

Indian Food Services Industry: Engine for Economic Growth & Employment

A Roadmap for Unlocking Growth Opportunities

technopak





Dr. Sanjaya Baru
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Dear Readers,

The Indian Food and Beverage (F&B) service Industry is one of the most vibrant industries that has seen unprecedented growth in the recent past and continues to expand rapidly. This can be attributed to the changing demographics, increase in disposable incomes, urbanisation and growth of organised retail.

The Food Services sector is expected to have generated direct employment for 5.5-6 million people in FY16, which is expected to increase to 8.5-9 million by FY21. Indirect employment has seen a growth at CAGR of four per cent from 2013-2016 and expected to grow six per cent till 2021. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry.

India's overall retail opportunity is substantial, and coupled with a demographic dividend (young population, rising standards of living and upwardly mobile middle class) and rising internet penetration; strong growth in retail & e-Commerce is expected. The Indian government's ambitious Make in India, Digital India, and Start up India project is indeed giving a great stimulus to the Food Services retail sector.

This report titled *'Indian Food Services Industry : Engine for Economic Growth & Employment- A roadmap for unlocking growth opportunities''* provides a perspective on the role and impact of Food Services Retail Sector in providing high quality, safe foods for end-consumption, while being a growth catalyst in our economy through employment generation, providing a fillip to the agriculture industry and attracting capital. Several insights in this whitepaper stem from discussions with industry leaders across various Indian companies in the Food Services retail business.

I am confident that the deliberations at the conference coupled with insights shared in this document, would help you identify opportunities for growth & improvement in your own organizations and in turn accelerate performance across the Food Services retail sector. As we know, when businesses succeed, the economy prospers and larger value-creation takes place to propel a better tomorrow. This indeed is the compelling objective that drives FOODZANIA 2017 and our report.

Enjoy reading and we look forward to receiving your suggestions!



Saloni Nangia
President, Technopak
Advisors

The Food Services sector, comprising of hundreds of thousands of businesses that include street hawkers, small independent eateries that dot India's urban and rural landscape, highway dhabas, as well the regional and national giants (Indian & multinational) plays an extremely vital socio-economic role in India. It provides a very dignified way to earn a livelihood for millions of Indians who otherwise would be hard pressed to make a living, succor to millions of migrants who have come to major urban centers looking for better prospects and not having the comfort of a home or the luxury of time to cook a daily meal for themselves, meet the food needs of hundreds of millions of highway, railways, and air travelers, provide social meeting and entertainment options to millions of young (and not so young) upwardly mobile Indians, and creates an informal but very important "supply chain" between the small farmers and other producers of food and related products especially and the end consumers.

The huge positive socio-economic impact of this sector has been overlooked in the past, and has been seen by the various city, state, and central government merely as another source of collecting tax revenues. Fortunately, there are signs that this perception is changing and an increasing realization that this sector forms a very crucial part of the Indian economy, and plays a pivotal role contributing to the growth of the ecosystem generating wide employment opportunities and providing a boost to auxiliary industries like real estate, commercial kitchen equipment, food processing, supply chain etc. Hopefully, the various state and the central governments will provide the requisite policy and fiscal support to enable it to grow steadily and thereby make an even bigger positive impact by way of creating more employment and by way of meeting the changing consumer needs more efficiently.

Technopak is glad to partner with FICCI – Foodzania and present knowledge report on Indian Food Services Industry. The report will provide holistic perspective of the Food Services Industry to its readers. In this report, we have highlighted few key areas where support from Government will help the industry in realizing its true potential. I wish everyone happy reading.

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Executive Summary

Today, Indian economy has significant presence on world economic platform. Globally, India ranks 7th in terms of nominal GDP and the 3rd in PPP terms. It is estimated that by FY 2020, India will be in top 5 global economies and by FY 2050 it will be in top 3 global economies. India's medium- to long-term growth will be determined by inter-play of the structural factors of demographics, policy reforms and globalisation. It is expected that the confluence of these three factors will help to raise potential growth. The growth is expected to continue in future and will translate to higher spending across all consumption categories including eating out, consumer durables, luxury products etc.

Food Services emerge as a key segment in Indian economy. Indian Food Services market in India (organized and unorganized) is estimated at INR 3,37,500 crore in 2017 and is projected to grow at a CAGR of 10% over the next 5 years to reach INR 5,52,000 crore by 2022. Two mega metros, Mumbai and Delhi NCR contribute to 22% of the overall Food Services market (11% each) followed by six mini metros (Pune, Ahmedabad, Bengaluru, Chennai, Hyderabad and Kolkata)comprising of 20% share in the Food Services market.

High percentage of young and working population which is well travelled have double incomes and is experimental along with being tech savvy, is eating out more than their predecessors, driving the growth of the Food Services market. Availability of organized retail space is helping in consistent growth of Indian and International brands across different formats.

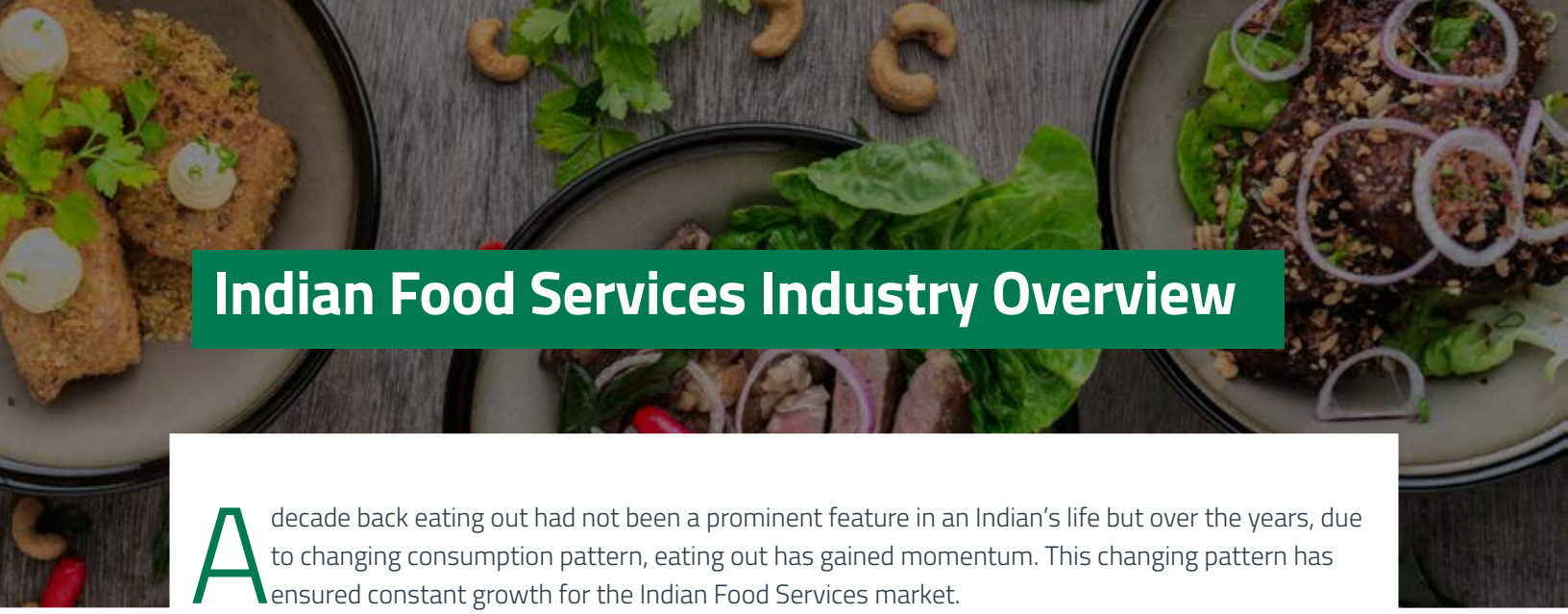
The impact of the market as a whole on the entire ecosystem – right from real estate to agriculture, kitchen equipment to supply chain and employment is significant. However, certain challenges such as availability of quality manpower, high attrition rate, high real estate cost, fragmented supply chain, over-licensing etc. act as headwind for growth of the industry.

High percentage of young and working population which is well travelled have double incomes and is experimental along with being tech savvy, is eating out more than their predecessors, driving the growth of the Food Services market. Availability of organized retail space is helping in consistent growth of Indian and International brands across different formats.

The Indian Food Services market space is attracting significant interest from domestic as well as international private equity and venture capital funds. The large number of investments can be attributed to the fact that the Food Services market is a domestic consumption driven story with great growth potential. In fact, private equity investments are seen flowing through the entire ecosystem, funnelling growth in front-end companies, back-end companies, food-tech companies etc.

