



सत्यमेव जयते

GOVERNMENT OF GUJARAT

# Establishment of manufacturing unit for **Instant Vegetables in Retort Pouches**

## Agro & Food Processing

Government of Gujarat



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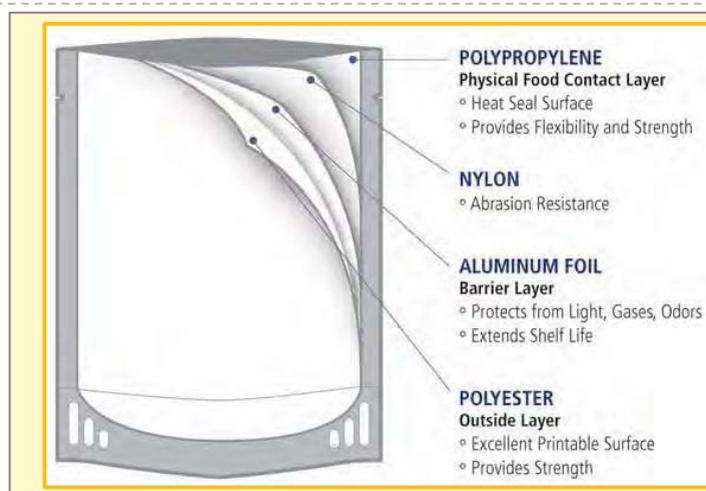
## The concept



- ▶ The proposed project envisions setting up of a manufacturing unit for instant vegetables in retort pouches in Gujarat.
- ▶ These pouches are primarily used to pack Ready to Eat (RTE) foods, providing longer shelf life and preservation at room temperature without the aid of refrigeration.
- ▶ With the advent of thermal processing technology almost all Indian Foods are now readily available off the shelf. Properly cooked and packed food can retain better taste, flavour and colour.

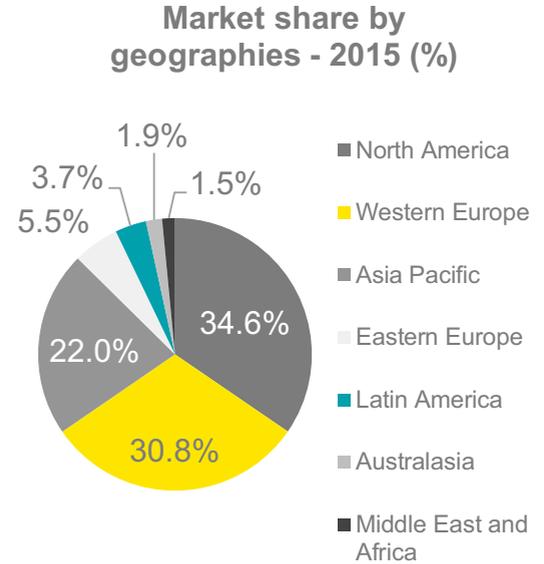
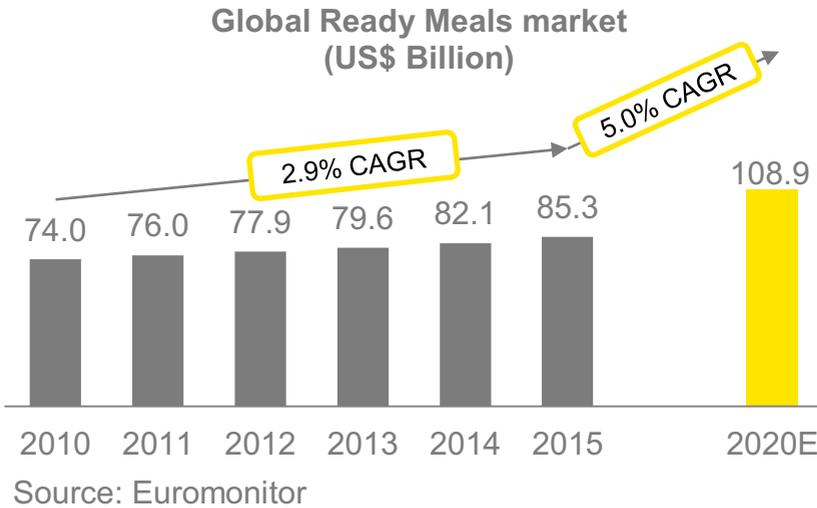
## What is retort packaging?

