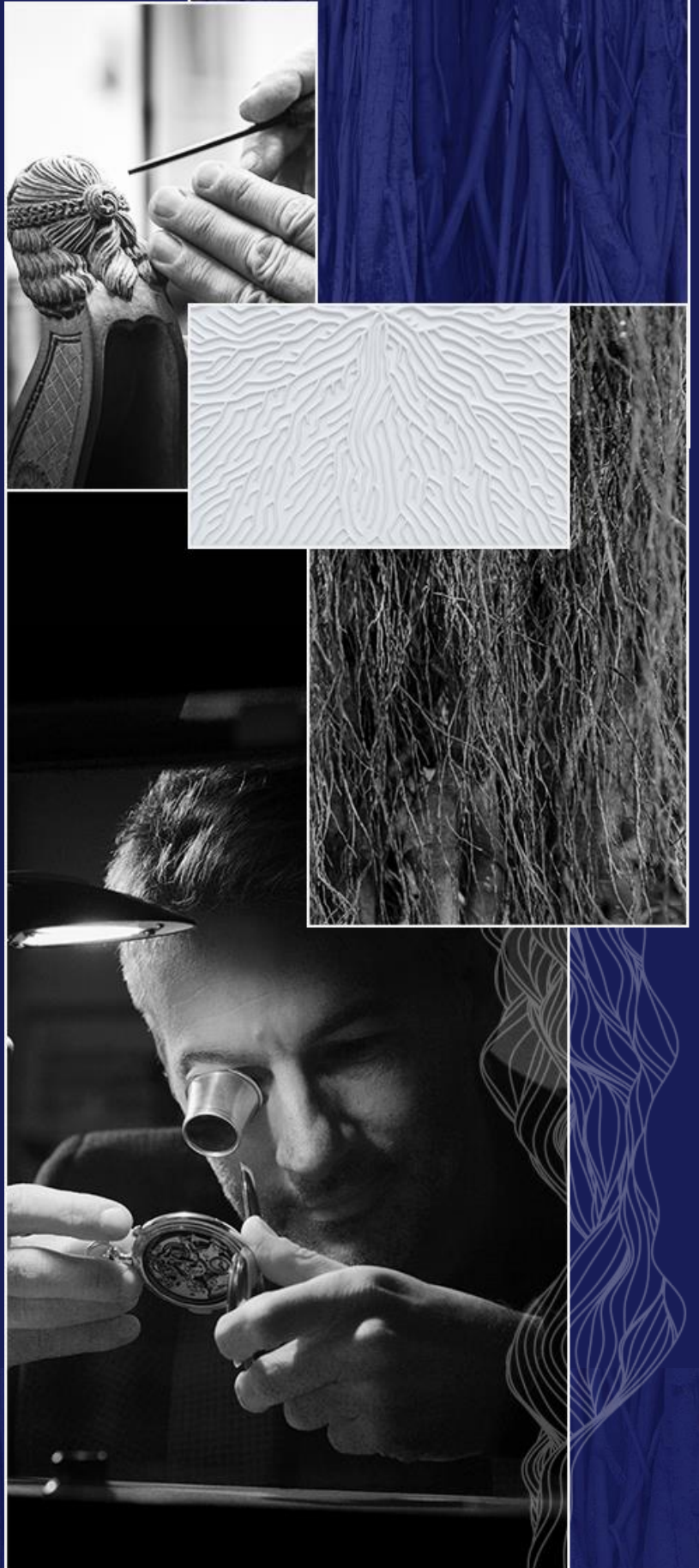


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Newsletter  
July 2024



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## Indian Confectionery Industry Landscape

### Brief Overview and Background

Confectionery products encompass a wide range of food items that are rich in sugar and other sweeteners. These products utilize various ingredients that enhance texture, appearance, and elasticity, while also serving as stabilizers, emulsifiers, gelling and thickening agents.

