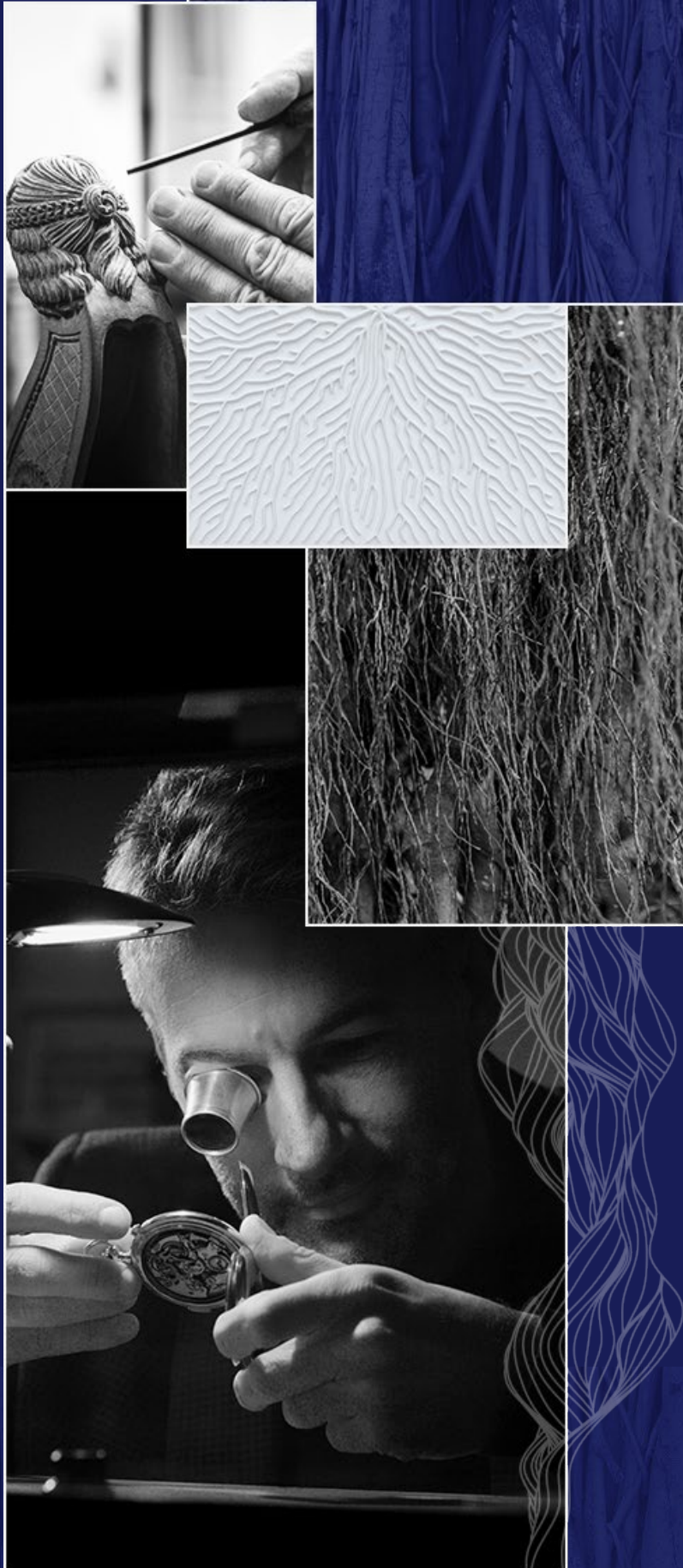


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W.I.N.
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Indian Spices Sector

Background - India Spice Industry

India ranks #1 globally in production, consumption as well as export of spices. India boasts its long history of trading with ancient civilizations of Rome and China. The current spice production in India stands at 11.1 Mn Tonnes in FY23, with exports of about 1.4 Mn tonnes i.e. ~\$3.1 Bn.

India produces 75 out of 109 varieties of spices listed by the International Organization for Standardization (ISO) and accounts for half of the global trade in spices. India holds an advantage in spice production on account of its varied weather and topography conditions. India is the world's largest producer of Chilli, Turmeric and Ginger.

Over the years, the end-use applications for spices have gone through a change, from initially focused on food to applications in cosmetics, bakeries and pharmaceuticals segments now. Spices like turmeric and Nutmeg have found applications in cosmetic products with increased preference of consumers for natural product v/s chemically manufactured.

Largely the market in India for spices is divided into 2 key segments i.e. straight spices and blended spices. The level of unorganized play is higher in straight spices due to the standardized nature of production and processing. While in case of blended spices, there is strong branded play due to the high level of products customization and thus, good level of brand stickiness.

Indian Spice Market Size



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Industry Attractiveness:

Spices in India is a huge opportunity with a market size of ~INR 80,000 cr. which is close to the market size of wheat flour (INR 1,00,000 cr.) and ~2x the size of other sub-categories like biscuits. Within spices, blended spices enjoy a gross margin of 45-50% which is higher as compared to most of the other F&B categories.