- ▶ A retort pouch is perhaps the most significant advancement in food packaging, used as a substitute for tin cans as it has sufficient strength and heat resistance.
- ▶ Retort pouches offer convenience features such as zipper re-closure, tear notches, peel-off lids, microwave-safe, and hang hole features. Such innovative packaging designs offer higher convenience and portability, leading to their augmented demand
- ▶ Retort pouches are suitable to pack variety of products including seafood such as fish, mussels, lobster, crab, prawns, and for cooked rice, soups, mushrooms, vegetables, pasta, and sauces, and as medical packaging etc.



It is a multi-layer flexible pouch, made from a laminate of three materials – an outer layer of polyester for strength, a middle layer of aluminium foil for moisture, light and gas barrier and an inner layer of cast polypropylene as the heat seal and food contact material.

**Global Ready Meals market stood at US\$85 billion in 2015 and is expected to grow at 5% CAGR to reach US\$109 billion by 2020**

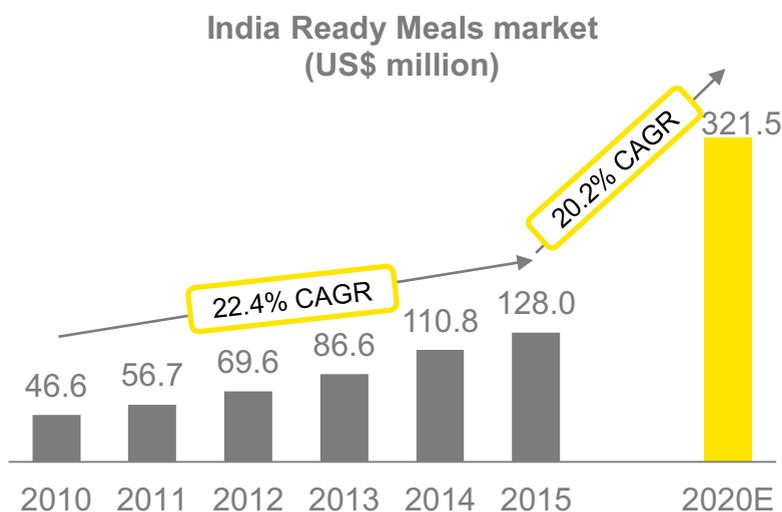


- ▶ The global ready meals market was valued at US\$85 billion in 2015, growing at a CAGR of 2.9% during 2010–2015. Among ready meals, chilled food segment has the biggest share of 25.6% (in 2015) by value, followed by frozen ready meals segment, with 24.5%.
- ▶ Europe is the largest market for ready meals, accounting for ~36% of the global market in 2015, followed by North America and Asia Pacific with ~35% and ~22% share respectively.
- ▶ Nestle was the market leader in 2015 with an 8.2% share of the market by value.
- ▶ The market is expected to grow at a CAGR of 5.0% during 2015-2020, with Asia-Pacific anticipated to emerge as the fastest growing market.
- ▶ The primary reason contributing to the growth of the market is increasing demand for convenience and on-the-go food.



**Additionally the global retort packaging market is projected to reach US\$41.14 billion by 2020, with a CAGR of 6.7% from 2015 to 2020.** Retort packaging is becoming popular in the frozen food and beverage market due to advantages such as the growing demand for compact and light weight packaging

**India Ready Meals market stood at US\$128 million in 2015 and is expected to grow at ~20% CAGR to reach US\$322 million by 2020**



Source: Euromonitor

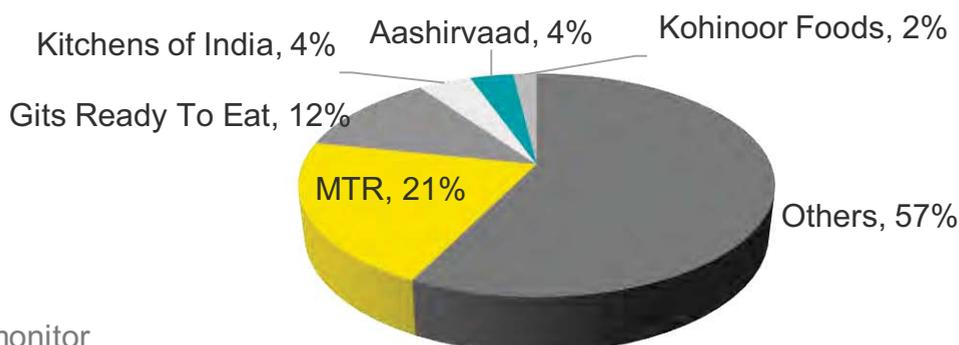
- ▶ As consumer preferences are changing, the demand for shelf-stable products is increasing in India. Indian consumers are rapidly adapting to convenient portion packs of hygienic, branded and well-packaged food products.
- ▶ Reduction of heating time by 30-50%, improved food appearance, better nutrition and taste are the factors driving the increased utilisation of retort packaging in India.