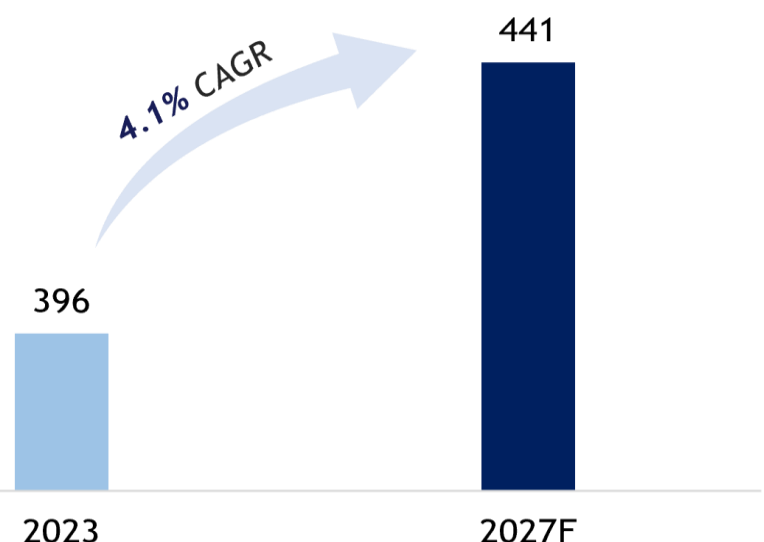
Product categories include:

- Chocolates
- Crystalline candy
- Hard candy, known as non-crystalline candy
- Jelly candy: broad category of gelatine-based chewable sweets as gummy candy
- Chewing gum
- Functional candies (vitamins, probiotics, prebiotics)

Further, based on product categories, the Chocolate segment held the largest market share (FY22), and based on distribution channel, hypermarkets/supermarkets segment held the dominating market share (85%; FY22).

### Global Confectionery Market

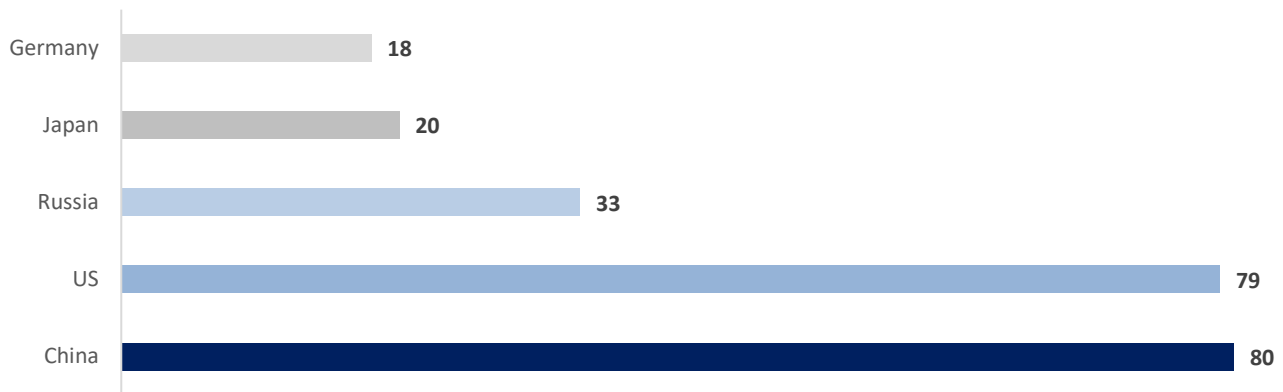
As per reports, Global Confectionery market is expected to grow from **\$376 Bn (FY23)** to **\$441 Bn (FY27)** with a CAGR of ~4.1%. To meet the changing consumer landscape propelling this expansion, confectionery businesses are also focusing on digital marketing, product branding, and online distribution channels that strengthen their marketing and selling strategies.



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## Revenue of Confectionery Market (FY23, in USD Bn)



Source: Research and Market

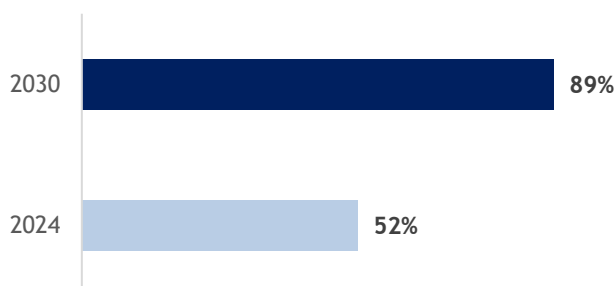
India's revenue share is \$6.0 Bn. Due to such low revenue share, followed by increasing population and rising disposable income, India offers a huge opportunity for the Confectionery market in the near future.

