

AL CONSULTING

Indian Spice Market – An Overview

August 2020



Overview of Indian Spice industry

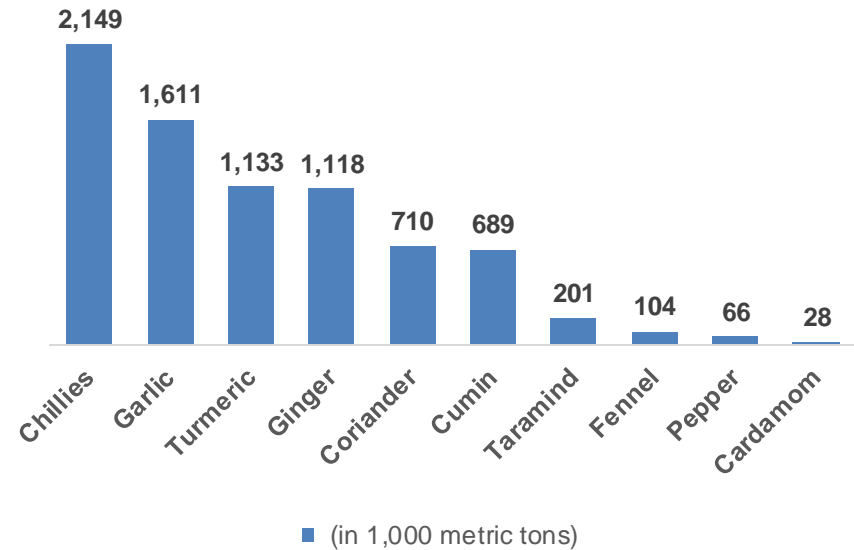
India Market

- India, known as the home of spices, boasts a long history of trading with the ancient civilizations of Rome and China.
- Today, Indian spices are the most sought-after globally, given their exquisite aroma, texture, taste and medicinal value. India has the largest domestic market for spices in the world.
- Traditionally, spices in India have been grown in small land holdings, with organic farming gaining prominence in recent times.
- India is the world's largest producer, consumer and exporter of spices; the country produces about 75 of the 109 varieties listed by the International Organization for Standardization (ISO) and accounts for half of the global trading in spices.

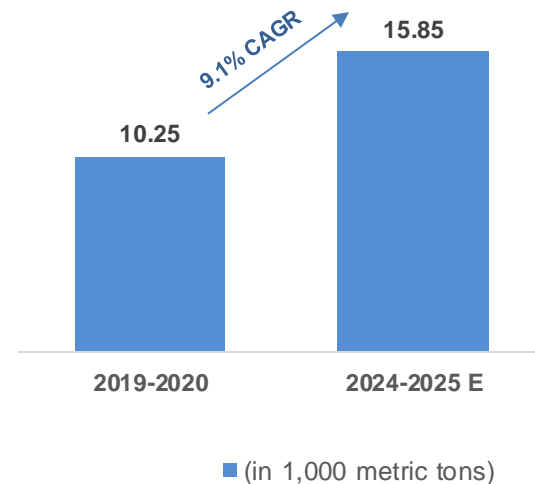
Production volume Of Spices In India

- India is the largest producer of Chilli, Turmeric & Ginger.
- Rajasthan produced over 980 thousand metric tons of spices in 2019-20, making it the largest producer of spices in India.
- Gujarat ranked second with 760.5 thousand metric tons, with Andhra Pradesh third, producing 747.45 thousand metric tons.
- The volume of production has increased in India due to a variety of end user industries including bakeries, cosmetics, pharmaceuticals and the most prominent one: food & beverage industry.

Top 10 Spices (by Production 2019-2020)



Production Projection



Overview of Indian Spice industry

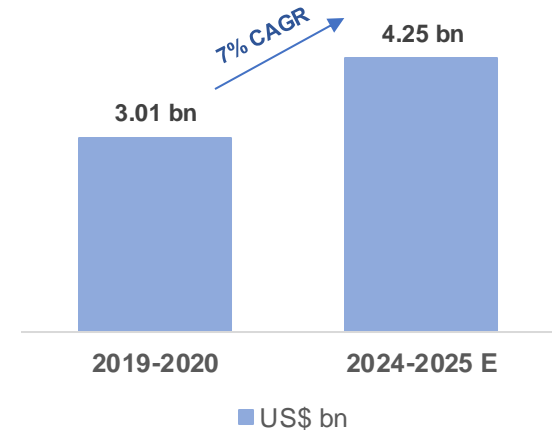
Export market of spices & spice products

- Top 10 importers of Indian spices in 2018-19 were US, China, Vietnam, Hong Kong, Bangladesh, Thailand, UK, UAE, Malaysia and Sri Lanka.
- Top 10 exported spices and spice products in terms of value were chilli, mint products, spice oils & oleoresins, cumin, turmeric, pepper, curry powders/ paste, cardamom seeds, other spices (tamarind, asafoetida, and cassia) and garlic.