There have also been some key trends that are gaining traction in the Food Services space. Virtual Kitchens and Ready to Cook players are gaining acceptance among urban consumers. Ordering-in has become an integral part of the eating experience and several logistics players are providing last mile delivery for restaurants.

Food Services is emerging as a key contributor for the Indian economy, including employment generation, skill development, growth in the allied industries, entrepreneurship, and tourism and creating experiences for the Indian consumer. It is imperative for the Indian government and regulators to recognize the contribution and role of Food Services Industry and take measures to create positive policy framework for industry's growth



Indian Food Services Industry Overview

A decade back eating out had not been a prominent feature in an Indian's life but over the years, due to changing consumption pattern, eating out has gained momentum. This changing pattern has ensured constant growth for the Indian Food Services market.

India's Food Services market has come a long way from early 1980's when the number of organized brands were countable and the market otherwise was dominated by un-organized players. The revolution in this sector began in 1996 with the opening up of restaurants by McDonald's, Pizza Hut, Domino's followed by Subway, Haldiram's, Moti Mahal and Barbeque Nation etc.

Exhibit 1: Evolution of Indian Food Services Market in India

Phase 1: Faster development (infrastructure and business opportunities) in metros and mini-metroslike Delhi, Mumbai & Bengaluru rapidly increased the number of organized restaurants in the1990s. With the help of their first mover advantage, players looked to maximize revenue.

No clear segmentation based on offerings was witnessed. Most of the Indian brands were running Multi Cuisine Restaurants and were offering different products under the same roof. However, with the entry of International brands like McDonald's, Pizza Hut, KFC and Domino's in 1995-96, segmentation based on offerings and service started in India

Phase 2: Demand for food joints in Tier II cities in the 2000s was powered by increasing urbanization, rising personal disposable incomes and more economic activities. A huge untapped population coupled with changing consumer lifestyles gave players an incentive to expand into Tier II cities. Also, a clear segmentation of formats started to emerge based on the offerings and service style such as QSR, CDR, FDR etc.

Phase 3: The current decade is overseeing a shift to a larger organized sector. Customer retention,a higher range and depth of offerings are new goals among organized players. This phase witnessed a sharper segmentation within the different formats based on consumer needs and offerings by the brands e.g. within QSRs there is a clear differentiation between pizza chains and burger chains, within CDRs a further segmentation was observed as premium and value based CDRs based on attributes like ambiance, service style and cuisines etc. This phase has also seen the birth of food technology which is estimated to be growing at almost 15-20% per year.

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Market Size & Growth Potential

Market Structure

Food Services Industry is classified in two segments: organized and unorganized based on following three key parameters: (i) accounting transparency, (ii) organized operations with quality control and sourcing norms, and (iii) outlet penetration.

The Food Services outlets that do not conform to the above three key parameters would be categorized under the 'unorganized' segments. This segment primarily comprises of dhabas, roadside small eateries, hawkers and street stalls.

The organized segment conforms to above three parameters and is further classified in Chained and Standalone formats. Chained formats are domestic and international formats with more than three outlets present across the country.

The Chained formats are further classified in six sub segments based on price (avg. price per person), service quality and speed, and product offering. The sub-segments are: Fine Dining, Casual Dining, Pub Bar Club & Lounge (PBCL), Quick Service Restaurants (QSR), Cafes and Frozen Desserts. The definition of these sub segments and average price points are given in table below:

Exhibit 2: Structure of Indian Food Services Market

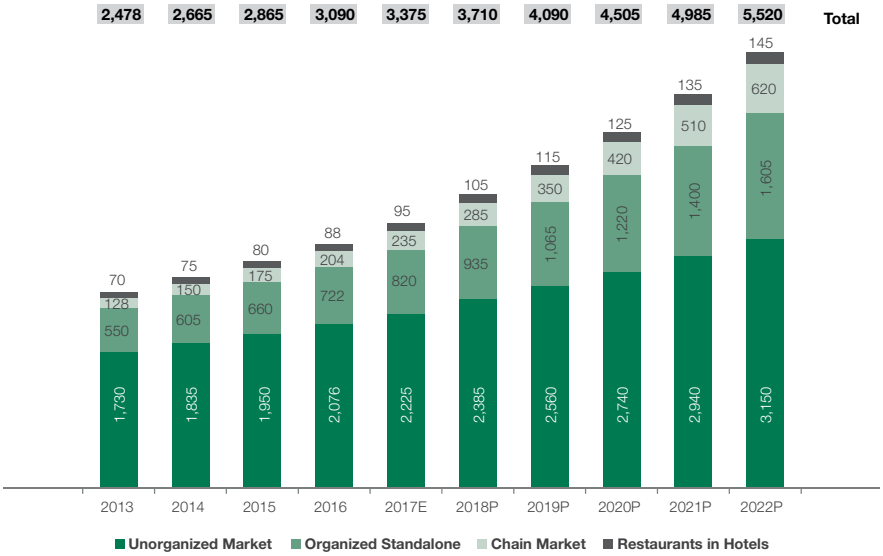
Key Segments in the Food Services Market		Average Spend per Person* (INR)
Unorganized Segment – It includes roadside eateries and dhabas which have been the most common eating out option.		10-100
Organized Segment – Consists of: a) Standalone restaurants across all formats with less than 3 outlets. b) Chain format which has 3 or more outlets across all formats.		-
Chain Segment		
Café	Coffee & chai bars as well as parlours and bakeries. High focus on beverages supported by food items. Eg: Starbucks, Café Coffee Day etc.	50-250
Quick Service Restaurants (QSRs)	Focused on speed of service, affordability and convenience. Strong focus on takeaway & delivery with minimal table service. Eg: Haldiram's, McDonald's	75-250
Frozen Desserts/ Ice-Cream (FD/IC)	Comprises small kiosk formats of ice-cream brands and has now extended the dine-in concept to frozen yogurt brands. Eg: Baskin-Robbins, Red Mango etc.	50-150
Affordable Casual Dining Restaurants (ACDRs)	A restaurant serving moderately priced food in an ambience oriented towards providing an affordable dining experience, with table service. The offerings bridge the gap between QSRs and premium casual dining restaurants. Eg: Pind Balluchi, Sagar Ratna etc.	250-500
Premium Casual Dining Restaurants (PCDRs)	Restaurants bridging the gap between ACDRs and fine dining restaurants. Full service restaurants with eclectic high quality interiors and high standards of service. Eg: Farzi Café, Oh! Calcutta etc.	500-1000
Fine Dining Restaurants (FDRs)	A full service restaurant with premium interiors, specific cuisine specialty and high standard of service. They offer a unique ambience and an upscale service with the help of highly trained staff. Eg: Copper Chimney, Olive Bar etc.	>1000
Pubs, Bar Café & Lounges (PBCL)	This format mainly serves alcohol and related beverages and includes night clubs and sports bars. Eg: Beer Café, Xtreme Sports Bar etc.	750-1500

** Spend is Exclusive of Taxes*

Source: NRAI Technopak India Food Services Report 2016.

The size of the Indian Food Services market in India (organized and unorganized) is estimated at INR 3,37,500 crore in 2017 and is projected to grow at a CAGR of 10% over the next 5 years to reach INR 5,52,000 crore by 2022.

Exhibit 3: Indian Food Services Market Size (INR '00 crore)



Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The unorganized segment's share in the Food Services market reduced from 70% in 2013 to 66% in 2016 and is projected to fall to 57% in 2022. This is the case as many unorganized businesses are moving towards the organized sector.

The organized market (chain and organized standalone outlets) is estimated at INR 1,15,000 crore in 2017 and is projected to grow, at a CAGR of 16%, to reach INR 2,37,000 crore by 2022 gaining a share of 40% from 31% in 2017.