Further, the share of organized sector in spices is lower than 50% as compared to other matured F&B categories like Carbonated Drinks, Biscuits, Edible Oil where the market share of organized players is upwards of 70-80%.

Below is a comparison of various sub-categories of F&B industry:



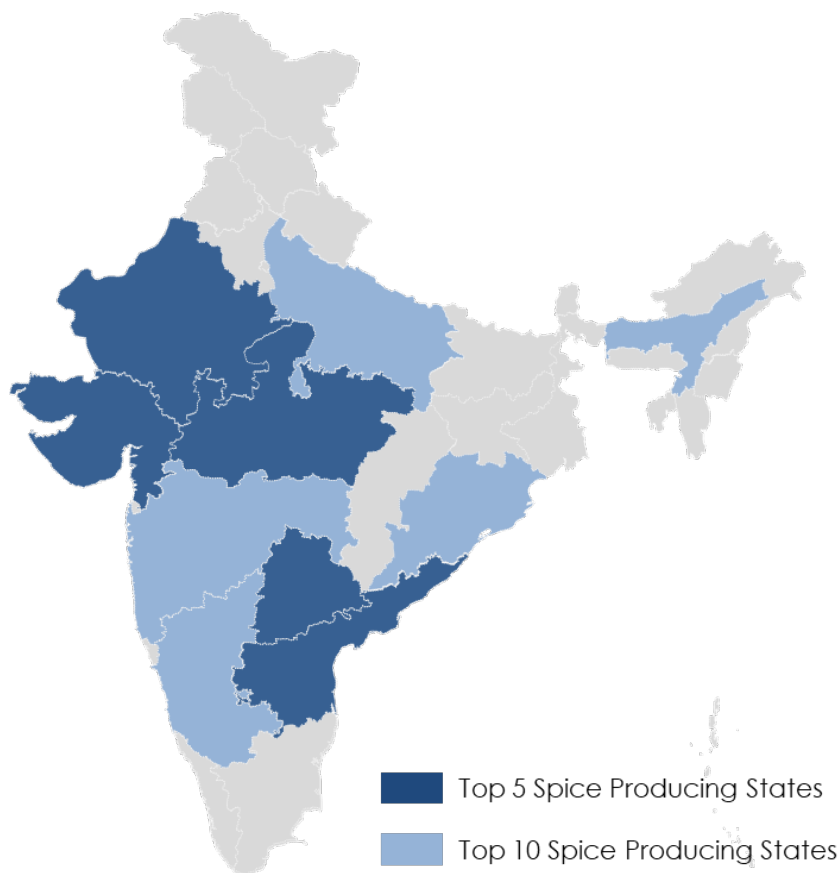
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Top States for Production of Spices:

Due to varying climates - from tropical to subtropical to temperate - almost all spices grow splendidly in India. Almost all states and union territories in India grow some or the other variety of spice. The variety of spices vary across from state-to-state depending upon their key topography features. While some states like Jammu & Kashmir focus on high value spices (Saffron), other states like Madhya Pradesh grow low value but high-volume spices like Garlic, Ginger and Chilli.

Below is a snapshot representation of top 10 spice producing states in India (by volumes):



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Upcoming Key Trends in the Spices Industry:

With the fast-changing consumer buying behaviour, branded spice companies are continuously making efforts to diversify their product offerings. Mentioned below are few key trends emerging in the spice sector:

A. Increased Demand for Convenience Products:

With the increasing number of working women amongst the Indian population there is increased preference for convenience products like ready to cook, ready to eat, gravies, blended masalas which helps cut down the cooking time significantly.

B. Broadening End-use of Spices

The end applications of spices have widened from earlier adding taste to the food to now immunity boosting capabilities of these ingredients, especially in a post COVID era. Further, over the past few years, spices have started to find application in other industries like cosmetics, pharmaceuticals as the demand for natural products is increasing against chemical based products.

C. Adoption of International blends

As consumers get exposed to different cuisines and international lifestyles, the demand for international food and with that the adoption of international blends is on the rise.

D. Regional Players Trying to go National

The spice market has for decades been dominated by regional brands having presence in particular states / geographies. Over the past few years, there has been increasing effort from some of the leading regional players like Goldiee Masala, Aachi, Rakesh Masala to expand their geographic presence by entering newer states with introducing new products.

E. Increased Investor Interest in the Space

The spice market has seen entry from some of the largest consumer brands like HUL, ITC, Emami in the past few years which launched their own brands. Further, the sector has also seen few global brands enter India through inorganic routes (Orkla, Firmenich). Some of the leading Indian consumer players like Wipro and Dabur have taken an inorganic route to mark their entry into this segment.