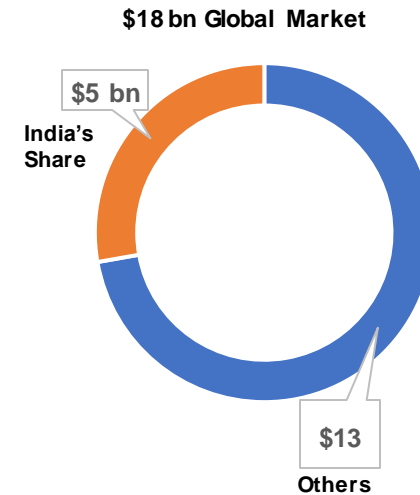
Size of the Indian industry

- The Indian domestic spices market is worth INR 750 billion annually.
- The market is largely unorganized and the branded segment makes up about 15%.
- Increased urbanisation paired with a rise in number of working women has reduced the time of cooking.
- Home-makers have started demanding readymade spice mixes, hence increasing industry revenues as both spice mixes and branded spices entail greater profit margins, as compared to unbranded spices.

Export projections



Global spice market

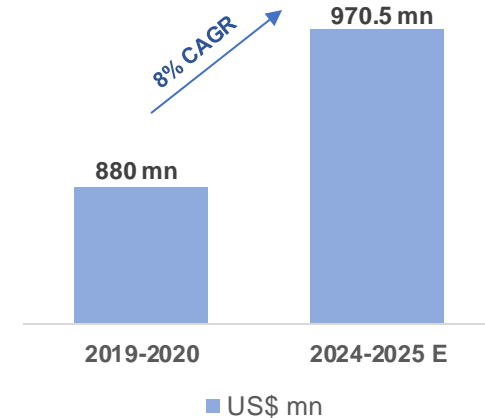


Overview of Indian Packaged Spice industry

Indian packaged spices market

- The Indian packaged spices market is worth ₹ 400 bn (US\$ 5.3 bn) crore annually.
- The branded & packaged market makes up about 15% of the packaged/ blended spices market, around ₹ 6,6 bn (US\$ 880 mn).
- The packaged market is growing at about 5% annually, however the growth rate in the branded spices segment is much faster at about 8%.
- Most of the brands are built over the last 2-3 decades.

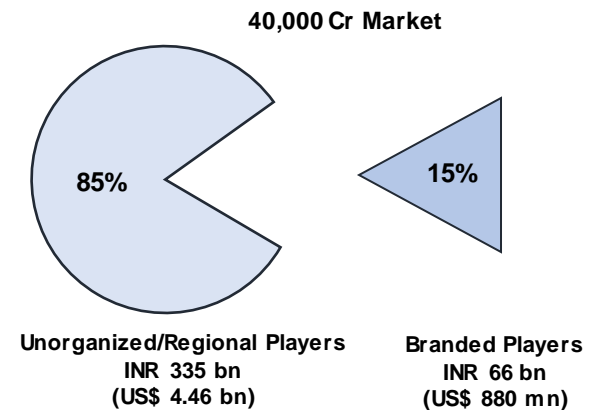
Packaged spices market – growth projections



Packaged spices market - landscape

- The market is highly unorganized, dominated by regional players having significant marketshare.
- The segment has witnessed the growth of replacement spices market and the demand shifting from loose packing to packaged spices to avoid adulteration.
- The packaged market is scattered, with every region having its own market leader.
- Packaged spices market consists of regional as well as branded players who have been a part of the market for 3-4 decades.

Packaged spices – market share

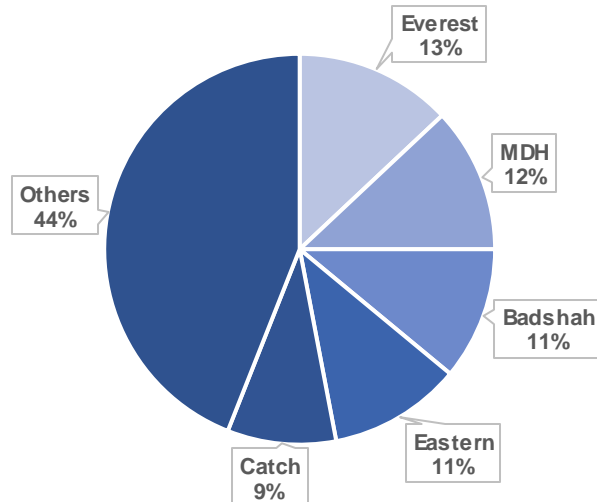


Packaged Spice industry – Key brands

Indian Spices - branded market

- Top 10 players account for 50 per cent of the branded market, thus making room for tremendous growth and synergies.
- The shift towards branded spices & masala has increased significantly with branded players holding region wise leadership.
- This branded market provides immense opportunity to grow and make a mark in the already existing huge unorganized spice market.
- The space has seen a very strong interest and a rapid growth with a shift towards branded players.
- The branded players have also extended their product line into premixed blends, ready-to-eat curries, pickles and jams.