Exhibit 4: Market Share & Growth

	Market Share (2013)	Market Share (2017)	Market Share (2022 P)	CAGR (2013 – 2017)	CAGR (2017 – 2022)
Unorganized Market	70%	66%	57%	6%	7%
Organized Market	30%	34%	43%	11%	16%

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

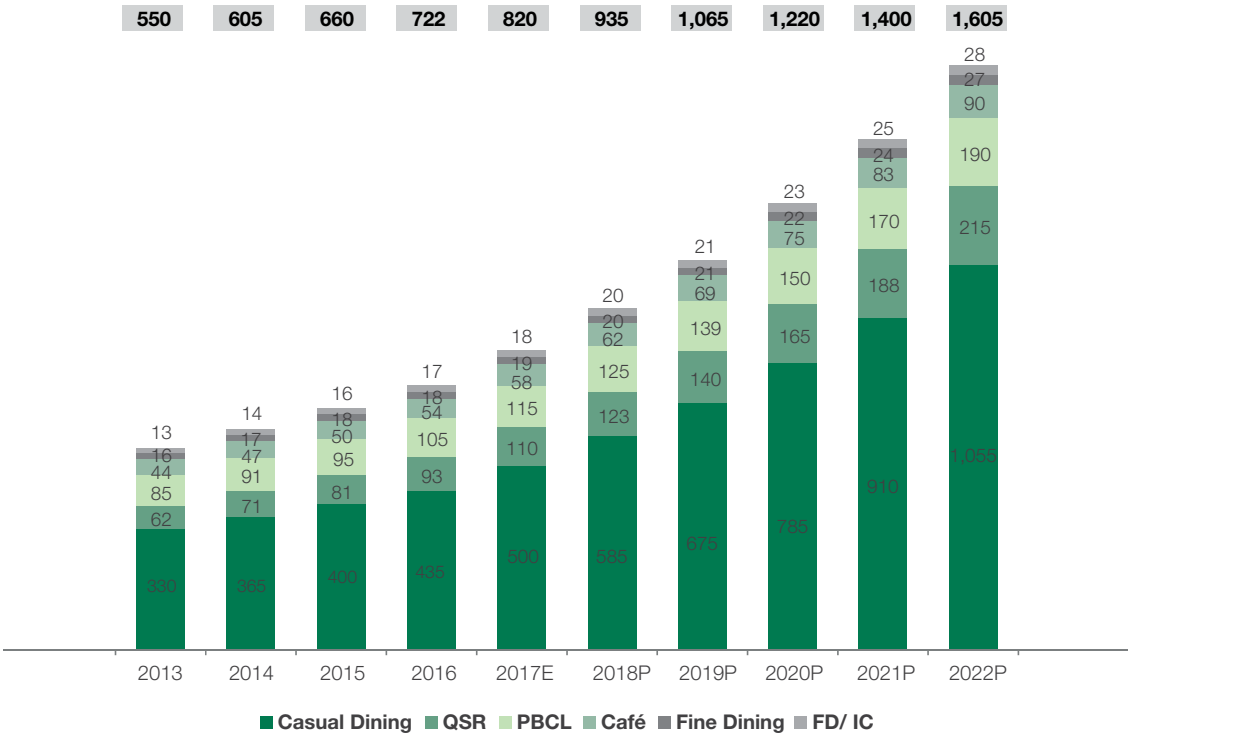
The organized standalone market share in total Food Services market is projected to rise to 29% in 2022 from 24% in 2017. This is the case as increasing disposable incomes have encouraged owners and entrepreneurs to open such organized outlets. Moreover, this segment is projected to grow at a CAGR of 14% from 2017 to 2022. The chain market share is expected to increase from 7% in 2017 to 11% in 2022. This segment is projected to grow at a CAGR of 21% from 2017 to 2022.

In case of the independent restaurants (in hotels) 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.

Organized Standalone Market

The organized standalone market is the largest organized segment with a market share of 24% in 2017. The segment is expected to grow at a CAGR of 14% from INR 82,000 crore in 2017 to INR 1,60,500 crore by 2022.

Exhibit 5: Organized Standalone Market Size, FY 2017 (INR '00 crore)



Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The Casual Dining Restaurants at INR 50,000 crore in 2017 formulate around ~61% of the organized standalone market and is growing at a CAGR of 16% to reach INR 1,05,500 crore (66%) in 2022 followed by QSRs growing at 15% to reach INR 21,500 crore in 2022.

Exhibit 6: Organized Standalone Format's Market Share & CAGR

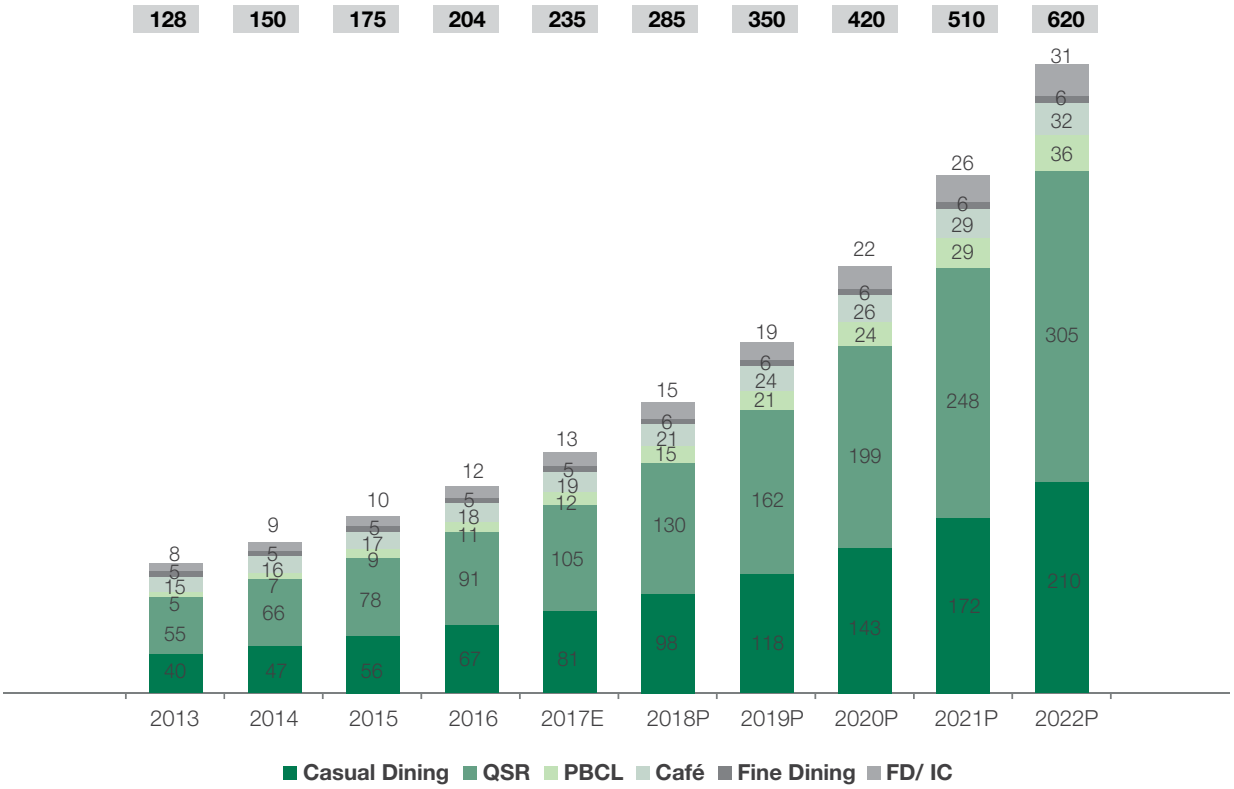
Format	Market Share (%)			CAGR	
	FY 2013	FY 2017	FY 2022P	FY 2013-17	FY 2017-22
Casual Dining Restaurants	60%	61%	66%	11%	16%
Quick Service Restaurants	12%	13%	13%	15%	14%
PBCL	15%	14%	12%	8%	11%
Cafés	8%	7%	6%	7%	9%
Fine Dining Restaurants	3%	2%	1.5%	4%	7%
Frozen Dessert/ Ice Cream	2%	2%	1.5%	8%	9%

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Chain Market

The chain market is expected to grow at a CAGR of 21% to reach INR 62,000 crore by 2022 from INR 23,500 crore in 2017. QSRs have the maximum market share followed by casual dining restaurants.

Exhibit 7: Chain Market Size in INR '00 crore



Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

In the chain market, QSRs and the CDRs constitute 79% in 2017 and the same is expected to grow to 83% by 2022. QSRs will be driving the growth based on the operating model, where centralized commissaries and robust supply chain will be help in attaining deeper penetration in Tier II and Tier III cities. The market share of CDRs will remain the same at 34% in 2022. However, the segment will grow at a healthy CAGR of 21% to reach INR 21,000 crore. The growth for CDRs will be fuelled by more CDRs in the chain segment making inroads in Tier II and Tier III cities.

Also, as the Food Services market has evolved over time, each format caters to a distinct primary target group and occasions. Within the eating out space, the CDR segment is best placed in the overall chain segment based on pricing, wholesome offer and involvement of the entire family. Apart from convenience and quick bites, the consumers are also looking at experiential format due to higher disposable income and changing eating out habits. CDRs continue to be a popular format in Tier I and Tier II cities along with the metros and mini metros.