**Market size of different categories in RTE segment (US\$ million)**

	2015	CAGR %	2020
RTE Breakfast Cereals	146.4	17.9	333.5
Shelf Stable Fruit and Vegetables	88.5	12.4	159.1
Processed Frozen Fruit and Vegetables	58.3	16.7	126.2
Processed Meat	32.3	18.5	75.6
Processed Seafood	22.3	19.9	55.4
Shelf Stable Ready Meals	72.2	23.0	203.4
Dried Ready Meals	42.2	14.0	81.5
Frozen Ready Meals	13.6	21.9	36.7

Source: Euromonitor

**Shelf Stable Ready Meals Brand Shares – 2015 (in %)**



Source: Euromonitor

## Growing income and consumption

- ▶ Changing macroeconomic and demographic trends are fueling the growth of the semi-/processed food industry in India. Increasing working population, rising disposable income, rising per capita expenditure on prepared food and rapid urbanization, have resulted in increasing willingness to pay a premium for processed food products.
  - ▶ India will emerge as the world's fifth-largest consumer market by 2025
  - ▶ By 2020 , ~35% of India's population will be in urban areas
  - ▶ Rise in double-income households, Shift towards nuclear family, more working women and hectic work schedules
- ▶ Availability of wide array of products ( frozen pizza/pasta, diner mixes, gourmet products, ready-to-cook vegetables and canned fruits ) due to growing prominence of organized retail, coupled with increasing global connectivity, has also led to easy availability and change in the tastes and preference of domestic consumers.

## Private labels venturing into the RTE market

- ▶ Increasing penetration of organized retail has helped in raising awareness and availability of RTE products. Retail stores, especially supermarkets, are coming up with new consumption categories such as RTE foods under their own private labels.
- ▶ Hypercity has started "meals on the go" concept with its RTE meals under its "Everyday" brand. Future Group has started sampling the market with its RTE meal concept under its private label brand "Fresh For You" at certain Big Bazaar outlets.

## Growing penetration of organized retail

- ▶ Organized retail is currently at a nascent stage in India and accounts for ~8% share of the retail market and is expected to grow to ~10% retail share by 2019.
- ▶ The presence of retail players such as Big Bazar, Easyday and Reliance Fresh has helped in creating awareness among consumers, contributing toward increasing the demand for RTE food products in the country.

## Increase in freezer facilities

- ▶ Cold storage/freezer space plays a vital role in the growth of the packaged food industry. The Indian cold chain industry is expected to grow at a CAGR of ~23.8% between 2014 and 2019.
- ▶ In May 2015, the Government of India (GoI) sanctioned setting up of 30 new cold chain projects with total investment of INR7.2 billion.

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- ▶ The Government of Gujarat is following a cluster development approach and strengthening emerging clusters such as food processing that will attract further industrial investments

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## Huge Food Processing Industry in Gujarat

- ▶ Gujarat has more than 30,000 operative food processing units, providing employment to over 1 million people.
- ▶ 10 cold chain projects are being implemented under MoFPI assistance.
- ▶ In 2015 Gujarat government gave approval to set up five new units of agro-food processing sector in Sabarkantha, Kheda, Rajkot, Kutch and Vadodara district at an investment of INR1.44 billion
- ▶ Ministry of Food Processing Industries (MoFPI) has awarded Final approval to Gujarat Agro Mega Food Park Pvt. Ltd. (project SPV) for setting up a Mega Food Park project in Surat district and is under implementation. MoFPI has also accorded In-principle approval to Adani Ports and Special Economic Zone Ltd. Mega Food Park project to be set up in Kutch

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## Agri-Export Zones

- ▶ Under the scheme of Agricultural and Processed Food Export Development Authority (APEDA), The government of Gujarat has earmarked Agriculture Export Zones for mangoes and vegetables (Ahmedabad to Valsad) and for value-added onions (Saurashtra).

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## Development of Agriculture

- ▶ The state has witnessed above average growth rate of Gross State Domestic Product (GSDP) from agriculture and allied activities. During the period 2005-06 to 2011-12, the national average was ~4% while that for Gujarat was 5.5%.

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## Government support

Gujarat government has aggressively pursued innovative agriculture development by liberalizing markets, inviting private capital, reinventing agricultural extension, improving roads and other infrastructure.