### India Confectionery Market

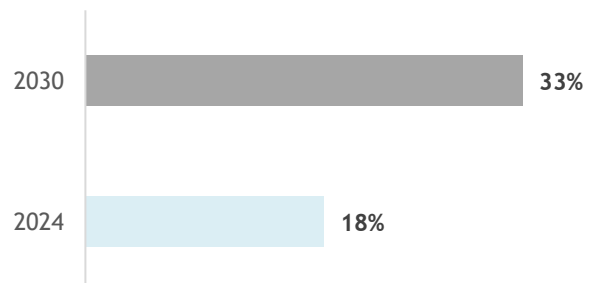
As per reports, India's Confectionery market is expected to grow from Rs338 Bn (FY22) to Rs459 Bn (FY28) with a CAGR of ~6.3%.

Currently, its online penetration is low in India, which presents a huge opportunity for the online market.

### Internet Users\*



### Online Shoppers\*



\*as a % of total population

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## Key Trends in India's Confectionery Market:

- **Health and Wellness:** Rising health consciousness among consumers is driving demand for sugar-free, low-calorie, and fortified confectionery products.
- **Premiumization:** Growing demand for premium and artisanal chocolates, especially dark chocolate, among urban consumers.
- **Rural Penetration:** Increasing focus on rural markets due to rising income levels and better distribution networks.
- **Digital-first brands:** Direct-to-consumer confectionery brands leveraging e-commerce and social media.

## Key Growth Drivers in India's Confectionery Market:

- **Urbanization:** Rapid urbanization and increasing disposable income are boosting the confectionery market.
- **Youth Population:** A large young population with a preference for healthy confectionery products is a significant growth driver.
- **Marketing and Branding:** Aggressive marketing campaigns and strong brand equity are driving sales for leading confectionery brands.
- **E-commerce:** Growing e-commerce penetration is expanding the reach of confectionery products, especially in Tier-2 and Tier-3 cities.

## Key Challenges in India's Confectionery Market:

- **Health Concerns:** Increasing awareness of health issues related to high sugar consumption may impact sales of traditional confectionery products.
- **Raw Material Prices:** Fluctuating prices of raw materials like cocoa, sugar, and dairy can affect profitability.
- **Regulatory Hurdles:** Stringent regulations on food safety and labelling can pose challenges for manufacturers.