Exhibit 8: Chain Market Format's Market Share & CAGR

Format	Market Share (%)			CAGR	
	FY 2013	FY 2017	FY 2022P	FY 2013-17	FY 2017-22
Casual Dining Restaurants	31%	34%	34%	19%	21%
Quick Service Restaurants	43%	45%	49%	18%	24%
PBCL	4%	5%	6%	24%	23%
Cafés	12%	8%	5%	6%	11%
Fine Dining Restaurants	4%	2%	1%	2%	3%
Frozen Dessert/Ice Cream	6%	6%	5%	13%	19%

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The chain market is dominated by the international QSR brands operating in India such as Domino's, McDonald's, KFC, Pizza Hut, Burger King etc. The overall share of international brands in terms of outlets in the chain market is around 37%, contributing 45% share to the total revenue in chain market. For the International brands, the QSR segment is the maximum revenue contributor with around 70-75% share followed by CDR, whereas in the domestic segment, the market is dominated by CDRs with around 50-55% revenue share. Home grown players like Moti Mahal Delux and Sagar Ratna dominate the value segment in casual dine market whereas brands like Barbeque Nation, Sigree and Mainland China are the key players in the premium space.

Exhibit 9: Revenue Growth of Key Players (INR '00 crore)

Company/Brand	FY 2013	FY2014	FY 2015	FY2016	FY2017	CAGR 2013-16
QSR						
Jubilant Food Works/ Domino's	14.15	17.35	20.95	24.40	19.35	20%
Westlife**/McDonald's	6.80	7.40	7.65	8.35	9.3	7%
Conaught Plaza Restaurants/McDonald's	7.45	7.20	7.25	7.30	NA	-1%
KFC	12.50	12.85	12.50	12.25	NA	-1%
Subway	3.55	4.35	5.60	6.80	NA	24%
CDRs						
Pizza Hut*	6.00	6.50	6.90	6.25	NA	1%
Specialty Restaurants	2.25	2.65	3	3.21	2.37	13%
Barbeque Nation	2.75	3.60	4.40	3.95	NA	13%
Café						
Café Coffee Day	10.75	11.85	11.25	12.45	9.32	5%

**Pizza Hut revenue includes revenue from both formats*

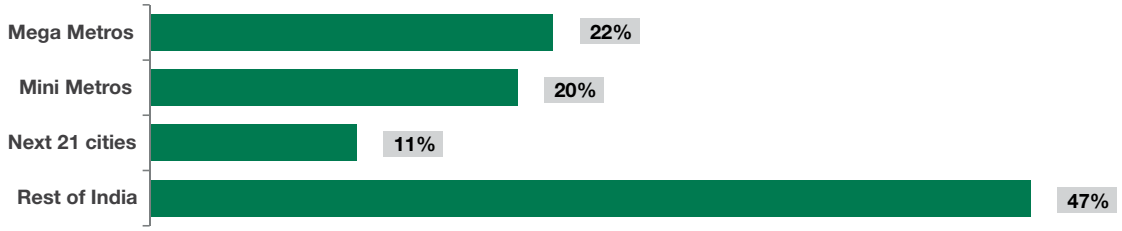
***Westlife revenue of 12 months in FY 2017*

Source: Website of Jubilant Foodworks, Westlife, Specialty Restaurants, Coffee Day Group and Industry Sources

Citywise Market Size

The top eight cities in India have been the centre of development, especially for the organized Food Services. Due to increased economic activity, rising disposable incomes, a greater need for convenience and an increasing women workforce, the chain Food Service brands have done well in these cities. The two mega metros, Delhi & Mumbai, contribute a total of 22% (11% each) to the Food Services market. The 6 Mini-Metros constitute ~20% of the Food Services market, while the rest of the contribution comes from the Tier I & II cities along with the rest of India.

Exhibit 10: Citywise Market Size, FY 2017 (INR '00 crore)



Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Mega metro cities: Delhi-NCR and Mumbai.

Mini Metro Cities: Ahmedabad, Pune, Chennai, Kolkata, Bangalore, Hyderabad.

21 Cities: Jaipur, Lucknow, Surat, Nagpur, Kanpur, Indore, Patna, Chandigarh, Kochi, Coimbatore, Vadodra, Ludhiana, Nashik, Varanasi, Madurai, Visakhapatnam, Bhopal, Amritsar, Rajkot, Trivandrum, Goa.



Growth Drivers of Indian Food Services Industry

With a prospering economy and a vibrant population of 1.3 billion people, India is today under the global spotlight for consumption-oriented sectors. Changing cultural dynamics and family structures have resulted in creation of multiple households. These new households have spurred the trend of food consumption from alternate avenues (non-home cooked food). A larger workforce and greater employment generation in the liberalized economy is another factor which has contributed to higher discretionary spending on eating-out and dining-in.

Thus the interplay of these factors is anticipated to sustain the industry's growth momentum in the foreseeable future.

Favourable Demographics

- High percentage of young and working age population driving the growth of food business
- Demographically youngest consumer market (33% of the population is younger than 15 and 50% younger than 24)
- Largest working age (15-54 years) population (will rise by 135 Mn by 2022, India to soon have 20% of the world's working-age population)

33%
Population younger than 15 years

50%
Population younger than 24 years

Source: Census of India 2011, MoSPI, Technopak Analysis

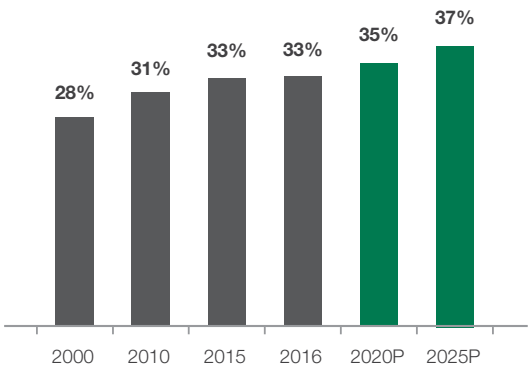
Increasing Urbanization

Urbanization in India is happening at fast pace, with every sixth person getting urbanised globally is an India. India is second largest urban community in the world after China, with an urban population of about 430 mn (2015). It is estimated that by 2020, 35% of India's population will be living in urban centres and will contribute to 70 – 75% of India's GDP.

Urban India will see growth in households where both husband and wife work. Higher income and lesser time will fuel growth of eating out and ordering in and many players have recognized this and offer value meals or combos for this target segment. Smart Cities initiative by Government to create new 'urban clusters' will also expedite urbanization in India.

Exhibit 11: Increasing Urbanization

Urban Population (% of total population)



Emerging Cities: 2025



Source: World Bank, IMF, MGI: Urban India Awakening, Technopak analysis

Increasing Women Power

According to International Labour Organization (ILO) data, India ranks 11th from bottom in terms of Female Labour Force Participation (FLFP). The proportion of women in private sector companies is 24.5% (2011) of the total workforce compared to just 17.9% of the public sector. In central government jobs, women accounted for 7.6% in 1991, which, almost two decades later, had touched just 10%. In recent years there has also seen a decline in the labour force and workforce participation rates of women, whereas, service sector may see increase in women employment from ~20% in 2011 to ~25% in 2020.

With increasing proportion of women in working population; the trend for home-cooked meals has gone down, leading to robust demand of 'out of home' food from households with working couples.

Growing Middle Class

The households with annual earnings between USD 5,000 - 10,000 has grown at a CAGR of 17% over the last five years and is further projected to grow at a rate of 12% to reach 109 million in 2020. The households with annual earnings between USD 10,000-50,000 have also grown at a CAGR of 20% over the last five years.

Increase in number of household with annual earning of USD 10,000 - USD 50,000 will lead to increase in indulgence spending by the group. This will lead to increase in expenditure on eating out, luxury products, consumer durables and across all the consumption categories. It is estimated that 23% of global middle class will be from India.

Exhibit 12: Household Annual Earning Details

Year	Total House Holds (in Mn.)	HHs with Annual earning USD 5,000 - 10,000 (Mn.)	% of total HHs	HHs with Annual earning USD 10,000 –50,000 (Mn.)	% share of total HHs
2009	221	34	15.20%	10	4.70%
2012	230	55	23.80%	20	8.70%
2014	236	65	26.50%	24	10.20%
2015	239	74	30.90%	32	13.20%
2018P	249	103	41.20%	73	29.30%

Source: EIU

Nuclearization

The number of increase in household exceeds increase in population growth indicating increasing nucelarization trend in India. According to census data 2011, 74% of urban households have five or less members as compared to 65% in 2001.

Fall in the average household size coupled with rising disposable income will lead to a greater percentage on discretionary spending, eating out being one of them.