## Other advantages

### Ease of doing business



- ▶ Only state which comply 100% with the environmental procedures. Gujarat fares highly when it comes to setting up a business, allotment of land and obtaining a construction permit.

### Gujarat leads in ease of doing business in India

Overall ranking	1
Land allotment and obtaining construction permit	2
Complying with environment procedures	1
Complying with Labour regulations	2
Obtaining infrastructure related utilities	2
Carrying out inspections	2
Enforcing contracts	3

Source: World Bank

### Flourishing economy



Gujarat contributes 7.2% of the Nation's GDP and shows leadership in many areas of manufacturing and infrastructure sectors. Gujarat's SDP (State Domestic Product) at current price registered a growth of 11% during the year 2014-15.

### Strategic location and better infrastructure



Located on the west coast of India, Gujarat is well connected to the major cities of the world by air and sea routes. The state has 45 ports, 12 domestic airports and 1 international airport in addition to an extensive rail and road network.

### Easy availability of raw materials



Many key industrial clusters such as foundry & forgings, steel pipes and tubes, steel rolled products and fabricated metal products are located in close vicinity of industrial hubs such as Dholera Special Investment Region (SIR).

### Favourable labour policy



The Gujarat government has recently passed the Labour Laws Bill (December 2015), to give an impetus to industrialization. The key reform includes a provision for out-of-court settlement to speed up the process labour related dispute resolutions.

### Better social infrastructure



Gujarat has one of the lowest cost of living amongst the Indian states and is relatively less congested and less polluted, offering better standards of living to the inhabitants and providing a better environment to work.

# Project Information

## Suggested project location

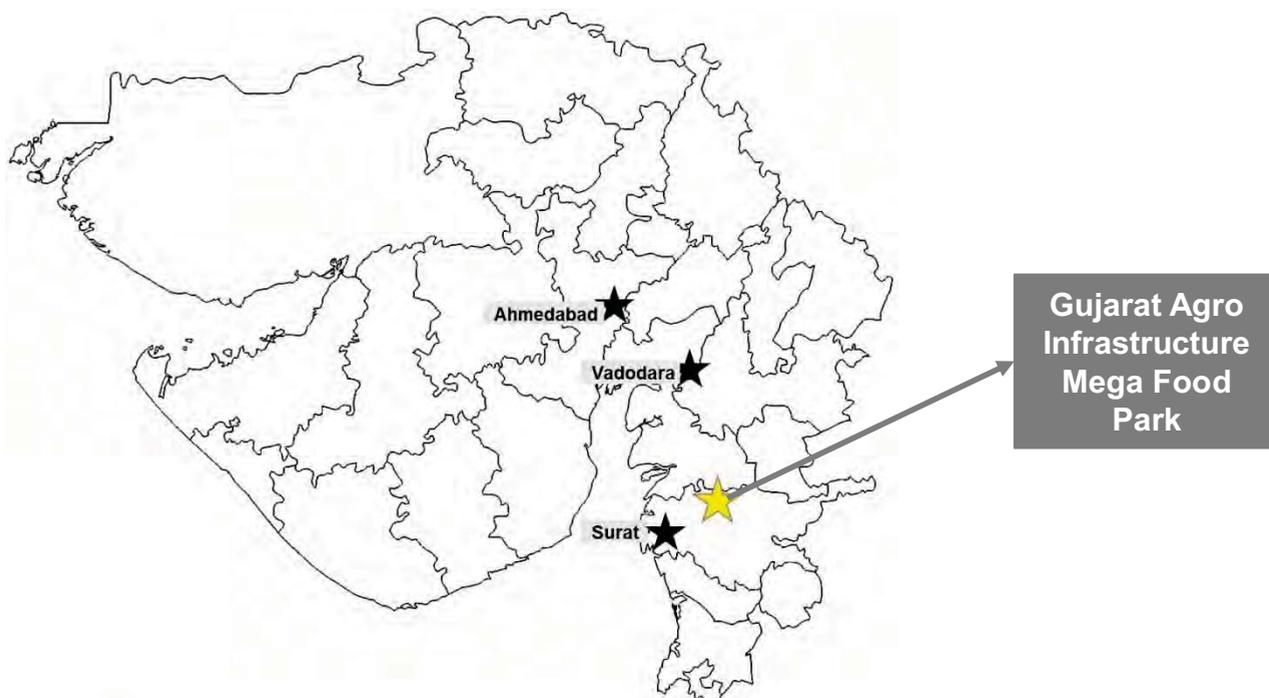
### Preferred location

Gujarat Agro Infrastructure Mega Food Park Pvt. Ltd.

