HQ	Website	Formats			
			Super Markets	Hyper Markets	Gourmet Stores	Wholesale
Future Group	Mumbai	www.futureconsumer.in	Yes (Big Bazar)	Yes (Big Bazar Gen Next) (HyperCity)	Yes (FoodHall)	No
Godrej Agrovet	Mumbai	www.naturesbasket.co.in	No	No	Yes (Nature's Basket)	No
Hiranandani's Haiko	Mumbai	www.hiranandani.com/Aboutus.aspx	Yes (Haiko)	No	No	No
Aditya Birla's More	Mumbai	www.adityabirla.com	Yes (More)	No	No	No
Reliance's Fresh	Mumbai	www.ril.com	Yes (Reliance Fresh)	No	No	No
RPG Group's Spencer's	Kolkata	www.corporate.spencersretail.com	Yes (Spencer's)	No	No	No
Tata-Tesco's Star Bazaar	Mumbai	www.starbazaarindia.com	Yes (Star Bazaar)	No	No	No
Walmart	Gurgaon	www.walmartindia.in	No	No	No	Yes (Walmart)
Metro Cash & Carry	Bangalore	www.metro.co.in	No	No	No	Yes (Metro)

11.1 TRADE FAIRS

Exhibition	Location	Website	What?	Next Edition
Aahar	New Delhi	http://indiatradefair.com/aahardelhi/	AAHAR is organized by India Trade Promotion Organization and is one of Asia's best known brands in Food and Hospitality shows.	13-17 March 2019
Annapoorna World of Food India	Mumbai	www.worldoffoodindia.com	B2B platform for the Indian food & beverages market. Organized by Koelnmesse YA tradefair Pvt. Ltd. and the Federation of Indian Chamber of Commerce and Industry (FICCI)	27-29 September 2018
UpperCrust Food Show	Mumbai Bangalore	www.theuppercrustshow.com	Trade fair that targets end consumers as well as B2B. The focus is on Food and Wine.	1-3 February 2019
Food Hospitality World	Bengaluru Goa Hyderabad Mumbai	www.fhwexpo.com	FHW India is a focused B2B trade show for the fast growing food & hospitality industry in India.	7-9 June 2018 26-28 July 2018 4-6 Sept 2018 17-19 Jan 2019
India Food Forum	Mumbai	http://www.indiafoodforum.com	India Food Forum is an all-access platform to connect with every component that a food business needs.	5-6 February 2019
SIAL India	New Delhi	https://www.sial-network.com/SIAL-exhibitions/A-network-of-leading-food-and-beverage-exhibitions/Food-India-inspired-by-SIAL-the-new-Indian-food-innovation-exhibition	SIAL, the world number one network of food innovation, is launching a new type of event in India, as it's true for future leaders to run into this great adventure.	16-18 September 2018

11.2 MISCELLANEOUS INDUSTRY BODIES

Organization	Website	Explanation
Food Safety and Standards Authority of India	http://www.fssai.gov.in/home	Governing labelling laws for F&B products domestically produced along with imported products.
Plant Quarantine organization	http://plantquarantineindia.nic.in/PQISMain/Default.aspx	Responsible for the regulations around agro products, seeds and plants.
Department of Animal Husbandry, Dairying & Fisheries	http://dahd.nic.in/	The department is responsible for matters relating to livestock production, preservation, protection from disease and improvement of stocks and dairy development.
Agricultural & Processed Food Products Export Development Authority	http://apeda.gov.in/apedawebsite/	Responsibility for export promotion and development of agricultural and processed food products.
Forum of Indian Food Importers	www.fifi.in	FIFI is an industry body for imported products. Primarily lobbies with the Indian government for improvement and overall development of the international food sector.

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