Exhibit 13: Indian Household Size and Growth Trend

Year	Total No. of HHs (millions)	Avg. HH Size	Avg.Urban HH size	Decadal growth rate of HHs	Decadal growth rate population
1981	119	5.5	5.4	19.23%	24.65%
1991	148	5.5	5.3	24.68%	23.79%
2001	187	5.3	5.1	26.28%	21.52%
2011	247	5.1	4.9	32.09%	17.64%

Source: India Budget

Higher Experimentation

The widely travelled, vibrant middle class, which is exposed to global trends in terms of newer format and cuisines, with seamless interaction, facilitated by the growth of multiple communication channels such as the internet and mobiles etc., is open to spending on dining experiences similar to those found elsewhere in the globe. Such factors have prompted growth of new outlets serving cuisines from yet-unexplored cuisines within the country, and these outlets have demonstrated the potential of delivering a novel offering to the discerning Indian consumer.

Increasing Indulgence in Smaller Cities

With higher disposable incomes, evolution of aspirations of younger generation, rise in presence of branded retail chains and growth of entertainment as a concept with emergence of malls & multiplexes; consumers in small cities are also emerging as a strong new segment that is open to trying out branded and organized F&B dining options. They have the money to spend and are also shedding their earlier inhibitions about spending more on eating out experience.

Eating-out as an Experience

With multiple binding time-commitments, both on the personal and professional fronts, consumers look forward to experiences in order to distress from their hectic routines. Apart from pure entertainment avenues such as movies and social get-togethers, eating-out has emerged as a prominent avenue for relaxing and spending quality time with the family or with friends.

The emergence of newer formats and their popularity as hang-out destinations is an anecdotal evidence of these underlying trends. A schematic representation of the time spent by an urban couple annually on various activities in a year shows that a total of 9 days are spent on eating-out itself.

Exhibit 14: Number of days in a year spent by an Urban Indian Couple on various activities



Source: Technopak Research & Analysis

This has led to an increase in the overall spending on eating-out at a house hold level across various city types. The penetration of Food Services in India has largely been in the northern, southern and western parts of the country. Major developed cities and towns in the country with high net worth individuals lie in these parts of the country, resulting in higher spend on eating-out.

Exhibit 15: Spending Pattern and Format Preferences among Consumers

City Type	Avg HH Size	Preferred Formats	Avg Spend per HH per month (INR)	Eating Out Frequency per month per HH
Metros	4.09	QSR (37%) CDR (25%)	6,500 – 6,750	7 – 8
Mini Metros	4.12	QSR (48%) CDR (21%)	4,500 – 4,750	5 – 6
Tier I & II	4.8	CDR (40%) QSR (31%)	2,750 – 3,000	4 - 5

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Food Services Ecosystem

The Indian Food Services universe (including organized and unorganized segments) has grown at a 7.7% CAGR over last three years and is expected to grow at a rate of 10% over the next five years. The growth in Food Services has provided impetus to allied industries. Key allied industries which support Food Services and have benefited from its growth are:

- Agriculture and Food Processing
- Supply Chain and Logistics
- Real Estate
- Kitchen Equipment and Commissary

Agriculture and Food Processing

The food processing sector in India is estimated to be INR 7 lakh crore. The output of the food processing sector like breads, buns, jams, meat and poultry, processed dairy, beverages etc. form direct inputs of the Food Services industry, while fresh produce like fruits and vegetables are direct agricultural inputs. Nearly 6-8% of food processing output and ~0.8% of agricultural output (e.g. fruits and vegetables) goes in the Food Services industry.

~6-8%
Food Processing-inputs to Food Services (%)

~0.8-1%
Food Processing-inputs to Food Services (%)

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

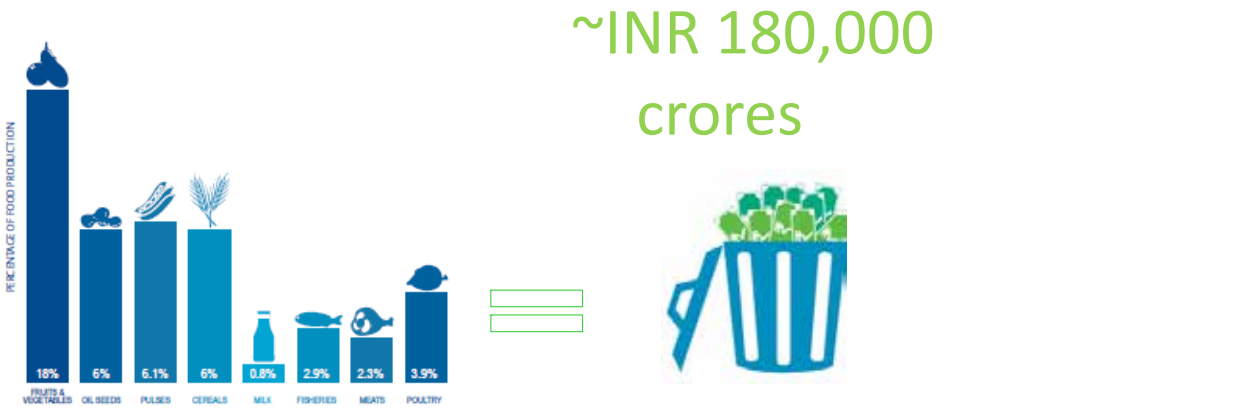
The growth in the Food Services industry has also given impetus to the food processing industry. With the organized Food Services segment showing a faster growth, demand for products with higher safety standards will boost demand for food processing and agriculture sector. Operators will demand more standardized quality raw materials and semi-processed products with higher safety standards. McDonalds is a case in point, where the suppliers have continuously engaged with farmers to standardize and improve the quality of farm produce, thereby leading to better farm practices and technology transfers.

The last decade has seen the emergence of a large number of organized food processors having a strong focus on the HoReCa (Hotel, Restaurant, Catering) segment. Sumeru, Venky's, Vista, Mrs. Bector, CP Foods, Amrit Foods, Trikaya Agriculture, Dynamix Dairy etc. are some of the players whose major business comes from the HoReCa segment.

Supply Chain & Logistics

The Indian supply chain and logistics market is estimated to be ~ INR 24-26 lakh crore and is one of the most fragmented industries in the world. Due to an inefficient supply chain, it is estimated that annually about 18% of food is wasted (conservative estimate). Lack of an adequate cold chain infrastructure and a fragmented food processing supply chain will further add to this wastage.

Exhibit 16: Food Wastage across Supply Chain



Source: CIPHET, Technopak Analysis

It is estimated that the share of organized Food Services in the supply chain and logistics sector is ~INR 3,575 – 3,900 crore. Chain segment growth will have a proportionally positive impact on creating an efficient supply chain. Entry of international QSR chains in India has helped in increasing standards and adoption of better practices by supply chain players.

Efficient supply chain and logistics form the backbone of any Food Services operator who plans to grow and expand its business across regions. Food Services players have understood this and are investing in creating supply chain infrastructure and also work actively with their supply chain partners to ensure seamless integration of supply chain with company's business. Some of the well-known players in the logistics and supply chain industry are also cashing in on the opportunity provided by the Food Services industry. About ~10% of the revenue of Snowman Logistics is contributed by Food Services industry and they provide end to end solutions to clients like Compass Group and Sodexo. Radha Krishna Foodlands is another leading player in the logistics and supply chain industry catering to chains like McDonalds and Haagen - Dazs to name a few.

The Food Services operators are also increasingly adopting technology to make the supply chain more agile, responsive and cost effective. New tracking software and standards are helping restaurant operators to have a better understanding of where food comes from. Operators have to collate data and information regarding raw material types, quantity, ordering cycles, customer information etc. As companies grow and tasks become more complex, technologies like ERP allow them to manage data more efficiently across these activities.

Real Estate

The demographic insights of India propose that India can be a leading real estate destination globally. It is projected that the real estate sector will increase five-fold and reach ~INR 43.5- 44.2 lakh crore by 2025. The Indian real estate sector has been a major beneficiary of the strong economic growth witnessed in India since the year 2000. The growth in the sector, on the back of a series of reforms, has not only resulted in significant residential and commercial real estate growth, but also complemented the development of physical and social infrastructure of the country.

The organized retail is expected to reach INR 23 lakh crore during the same period. Assuming revenue of INR 19,500-21,125 per square foot per year for a large retail store set-up in India, the total incremental demand for organized retail space by 2022 could possibly reach 500-530 million square feet. Currently, 70% of the retail space stock is accounted for by top 7 cities of Delhi, Mumbai, Bengaluru, Pune, Hyderabad, Chennai and Kolkata.

Food Services has recently emerged as a key sector in driving the retail space. Due to heavy demand, Food Services has emerged as leading segment to increase footfalls. With intent to leverage on higher revenues generated by the segment, malls are leasing out prime floor spaces to bring new F&B brands within their fold.