The Gujarat Agro Infrastructure Mega Food Park is supported and approved with Central and State Governments

- ▶ Project is approved and Supported as a Mega Food Park by Ministry of Food Processing Industries, Government of India
- ▶ Project is approved and Supported as a Food and Agri Industrial Park by Industries Department, Government of Gujarat.

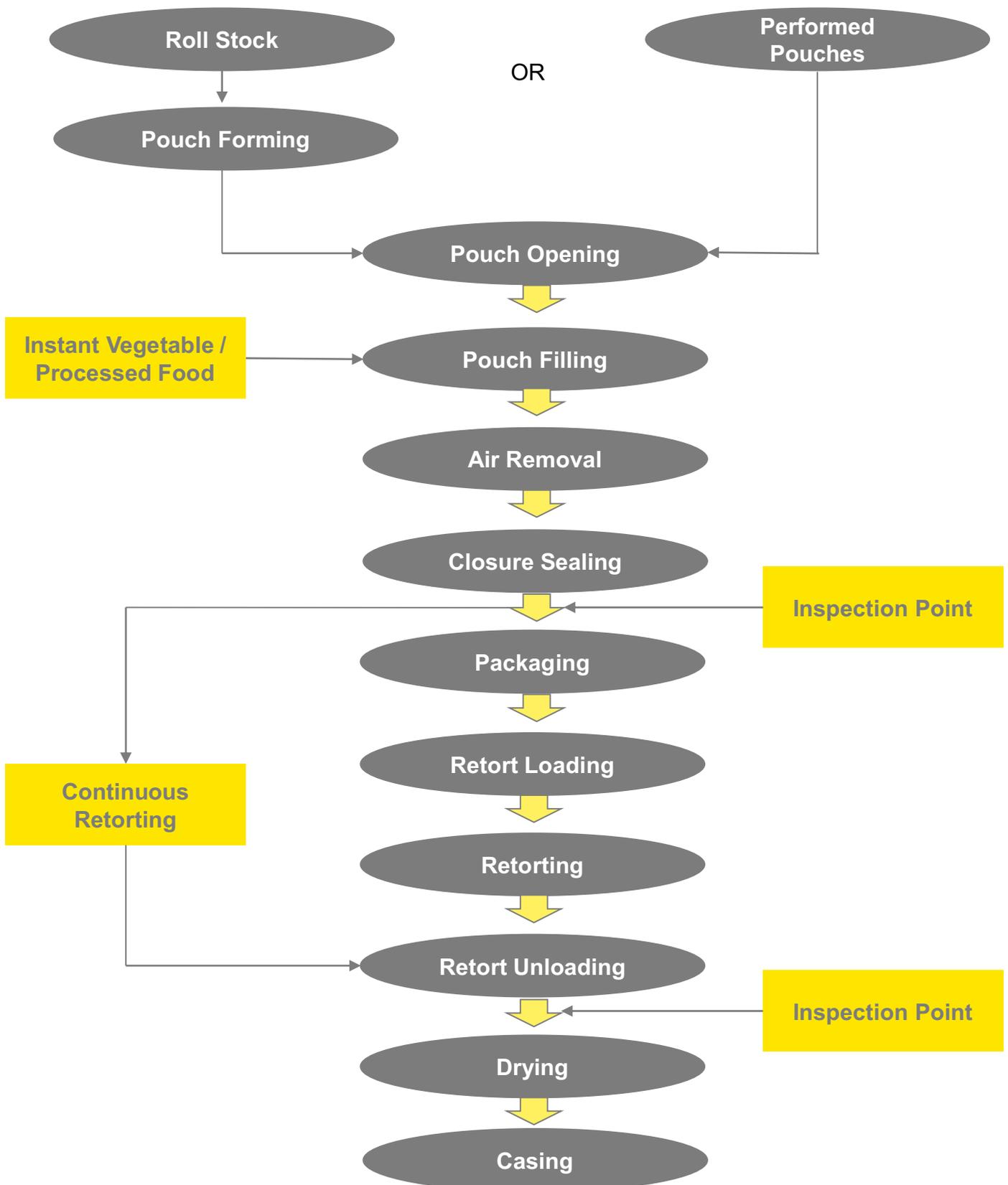
Food park is strategically located at Mangrol, near Surat, Gujarat – catering both domestic and export markets