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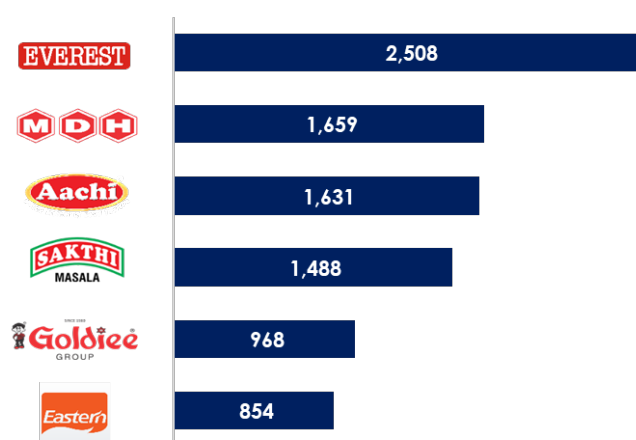


Competitive Dynamics:

~60% of the Spice market in India is currently unorganized and dominated by mid & small sized processors and traders. The share of unorganized segment is high in case of straight spices, whereas large, branded players dominate the blended spice market.

The top 6 branded spice players account for 30-35% of the overall organized spice market.

Top Spice Brands - FY22 Revenues (INR cr.)



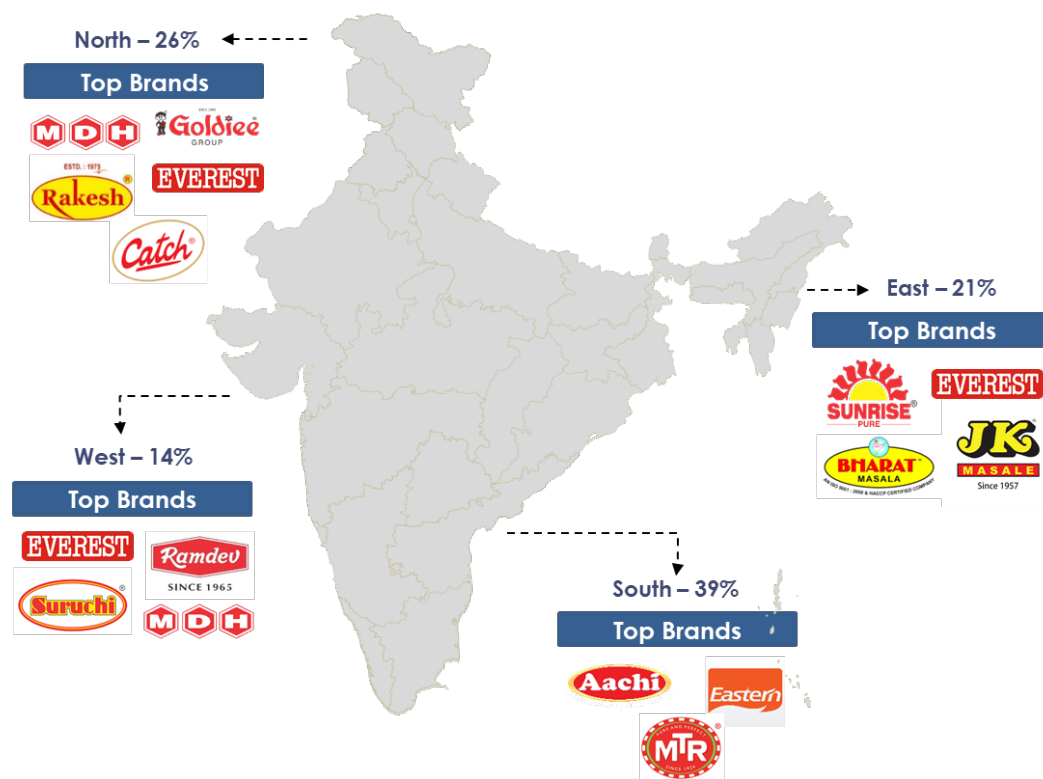
Most of the branded players have been able to create presence and hold market share due to their higher share of blended spices in the product portfolio. The blended spice market is characterized by a high level of stickiness and brand recognition due to the level of product customization. Further, the product customization differs also from state to state (for eg: the Sambar masala of a national brand might not suit the state of the consumers of a particular state). Also most of the top brands hold more than 20-30 years of brand legacy which is difficult to replace by the new age brands.

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Further, the spice market is largely dominated by regional brands with most of the players like Eastern, Suruchi, Sunrise, Catch having regional dominance in their states of presence. The regional dominance comes from varying cuisines and tastes across different parts of the country. Even national players tend to modify their blended spices to fit the taste of different regions.
















Given below is the representation of Spice Consumption market in India across various regions alongwith dominant brands for the particular regions:



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Recent Transactions in the Spice Sector:

Closing Date	Investor / Acquirer	Target	% Stake	Amount (INR cr.)
Apr-23			NA	NA
Dec-22			NA	NA
Oct-22			51%	588
Jul-22			NA	1,189
Mar-21			68%	1,274
Oct-20			10%	15
Jun-20			29%	127
May-20			100%	2,150

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Wodehouse Experience in the Spice Sector

Wodehouse Capital Advisors (“WCA”) has been actively covering this sector and has a deep understanding of the sector landscape, competitive dynamics and the top brands operating across various regions of India. WCA is closely working with some of the largest FMCG houses / Global Private Equity Funds for making financial / strategic investments into this sector.

Sources:

Spice Board of India

Avendus Report - Branded Spice Market

AL Consulting Report - Indian Spice Market

Private Circle

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

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