On an average, ~20-25% of the mall space is dedicated to Food Services outlets. Revenue share between the operators and mall developers is also an emerging business model, wherein the Food Services operators share 6-8% of their revenues. The concept of mall spaces dedicated completely to Food Services is also coming up. Some key examples being Epicuria and Sangam Courtyard in Delhi. Epicuria in Nehru Place started in 2013 and houses some of the most popular Food Services brands like Pizza Express, Starbucks, Burger King, KFC, The Beer Café, Social to name a few. Similarly, Sangam Courtyard which started in 2015 is a dedicated food mall having brands like Café Diva, Tha Fatty Bao, Ziu and Delhi Club House etc.

Exhibit 17: Modern Retail Space Potential across Key Geographies

Geography	Modern Retail Space Potential (Mn sqft)
Delhi - NCR	31
Mumbai	13
Bengaluru	9.2

Source: Cushman Wakefield and Industry Reports

However, high rental across malls and high street spaces are a rising concern for the Food Services operators. The real estate sector will further benefit from the growth of organized Food Services, which currently contributes 33% of the total Food Services market and growing at CAGR of 11% will be 41% of the overall Food Services market in next 2 years. Food Services chains would need an additional 13-15 million square feet of real estate in the next 5 years.

Packaging

Indian packaging industry is estimated at ~INR 2,90,000 crore[1] and is expected to reach to ~INR 4,75,000 crore by 2020. Indian packaging offers employment to more than 10 lakh people across the country through ~10,000 firms.

[1] *Source: Plastic Packaging: The Sustainable Choice, TSMG - FICCI, 2016 Report*

The total demand of F&B packaging segment stands at around INR ~117,000 crore, and the Food Services based packaging has a contribution of ~2.5% which amounts to INR 2,600 crore. The share of flexible packaging is increasing within the Food Services packaging.

Moreover, with increasing competition in the Food Services industry and growing focus towards health and hygiene brands are discovering that packaging has the potential to be a key differentiator. A lot of new materials are increasingly being used like insulated double-wall paper cups, as well as insulated plastic cups made from polypropylene (PP) and polyethylene terephthalate (PET).

Increasing interest in composting and recycling of Food Services packaging are driving some material selections as well. Packaging plays an increasingly important role in supporting menu trends and consumer demands due to more competition and growth in the 'grab n go' category, stronger interest from convenience stores and changes in distribution channels. Some of the major players in the food packaging segment are Biopac, Parksons Packaging Limited, Paper Products Private Limited and ITC Packaging. With a lot of food-tech delivery focused start-ups coming up and the home-delivery and take-away segment gaining traction, the demand for quality packaging materials is bound to increase, thereby positively impacting the packaging industry.

Kitchen Equipment, Commissaries and Back-End Kitchen

The total established base for HoReCa equipment amounts to ~INR 22,000 crore in 2017. By 2022 an additional ~INR 12,000-13,000 crore will be added to the equipment market. Restaurants are the highest contributors, having a share of about ~70%, followed by hotels (27%) and the remaining by caterers. The equipment industry has evolved over the last two decades, with increasing presence of international formats.

The commissaries and back-end kitchen segment can be classified into the following segments:

- **Back-end Kitchens:** centrally preparing food for self-owned outlets. E.g. Jubilant Foodworks, Dish Hospitality, Barista
- **Travel Industry Commissaries:** catering to railways and airlines. E.g. Tajsats, Oberoi Flight Services, Sky Gourmet
- **Corporate Catering:** preparing food for corporate and industrial messes. E.g. Sodexo, Compass Group, Tirumala
- **Commissaries catering to multiple brands:** e.g. India Hospitality.

The chain Food Services market has more than 60% contribution from segments (QSRs/Cafés/CDRs) procuring from commissaries to maintain uniform quality and taste standards.

The chain Food Services market has more than 60% contribution from segments (QSRs/Cafés/CDRs) procuring from commissaries. To sustain their growth and develop profits these segments will have to build a robust supply chain. Commissaries have the potential to play the role of key supply chain partners as they help in maintaining uniform quality and taste standards. Commissaries will have the potential to develop themselves as the link between Food Services operators, processors and food producers.

Key Trends Influencing Food Service Industry

Social Media/Digital Marketing

In the Food Services industry, marketing spends constituted 4-6% of the total revenue for majority of the players for FY 2016-17. With the number of people accessible through smart devices on the rise, digital media has become quite indispensable, and the use of the medium for marketing initiatives has been on the rise. While traditional media offers mass reach and visibility, digital media provides quick response time, direct consumer feedback on the efficacy and effectiveness of the initiatives and enables dynamic campaigns targeting extremely focused audience groups. Also, the investment in creating a digital campaign that reaches out to specific target group is much lower when compared to traditional media, i.e. television and print.

The large players especially the chains observe 65-70% of the marketing budget being spent on traditional media and the balance 30-35% on digital media. However, for the rest of the industry 20-30% of the marketing budget is spent on traditional media whereas 70-80% is spent on digital media. A focused / targeted marketing campaign to a specific and well defined target audience is becoming more important than mass marketing. Reaching to the niche and direct audience is more important than reaching out to mass populace, since acquiring and engaging with loyal customers is more beneficial for any brand.

The trend reflects that the percentage share of marketing budgets spent through digital initiatives is only going to increase over the years, given the cost effectiveness and efficacy of the medium.

The **Café** segment invests heavily on Third Party Aggregators (50%) as it makes the discovery for consumers easier. This is followed by spends on Social Media (30%), SEO/SEM/Email Marketing (10%) and Display Marketing (10%).

For the **QSR** segment, Digital Video is the most important avenue for investment (50%) followed by Online Search/Email Marketing (20%), Social Media (20%) and Display Marketing (10%).

The **Casual Dining** segment invests a majority of their marketing budget on Search / Email Marketing (51%) majorly for discovery and communicating promotional offers. This is followed by Mobile Ads/SMSes (19%) as these can be used to communicate personalized and location based promotional offers. The rest of the marketing budget is distributed between Social Media (9%), Digital Video (9%), Display Marketing (9%) and Third Party aggregators (2%).

The **Fine Dining** segment invests its marketing budget largely on Social Media (43%) as it is the content and promotional offers that will drive the consumers' awareness. This is followed by Search / Email marketing (26%) which helps in discovery and communicating offers in a more personalized fashion followed by Digital Video (12%) and Display Marketing (11%). This segment doesn't spend much marketing budget on Third Party Aggregators and Mobile Ads/SMSes.

The **PBCL** segment also invests a large portion of the budget on Social Media (40%) such as Facebook, Instagram, Twitter etc. and Third Party apps (40%) such as Zomato, Foodpanda, Swiggy, My Butler, Burrp etc. Investments are also made in Digital Video (10%) and search and Search / Email marketing (10%).

For the **Frozen Dessert/Ice Cream** segment, 57% of Digital Marketing budgets are spent on Digital Video. The rest of the budget is equally distributed between Search / Email Marketing, Third Party Aggregators and Social Media.

Technology use in these markets

Technology has disrupted Food Services industry in the following 3 key segments:

Food Discovery/Restaurant Search: Earlier food enthusiasts had to wait for annual food guides and eating out directories of restaurants. These publications had expert reviews, opinions and vital information to dine in the city. Now, these directories, expert reviews and opinions are made available by food discovery or restaurant search players on just a few clicks, a feat attained by food discovery players. Zomato is a restaurant search and discover service provider launched in 2008, currently its revenue is INR 318 Crore[2] (FY 2016 – 17).

Table Reservation: Of late it has become common for fine dining restaurants to offer table reservations to their clients. In fact, this service has become an integral part of a restaurant's operation, because of its multiple benefits. With this service, outlets can estimate demand more accurately and improve on sourcing & staffing and can manage costs more efficiently. It is beneficial to a customer as reservation will guarantee one's table at the time and place he has planned and likely to receive better service at the outlet as details like time of arrival, no of persons etc. will be shared with the outlet in advance 25% of all reservations are currently through reservation portals and are projected to grow to 62 - 65% by 2022. Dineout operates as an online restaurant booking site, launched in 2012, current sales number are 4,00,000 diners per month[3]

Online Delivery: Technology has eased the process of customers having to travel to an outlet for eating out. Today customers can use their smartphones to order food from any restaurant of their choice and get it delivered too. No waste of time, no traffic hassles, no quality compromise – consumers are able to save time and enjoy restaurant food at the same time. Platforms like Foodpanda pioneered the food ordering industry in 2012, with the idea of providing an end to end food ordering and delivery solution to urban consumers from the neighbourhood restaurants, which now stands at a revenue of INR 37 crore (FY 2015-16) and reaching over 15 million users per month. Later on, in 2014, Swiggy was started which now has a revenue of INR 24 crore.[4]

A company is categorized a food-tech if they are using explicit technology to reach out to customers for food review, food delivery or providing food ingredients etc.