Location	Distance	Road	Air	Rail	Sea
Mumbai	320 Kms	Y	Y	Y	Y
Ahmedabad	250 Kms	Y	Y	Y	
Surat	50 Kms	Y	Y	Y	
Vadodara	130 Kms	Y	Y	Y	
Kim, Kosamba	20 Kms	Y		Y	
Hazira port	85 Kms	Y			Y

# Project Information

## The manufacturing process



## Sourcing of raw materials

- ▶ The proposed project would require various vegetables – Gujarat is the leading producer of Banana, Mango, Tomato, Cauliflower, Onion, Potato
- ▶ Additionally, Gujarat also has competitive advantage with respect to spices as it is the -
  - ▶ Largest producer of Dill seeds, Cumin seeds, Fennel Seeds and Fenugreek seeds
  - ▶ 2<sup>nd</sup> largest producer of Garlic and Ginger in India
  - ▶ 4<sup>th</sup> largest producer of Coriander
  - ▶ 5<sup>th</sup> largest producer of Turmeric
  - ▶ 7<sup>th</sup> largest producer of Chilli

## Common facilities within food park

Component	Distance
Modified Atmosphere type - Multi Commodity Cold Storage	2000 tones (4x250 tones and 2x500 tones)
Sub-zero storage	1500 tones (3x500 tones)
Warehouses- Raw Material & Finished Goods	5000 tones
Food Testing Laboratory	All Type of physical, chemical and micro biological test
Multi Fruit and Vegetable IQF Line	2 tones per hour
4 primary processing centres	Sorting, Grading Facility for Vegetables
Vehicles	4 Reefer Vans & 4 Other Vehicles (normal)

## Incentives & financial assistance to industries in Gujarat Agro Infrastructure Mega Food Park

- ▶ Zero stamp duty on land lease
- ▶ Term Loan at Concessional Rate of Interest from NABARD under food processing fund exclusively available to units in Food Parks
- ▶ Lower import duty on Imported Machinery
- ▶ Exemption from Income Tax for 5 Years from commissioning date
- ▶ Benefit under Government of Gujarat's "Scheme Of Assistance To Manufacturing Sector"
- ▶ Short Start-up Time – Ready Availability of Non-Agriculture Converted Plots & Sheds

## Logistics & Connectivity

Gujarat Agro Infrastructure Mega Food Park is near Surat, which is well-connected with other districts in Gujarat as well as other cities in India



### Rail

- ▶ Surat is connected with other districts of the state such as Rajkot, Vadodara and Ahmedabad by rail.
- ▶ Hazira port in Surat is ~16 kms away from the Surat railway station. In August 2015, Container Corporation of India started operating a regular train service connecting the port with Pithampur.



### Road

- ▶ The city is connected to Delhi Mumbai Industrial Corridor (DMIC) which links Ahmedabad, Vadodara and Surat.
- ▶ Proximity to NH-8 and NH-6 further enhances connectivity in the city.
- ▶ Surat also has very good connectivity with other cities of the state such as Vadodara (154 km) and Ahmedabad (265 km).



### Air

- ▶ Surat domestic airport is well connected to various parts of the country. The city is located ~275 kms from the international airport at Ahmedabad.
- ▶ In January 2015, Airports Authority of India gave an in-principle approval for cargo terminal at Surat airport worth INR70 million.



### Port

- ▶ The nearest port is Hazira which is 25 km from Surat, built with a protected harbour design and additional waterfront for development of non-LNG cargo handling terminals.

## Utilities



### Water

- ▶ Gujarat has a state-wide “water supply grid” spread across 1,20,769 km that aims to serve 75% of Gujarat’s population.
- ▶ Gujarat Industrial Development Corporation (GIDC) is responsible for ensuring consistent water supply in industrial areas



### Power

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# Project Information



## Leading retort packaging suppliers in Gujarat



- ▶ **Swiss Pac Private Limited**
- ▶ **Location:** Vadodara
- ▶ **Website:** <http://www.pouchmakers.co.in/>



- ▶ **Karnav Resources**
- ▶ **Location:** Ahmedabad
- ▶ **Website:** <http://www.karnavresources.com/>



- ▶ **Purity Flexpack Limited**
- ▶ **Location:** Tajpura, Halol
- ▶ **Website:** <http://www.packaging-pouches.com/>

## Retort machinery suppliers in India



- ▶ **Situated in Navi Mumbai, Maharashtra**
- ▶ **Website:** <http://www.retortsterilizers.com/index.html>



- ▶ **Situated in Ahmedabad, Gujarat**
- ▶ **Website:** <http://www.packagingmaterialsgroup.com/>