Branded Players



Top brands

1. Everest Masala

- Founded in 1981 by Vadilal Shah, Everest Spices are the largest brand of spices in India. With more than 40 blends, Everest has conquered the markets of the Middle East, the US, New Zealand, Singapore, Australia as an Exporter.



2. MDH

- Mahashian Di Hatti, popularly known as MDH is one of the leading producer, exporter and distributor of spice mixtures and ground spices. Mahashay Chuni Lal Gulati established MDH in 1919.



3. Badshah Masala

- Badshah Masala was founded Shri Ramanlal J. Jhaveri & family in the year 1958. Badshah Masala has over 45 products available in India and internationally providing three categories- Spice Blends, Ground Spice & Asafoetida.

Swad Sugandh ka Raja



4. Eastern

- Eastern Condiments is a Bengaluru-based spice brand, and is one of the top spice exporters. Set up by ME Meeran in 1989, Eastern manufactures spices, masalas, blended spice powders, pickles and rice-based products under the Eastern brand.



5. Catch

- Catch was launched in 1987, and their first products were sprinklers for Indian and International tables- salt and pepper.



6. Priya

- Priya Masala from Hyderabad is a part of Ramoji Group that was founded in 1980. It distributes spices, pickles & pastes globally.



7. Pushp

- Pushp Spices was founded by Late Shri Kishan Lal Ji Surana in 1974, managed under The Munimji Group based in Indore.



8. MTR

- The Mavalli Tiffin Rooms since 1924, manufactures wide range of ready to eat meals, powders, masala and spices in South India.



Indian Spice industry – Investment landscape

Indian Spice industry - An investment destination

- New York-headquartered private equity firm General Atlantic is cooking a deal through its investee company Capital Foods, the owner of popular 'Chings Secret' to acquire Mumbai based Badshah Masala. The Jhaveri family is planning to sell 76% Controlling stake to Capital Foods. Badshah Masala reported revenues of 380Cr-400Cr for FY 20.
- MTR foods & Warburg Pincus in their individual capacity are in talk to buy a controlling stake in Eastern Condiments. US-headquartered McCormick & Co owns 26% stake in Eastern Condiments. Eastern is valued at US\$ 240mn-US\$ 266m.
- Norway based consumer goods company is looking to buy 26% McCormick's stake in Eastern Condiments.

Completed Deals

- Orkla ASA, the US\$ 8.8 bn Norwegian group with a strong presence in branded foods, has acquired MTR Foods, the Bangalore-based Rs 1.35 bn packaged foods company, for Rs 3.53 bn (US\$ 80 mn) in an all cash deal.
- A91 Partners acquired a stake of 25% in spice company Pushp Brand (India) Pvt Ltd with an INR 1.25bn (USD 16.4m) investment, on 17th June 2020.
- ITC bought 100% stake in an Indian spice company Sunrise Foods Pvt Ltd. Sunrise foods is engaged in the business of spices.
- US's McCormick & Co bought Kohinoor Speciality Foods Pvt. Ltd. and began commercial production of Indian spices and ready to cook mixes.

Completed Deals

- Swiss firm Firmenich, world's largest privately owned fragrance & flavour company acquired a majority stake in VKL Seasoning from PE firm True North. VKL Seasoning is a leader in flavours & Seasonings in India and is valued at US\$ 115mn.
- The largest deal in this segment was General Atlantic's US\$ 185 mn investment for a 27% stake in Ching's Secret

Indian Spice Industry - Expert Views

India's spices industry has been an investment destination for private equity funds as well as global strategic players.

- "the spice business has become attractive to investors because of its potential to expand into other product lines such as premixed blends, ready-to-eat curries, pickles and jams."- **Ashwani Khare, executive vice-president, corporate finance, ICICI Securities.**
- "Spice makers with a strong brand presence pan-India, those with regional leadership, higher proportion of masala and the ones which have high scale, geographical spread and growth potential are typically interesting to PE firms," **said Haresh Chawla, partner, True North.**
- "Historically, the spices sector has not seen much deal activity. However, with increasing shift towards branded spices and blended masalas over the last few years, this sector is witnessing strong interest," **said Anshul Agarwal, co-head, consumer, financial institutions group and business services, of investment banking firm Aventus Capital.**

Relevant links/ information source

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