Impact of Advent of Capital Availability

Private investments can be broadly categorized into three stages – early stage, growth stage, and mature/late stage. Private Equity investments in India touched a record high of INR 109,200 crore in 2015 (across 661 deals), 16% higher than the previous high of INR 94,250 crore (across 529 deals) recorded in 2007 and a whopping 50% higher than the INR 72,800 crore (across 530 deals) invested during the previous year.

Other than growing GDP and per capita income, there are micro trends that are propelling the restaurant industry itself and consequently PE investments in the sector. Further, PE firms are adding management inputs to the restaurants. Restaurant sector is a long-term play for PE investors, and not a transitory trend. PE investors are typically looking at making a minimum of at least 3x in a four-year timeframe. Also, there's a certainty in cash flows if the model is right. That, along with growth, should allow private equity to make fair returns from this sector.

[2] *http://www.livemint.com/Companies/sz9zKM7IN02LIcEOmTYEHM/Zomato-says-revenue-up-80-to-49-million-in-FY17.html*
[3] *https://www.dineout.co.in/*
[4] *https://timesofindia.indiatimes.com/deals/-ma/zomato-explores-merger-with-rival-swiggy/articleshow/61377938.cms*

Exhibit 18: Return on Investment

	Early	Growth	Late Stage/Mature
Return expectations	40-50% p.a.	25-30% p.a.	18-25% p.a.

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Exhibit 19: PE/VC Investments

S. No.	Company	Company	Format	Investment	Year
Early Stage					
1	Charcoal Biryani	Lion Ventures	QSR	1 Cr	2016
2	Biryani Blues	Carpediem Capital Partners	QSR	3 Cr	2015
3	Carls Jr India	Now Capital, YouWeCan Ventures	QSR	2 Cr	2015
4	Maroosh	Trans Continental VC	QSR	7 Cr	2015
5	White Owl	RAAY Global Investments	CDR	4 Cr	2015
6	Chaayos	Tiger Global	Café	32 Cr	2015
7	Boombox Café, Café Out of the Box	Now Capital	Café	NA	2015
8	Maroosh	Unilazer Ventures	QSR	18 Cr	2014
9	Rocket Sandwich	Unilazer Ventures, India Quotient	QSR	NA	2013
10	The Beer Café	Mayfield	Café	25 Cr	2013
11	Dana Choga	SAIF	CDR	5 Cr	2013
12	Faasos	Sequoia Capital India	QSR	33 Cr	2013
Growth Stage					
1	Mamagoto, Speedy Chow, Rollmaal	Max Ventures & Industries and Goldman Sachs	QSR/CDR	66 Cr	2016
2	Mamagoto, Speedy Chow, Rollmaal	Goldman Sachs	QSR/CDR	65 Cr	2015
3	Masala Library, Made in Punjab, Farzi Café	Everstone	CDR/FDR/ PBCL	24 Cr	2015
4	Barbeque Nation	CX Partners	CDR	107 Cr	2015
5	The Beer Café	Granite Hill, Mayfield, Harsh Mariwala	Café	30 Cr	2014
6	KFC, Pizza Hut and Costa Coffee	Temasek	QSR/CDR/ Café	500 Cr	2014
7	Spaghetti Kitchen, Copper Chimney, CBTL	Verlinvest, Everstone	QSR/CDR/ FDR/Café	7 Cr	2014
8	Only Alibaba and Baked & Fried	SEAF	QSR	15 Cr	2014
9	Faasos	Sequoia Capital India	QSR	20 Cr	2013
10	Burger King India	Everstone	QSR	NA	2013
11	Barbeque Nation	CX Partners	CDR	110 Cr	2013

S. No.	Company	Company	Format	Investment	Year
Buyout					
1	Indigo, Indigo Deli	India Value Fund	CDR/FDR	190 Cr	2015
2	KFC and Pizza Hut	Samara, GS Investments, CX Partners, Others	QSR/CDR	205 Cr	2015
3	Moshe's	New Silk Route	Café/CDR	NA	2013
PIPE					
1	Mainland China, Oh ! Calcutta, etc	SAIF	CDR	14 Cr	2014
2	Mainland China, Oh ! Calcutta, etc	SAIF	CDR	35 Cr	2013

*Note: NA – Not available,*Private investment in public equity. Source: Venture intelligence and news articles*

Other Trends Influencing the Food Services industry

Virtual Kitchen

The last couple of years have seen a growth in number of food tech start-ups not only in terms of new models of aggregators but also food creators and cloud/virtual restaurants. These companies serve high quality hygienic food prepared under the guidance of well-known chefs, so it tastes like restaurant food with hygiene coefficient of homemade food.

Ingredient Players

Desire to eat home-made fresh food without spending much time in cooking from scratch has led to evolution of new category of food tech companies called 'Ingredient players'. These companies deliver recipes or ingredients designed by trained chefs at the door step and consumers need to follow the instruction given in the manual to prepare a fresh dish within no time.

Logistics

Timely delivery of the food ordered is considered as the major challenge for the Food Services industry. A new trend is coming up in logistics/delivery space, where new companies with some innovation are coming up in this space, these companies also work as courier service provider, gift delivery partner etc. and wish to grow with the growth of the associated service providers and these companies are providing the solution to that as they guarantee timely delivery to the customers.

Location

While malls and high streets have been traditional locations for F&B outlets, we are witnessing emerging trend of new breed of food centric destinations.

Cuisine Trends

A revival of old recipes, regional cooking and connect with the history of cooking:

A new trend has started by few well know chefs and food enthusiasts where they are reviving the forgotten old or regional recipes and connecting consumers with history of cooking.

Increasing demand for 'Modern Indian Cuisine':

A new development is being crafted in Indian restaurant industry where consumers can experience the modern Indian food prepared by using elements of molecular gastronomy.

Food on the Go

Increased penetration of Food Services in travel destinations airline and railway traffic has been registering a continuous growth in India. This increase in traffic has necessitated the growth of infrastructure in the form of new airports and railway stations or area expansion of existing airport terminals or railway stations. Since F&B is an important component of such terminal/stations, this is creating new opportunity for F&B operators.

Contactless Payment

Mobile Wallet: Payment platform industry evolves with evolution of shopping patterns. Mobile wallet is a new concept in India that is slowly beginning to replace the traditional payment methods.

Mobile wallet payment system has got huge potential in India as less than 10% transactions take place through digital channel and mobile wallet is miniscule part of digital payment.

With infrastructure improvement and wider acceptance, mobile wallet will be a popular mode for payment at restaurants and retail outlets.





Unlocking Growth Potential

Importance of Food Services Industry to Economy's Growth

The Indian economy has a significant presence on the global economic stage. During FY 2010 to FY 2016, India's Real GDP grew at a CAGR of 7.3%. It is estimated that GDP will grow at a CAGR of 7.6 % from FY 2016 to FY 2022 and India will be in the top three global economies by 2050.

The Indian economy is pegged to reach an estimated ~INR 230 lakh crore by 2020 (nominal terms) and . Food Services emergeas a key segment in Indian economy, with the overall market worth INR 3,37,500 crore (2017) which is ~8 times bigger than hotels. The market's growth will be powered by changing consumer dynamics and increasing market proliferation by brands in the space.

Share of Food Services Spend in Consumption

The Indian economy, worth INR 155 lakh crore in FY 2017, is estimated to reach INR 230 lakh crore by FY 2020.

Globally India is seen as one of the key consumer markets from where future growth is likely to emerge. As more people move beyond the basic sustenance level in any country, it reflects in consumption expenditure. Although, the share of Private Final Consumption Expenditure (PFCE) as percentage of GDP is slowly decreasing, in absolute terms it has increased from INR 10 lakh crore to INR 87 lakh crore (1980 – 2016). Rising income levels coupled with growing young working-age population will lead private final consumption expenditure to grow steadily over the years. Growth in Private Final Consumption Expenditure is expected to average at around 7.2% of GDP during FY11-FY20.

It is estimated that India's consumption expenditure will increase to INR 130 lakh crore by 2020 and will surpass the consumption expenditure of developed economies like Italy, France and United Kingdom.

The rising disposable income is fuelling the overall spend on discretionary items. The per capita personal disposable income has grown at a CAGR of 14% from 2005-2012. The share of expenses on discretionary purchase categories like grooming, apparel, consumer electronics and durables, as well as experiences such as eating-out and dining-in increases, while the share of expenses on basic necessities reduces. This shift in spending patterns has given rise to a number of micro-trends within the overall consumption basket in India.

The share of spending in basic goods (food, beverages & tobacco and clothing & foot wear) in private final consumption expenditure is expected to decline substantially to about 36% in FY20, versus 45% in FY11. On the other hand, share of discretionary spending (rent, fuel & power, furniture, medical care, transport & communication, recreation & education) is projected to increase to rise from 55% (P) in FY11to around 64% in FY20.