- ▶ **Situated in Ahmedabad, Gujarat**
- ▶ **Website:** <http://etosterilization.net/>



- ▶ **Situated in Gurgaon, Haryana**
- ▶ **Website:** <http://www.floeterindia.com/>



- ▶ **Head office: Pune, Gujarat regional office in Ahmedabad**
- ▶ **Website:** <http://www.floeterindia.com/>

## Potential collaboration opportunities

- ▶ Adani Wilmar Limited
- ▶ Jammy Art, Kissan
- ▶ Wagh Bakri Tea House
- ▶ Manvar Products, Ahmedabad
- ▶ Vimal Agro Products Pvt Ltd., Gujarat
- ▶ Jyoti Industries, Pedhala
- ▶ Zarina Exim, Borsad, Anand
- ▶ Samrat Namkeen
- ▶ Havmor Ice Cream
- ▶ Induben Khakhrawala & Co., Ahmedabad
- ▶ Freshtrop Fruits Limited., Ahmedabad
- ▶ Patco Foods Pvt Ltd., Surat
- ▶ Annapurna Universal Foods Pvt. Ltd., Rajkot
- ▶ Gujarat General Food Chem Pvt. Ltd.,
- ▶ Khushi Foods Ltd, Ahmedabad
- ▶ United Foods, Talaja

## Key Consideration

Because pouch structures can be customized to meet a wide range of barrier requirements, a host of new product applications is emerging: liquid, viscous, powdered, granulated, and particulate. This growth will cross multiple markets, including food and beverage, cosmetics, healthcare, pet foods, automotive, pharmaceutical, and agricultural. While pouch-filling speeds are not yet up to par with those of many conventional container types.

# Project Financials

- ▶ Sample project cost for Ready-to-eat curried food items in retort pouches such as Palak Paneer, Mutter Paneer, Dum Aloo etc.
- ▶ Technology for retort pouch manufacturing is available Food Packaging Technology CSIR-CFTRI Mysore
- ▶ The proposed capacity of the unit is 150 tonnes per year – 300 days, but it can be increased in the coming years depending upon the success of the project.

Particulars	INR Million
Land and Building	12.8
Plant and Machinery	58.3
Fixed assets (furniture & fixtures, exhaust fans, aluminium top packing tables, plastic buckets and tubs, knives, cutters)	3.5
Food Testing Laboratory	5
Utilities	1.5
Preliminary & Pre-operative Expenses (establishment, professional charges, security deposits)	2.1
Contingencies	4.0
Margin Money for working capital	6.2
<b>Total project cost</b>	<b>93.4</b>
Equity Capital	62.3
Term Loan	31.1

Note – the project is eligible for financial assistance from Ministry of Food Processing Industries of India as it has set up a special fund of INR20 billions in NABARD to make affordable credit available to agro processing units.



A total manpower requirement of 35 people – 5 Supervisory staff, 30 workers

## Recent activities by established players

- ▶ Mother's Recipe, which has portfolio of pickles, ready-to-cook mix and cooking pastes, among others, is planning to foray into the frozen food category and will set up a dedicated unit in Gujarat.
- ▶ Merino Industries' ready-to-cook brand Vegit is looking at setting up a new manufacturing plant in Gujarat with an investment of INR50 crore, expected to be operational by 2017.



# Approvals & Incentives



## Approvals

Gujarat Agro Industries Corporation, Ltd. (GAIC) is the nodal agency for the state of Gujarat for implementing schemes of MOFPI, New Delhi. The entrepreneurs of Gujarat have to submit their application to the nodal Agency. On receipt of all necessary documents as per guidelines, GAIC shall process & forward/recommend the application to MOFPI for evaluation & consideration

### Setting up and Environmental approvals

### Authority

License under Food Safety and Standards Act 2006 for facility at food park in Surat

Designated Officer, Food Safety and Standards Authority of India, Western Region, Mumbai

- ▶ Consolidated consent and authorization under Water (Prevention and Control of Pollution) Act, 1974 and rules thereunder
- ▶ Air (Prevention and Control of Pollution) Act 1981 and rules thereunder
- ▶ Hazardous Wastes (Management and Handling) Rules, 1989

Environmental Engineer, Gujarat Pollution Control Board, Surat, Gujarat

### Tax and other approvals

### Authority

Importer Exporter Code

The Joint Director General of Foreign Trade, Surat

Certificate of registration with the Central Excise Department for Service Tax Registration as per Finance Act, 1994 r/w Service Tax Rules, 1994.