Source: Digital Journal & EIN Presswire

## Confectionery - Chocolate

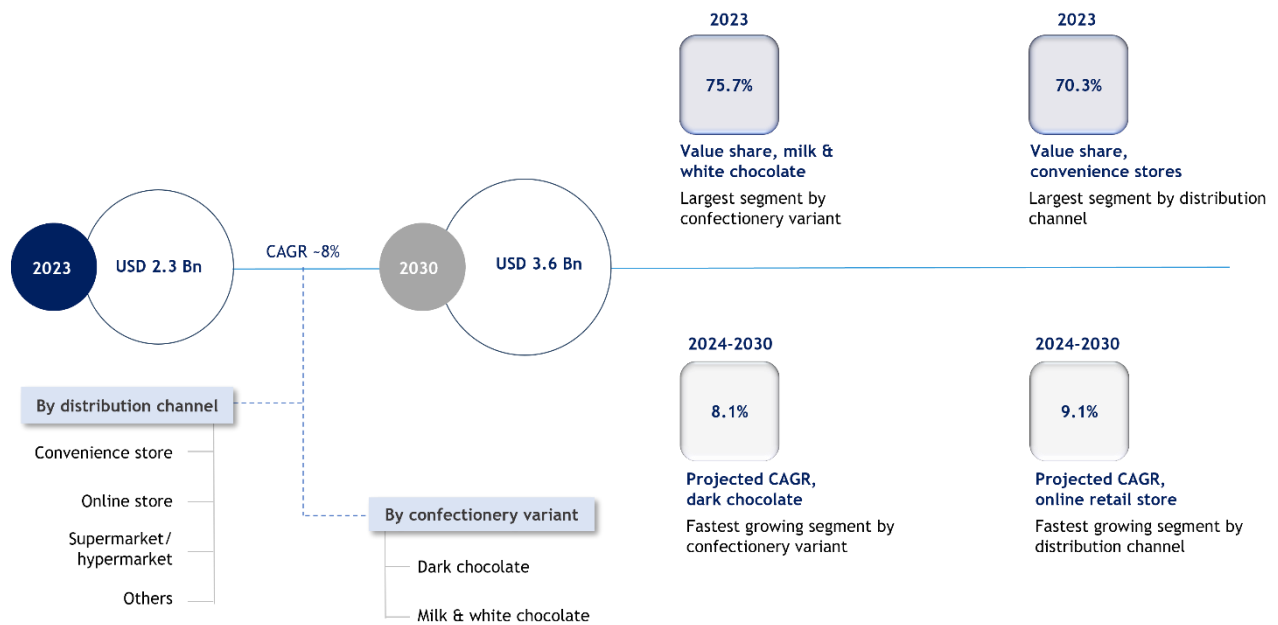
### Indian Chocolate Market Overview

**Chocolate holds the largest share in the confectionery market.** The Indian chocolate market has experienced remarkable growth, attributable to various factors that are interconnected and driving the industry forward. The availability of a wide variety of chocolates, catering to different dietary preferences and needs, has fueled consumer interest and exploration of these alternatives. Furthermore, sugar-free, organic, vegan, and gluten-free chocolates have gained popularity among the health-conscious consumers.

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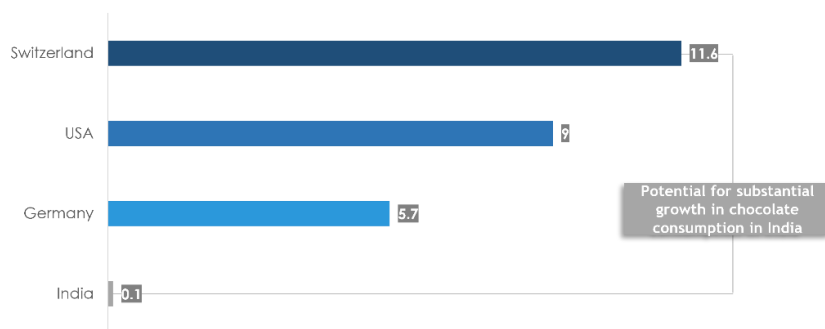


## Indian Chocolate Market Size



## Growth Drivers:

Per capita consumption (kgs)



According to the International Cocoa Organization, India's per capita consumption of chocolate is between 100 gm and 200 gm a year

### Growth Drivers | India

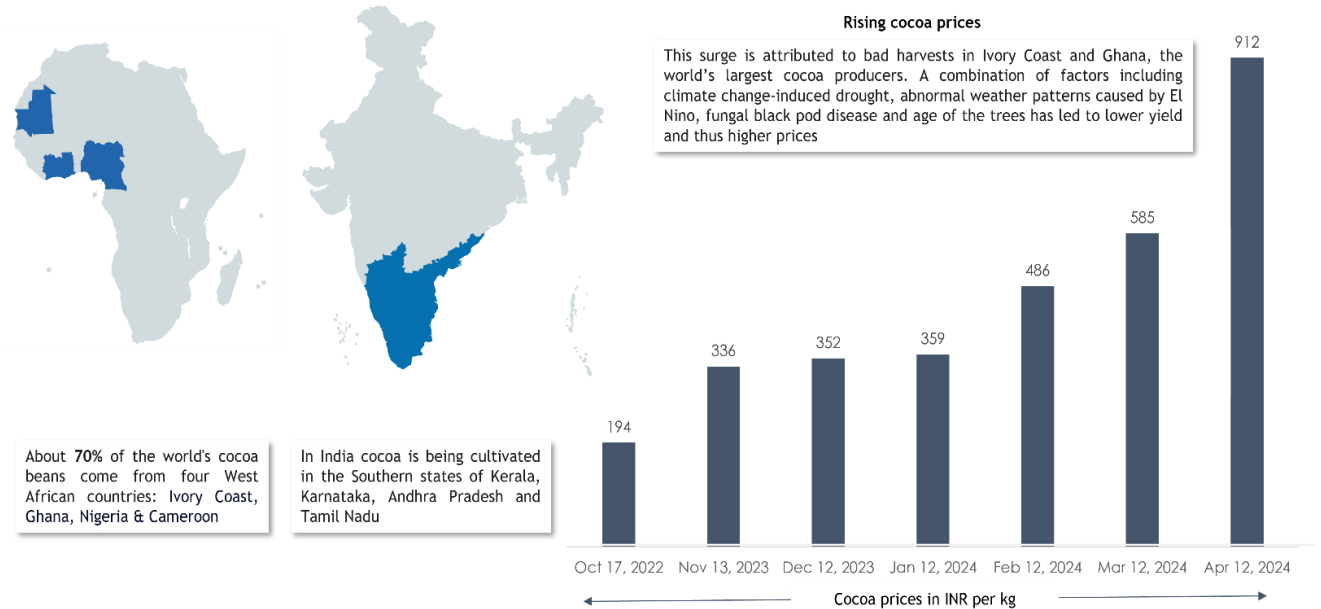
- Shift in consumer preferences away from traditional sweets
- Increasing affordability & rising demand for easy & quick-to-eat food products
- Players are introducing product lines with premium cocoa, unique flavors, and organic components, sugar free options, etc.
- As of 2022, a majority of Indians (44%) were willing to invest in higher-quality chocolates due to their associated health benefits