Superintendent, Central Excise, Customs and Service Tax, STU-I, Div.-I, Surat

Central excise registration certificate for the unit

Assistant Commissioner of Central Excise, Central Excise and Customs Dn-I, Surat

Certificate of registration under Central Sales Tax Act, 1956 for the state of Gujarat.

Department of Commercial Tax, Surat, Gujarat

Certificate of registration under Gujarat Value Added Tax Act, 2003 for the state of Gujarat.

Commercial Tax Department, Government of Gujarat

### Labor related approvals

### Authority

Certificate of registration under Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and schemes framed thereunder

Employees' Provident Fund Organisation Regional Office, Surat

### Intellectual property related approvals

### Authority

Certificate of registration of trademark "product name"

The Registry of Trademarks, Ahmedabad

## Incentives by Government of Gujarat

Gujarat government announced its **Agri Business Policy – 2016** with emphasis on promoting food processing industry by developing the entire value chain of exporting locally grown farm produces.

- ▶ Capital investment subsidy at 25% of eligible project cost subject to maximum INR50 million for cold chain, food irradiation processing plants and packaging houses
- ▶ Back ended interest subsidy at 7.5% on term loan with maximum amount of INR40 million for a period of 5 years for setting up infrastructure project in Agro & Food Processing sector (including packaging houses)

Major components covered in comprehensive Agro Business Policy 2016 - 2021

- ▶ Capital Subsidy on investment to agro and food processing industries
- ▶ Assistance of Back Ended Interest Subsidy on the Term Loan
- ▶ Freight Subsidy will be available to Micro, Small and Medium Enterprises (MSME)
- ▶ Assistance in Sample Testing
- ▶ Assistance for 'Quality Certification Mark'
- ▶ Financial Assistance for Skill Enhancement
- ▶ Reimbursement of VAT and Sales Tax
- ▶ Encouragement in Electricity Rate and Duty
- ▶ Refund on Registration Fee and Stamp Duty
- ▶ Assistance for Research and Development
- ▶ Assistance for Patent Registration

## Incentives by Government of India

Food processing sector in India has received ~US\$6.70 billion worth of Foreign Direct Investment (FDI) during the period April 2000-December 2015. The Confederation of Indian Industry (CII) estimates that the food processing sectors have the potential to attract as much as US\$33 billion of investments over the next 10 years and also generate employment of nine million person-days.

Some of the major initiatives taken by the Government of India (GoI) to improve the food processing sector in India are as follows:

- ▶ Union Budget 2016-17 has proposed 100% FDI through FIPB (Foreign Investment Promotion Board) route in marketing of food products produced and manufactured in India.
- ▶ The Food Safety and Standards Authority of India (FSSAI) has issued new rules for importing products, to address concerns over the entry of sub-standard items and simplify the process by setting shelf-life norms and relaxing labelling guidelines.
- ▶ The Ministry of Food Processing Industries announced a scheme for Human Resource Development (HRD) in the food processing sector. The HRD scheme is being implemented through State Governments under the National Mission on Food Processing. The scheme has the following four components:
  - ▶ Creation of infrastructure facilities for degree/diploma courses in food processing sector
  - ▶ Entrepreneurship Development Programme (EDP)
  - ▶ Food Processing Training Centres (FPTC)
  - ▶ Training at recognised institutions at State/National level
- ▶ NABARD Loan for Food Processing Industry: In the 2015 Budget, the Finance Minister had announced the setting up of an INR2000 crore fund in NABARD for providing loans to entrepreneurs setting up food processing businesses in designated food parks.
- ▶ Ministry of Food Processing Industries has launched “Mega Food Park Scheme” to boost the Indian food processing sector and facilitate creation of modern infrastructure for food processing such as processing center-cum-cold chain in identified clusters, processing of intermediate products, centralized infrastructure to take care of processing activities. Going forward, investments, including FDI, would rise with strengthening demand and supply fundamentals in India.

**Agriculture and Co-operation Department**

[www.agri.gujarat.gov.in/index.htm](http://www.agri.gujarat.gov.in/index.htm)

**Gujarat Industrial Development Corporation**

[www.gidc.gov.in/](http://www.gidc.gov.in/)

**Industries Commissionerate**

[www.ic.gujarat.gov.in](http://www.ic.gujarat.gov.in)

*This project profile is based on preliminary study to facilitate prospective entrepreneurs to assess a prima facie scope. It is, however, advisable to get a detailed feasibility study prepared before taking a final investment decision.*

For further details:

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