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## Key Challenges for Chocolate Manufacturers:

### Sourcing and Increasing price of Ingredients (Cocoa):



Source: Modor Intelligence, The Financial Express, Forbes & YourStory

## Companies are tackling the rising cocoa prices using various strategies:

### 1. Shrinkflation



### 2. Product Innovation and Diversification



### 3. Cocoa Free Chocolate Products



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## Key Players:



## Select M&amp;A transactions in the sector

Date	Target	Buyer	Deal Size (USD mn)
Jun-23	The Good Stuff Pvt. Ltd.	Dharampal Satyapal Ltd.	Undisclosed
Mar-22	Bliss Chocolates India Pvt. Ltd	Rebel Foods Pvt. Ltd.	Undisclosed
Dec-22	Lotus Chocolate Company Ltd.	Reliance Consumer Products Ltd.	8.9
Dec-21	Meesogood Pvt. Ltd.	Idam Natural Wellness Pvt. Ltd.	Undisclosed

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### Select Private Equity transactions in the sector

Date	Target	Buyer	Deal Size (USD mn)
Jan-2024	Wholsum Foods Pvt. Ltd.	Fireside Fund II, Alkemi Venture Fund I& more	7.2
Jan-2024	Mimansa Industries Pvt. Ltd.	Wipro Consumer Care Ventures, Fireside Investment Advisory LLP & more	4.0
Aug-2023	Brio Hospitality Pvt. Ltd.	Soonicorn Angel Trust- I	Undisclosed
June-2022	Mimansa Industries Pvt. Ltd.	Fireside Investment Advisory LLP	3.2

Source: VCC Edge

### Road ahead

Digitalization is reshaping the way confectionery products are marketed, distributed, and consumed in India. E-commerce platforms are providing brands with a direct channel to reach consumers, offering convenience, choice, and personalized shopping experiences.

Further, growing popularity of functional and health-oriented products, with an increasing focus on wellness and conscious consumption, consumers are seeking confectionery options that offer nutritional benefits and align with their dietary preferences. From sugar-free candies and gluten-free chocolates to products fortified with vitamins and minerals, health-conscious alternatives are gaining traction among the consumers, looking to indulge without guilt.

In conclusion, the Indian confectionery market is undergoing a period of rapid evolution, driven by changing consumer preferences and socio-economic factors. Brands that stay abreast of the latest trends and adapt their strategies accordingly can capitalize on the growing demand for innovative, premium, and health-oriented confectionery products. By embracing flavour innovation, packaging creativity, and digitalization, companies can stay ahead of the curve and delight consumers with offerings that reflect their evolving tastes and lifestyles.

#### Sources:

Industry Reports

News Articles

WCA Proprietary Analysis

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## How can Wodehouse Capital Advisors help?

Wodehouse Capital Advisors has extensive network and prior experience across each of the service vertical



### Family Office Services

- Investment Management
- Succession Planning
- Real Estate Advisory
- Business Consulting
- India Entry Strategy



### Merger & Acquisitions

- Buy Side Representation
- Sell Side Representation
- Bolt- On- Acquisitions



### Debt

- Structured Finance
- Refinancing
- Additional Funds for Set-up



### Equity

- Growth Capital
- Strategic Capital

## THANK YOU

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