Exhibit 20: Share of Spend by Category (at current prices, INR crore)

Particular	2011-12	2012-13	2013-14	2014-15
Food and non-alcoholic beverages	1,499,739	1,767,780	2,065,410	2,213,918
Alcoholic beverages, tobacco and narcotics	137,226	142,316	157,726	180,125
Clothing and footwear	311,547	353,915	460,075	537,864
Housing, water, electricity, gas and other fuels	807,280	927,746	1,044,170	1,155,638
Furnishings, household equipment and routine household maintenance	158,414	179,847	205,314	222,938
Health	181,334	214,394	248,090	295,946
Transport	744,691	863,244	937,183	987,937
Communication	114,138	126,680	141,485	155,826
Recreation and culture	50,721	54,534	60,074	63,048
Education	182,378	211,685	237,562	284,745
Restaurants and hotels	116,491	129,318	141,609	158,378
Miscellaneous goods and services	632,039	736,144	849,562	971,006

Source: MOSPI

A higher share of consumer discretionary spends have been absorbed by eating-out and ordering-in; a trend which is expected to strengthen in the next 5 years. At present 17% of discretionary spend is expended on eating-out and ordering-in, and is expected to reach 19% by 2020.

Food Services is emerging as a key segment in the Indian economy, with a value of INR 3,37,500 crore at current prices) larger than the pharmaceuticals and FMCG sector in India. The unorganized market is worth INR 2,22,500 crore while the organized market is worth INR 1,15,000 crore. The market's growth will be powered by changing consumer dynamics and increasing market proliferation by brands in the space. It is rational to anticipate that the Food Services market will see growth in tandem with this economic growth, and there is every indication that such expansion will be substantial. Though PFCE is increasing in absolute terms, the YoY growth rate from 2010 to 2022 is declining. The share of expenses on basic necessities is reducing as the discretionary spend on categories like apparel; consumer electronics and durables are on rise. Spend on Food Services will also grow at a healthy rate with the rise in discretionary spend.

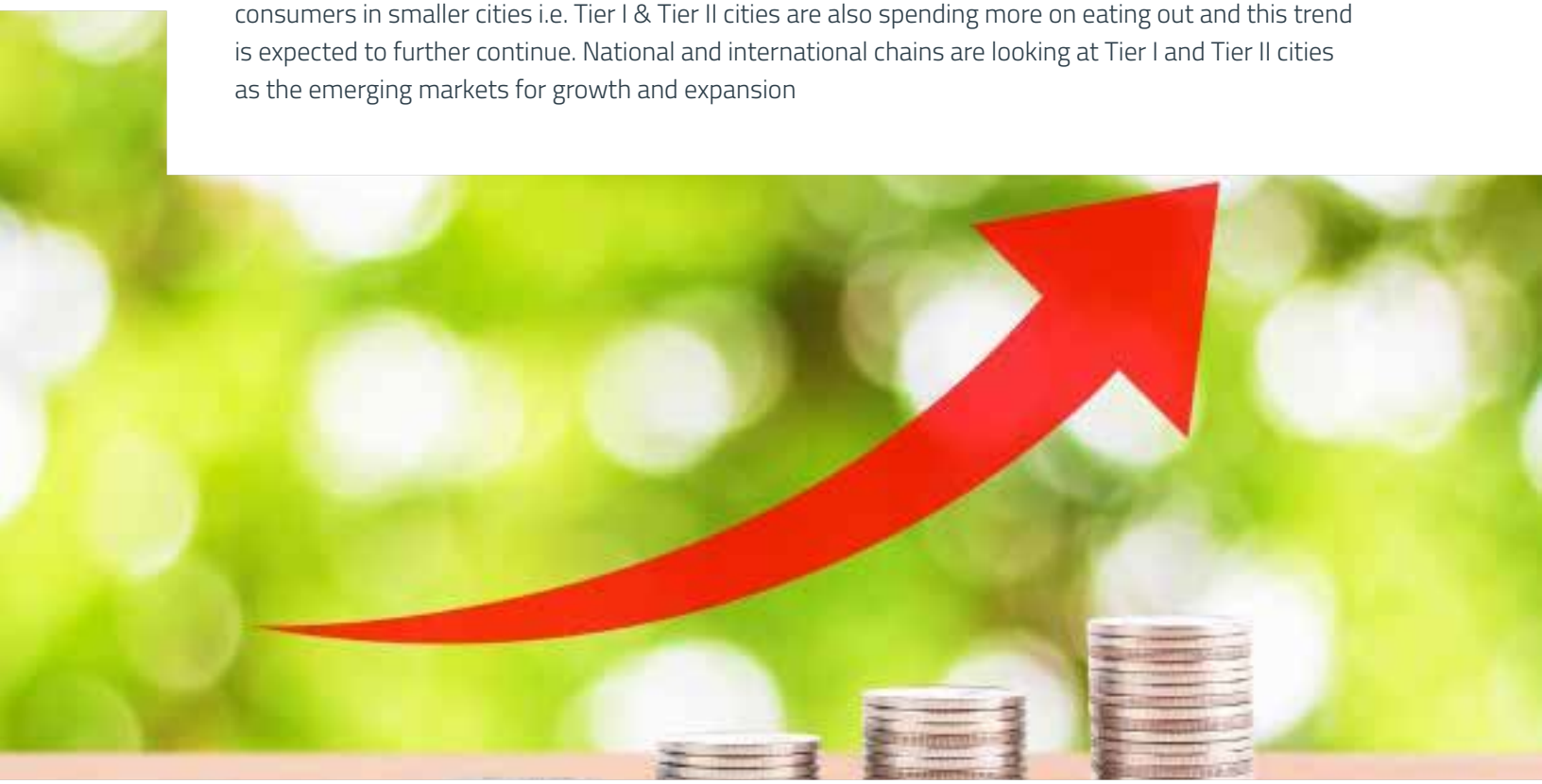
Exhibit 21: Contribution of Food Services Industry to GDP

Year	FS Market Size (INR '00 crore)	Food Services Growth (%)	GDP Growth (CAGR %)	% Contribution to GDP
2013	2,479	-	-	2.3%
2017E	3,350	8%	7%	2.3%
2022P	5,494	10%	8%	2.6%

Source: World Bank, NRAI Technopak India Food Services Report 2016, Technopak Analysis

The share of Food Services in Indian GDP is expected to increase to 2.6% by 2022 from 2.3% currently on account of its growth at faster pace compared to GDP growth. Also, growth of Food Services market is expected to outpace its growth till now i.e. from 8% to 10%. It is rational to anticipate that the Food Services market will see growth in tandem with this economic growth, and there is every indication that such expansion will be substantial. Key implications of this trend are summarized below:

- It is estimated that Indians spend 8 to 10% of their food expenditures outside the home in restaurants, cafeterias and other food establishments. This trend is expected to strengthen in future
- Indian consumers are dining out more frequently and younger Indians are shedding the biases of their elders against international franchises and foreign foods. With over one lakh outlets unorganized segment (20 or more seats, wait staff, menus) in India, there is plenty of room for growth in the industry
- With higher disposable income with younger population who are well travelled, brand conscious and well connected through social media and along with rise in presence of branded retail chains; consumers in smaller cities i.e. Tier I & Tier II cities are also spending more on eating out and this trend is expected to further continue. National and international chains are looking at Tier I and Tier II cities as the emerging markets for growth and expansion



Contribution of Food Services Industry to Employment Generation

The Food Services industry is labour intensive and requires human intervention at each step right from purchase of ingredients to cooking to service delivery to customers.

Presently, it is estimated that Food Services industry provides employment to 6.2 million people and it is expected to increase to about 9.5 million by 2022. Contribution of organized segment is currently 52% in total employment generation and is expected to increase to 55% by 2022.

Exhibit 22: Employment Share and Direct Employment (in Mn)

Segments	Chain	Standalone	Unorganized	Total
2013	0.4	1.7	2.5	4.6 Mn
2017	0.7	2.5	3.0	6.2 Mn
2022 (P)	1.1	4.1	4.3	9.5 Mn

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The growth of Food Services market in India has triggered growth across a wide range of ancillary industries, thus providing a boost to the entire ecosystem. This has not only added to the growth of these industries but has also given a push to growth in employment in these industries. The indirect employment generated by Food Services has seen a growth at CAGR of 4% from 2013-2017 and expected to grow at a CAGR of 6% till 2022.

Exhibit 23: Indirect Employment through Food Services Sector

Employment in Million	2013	2017	2022 (P)
At Farm Level	6 - 6.5	7 - 7.5	8.0 - 8.5
Food Processing	1 - 1.5	0.2 - .25	0.5 - 0.6
Supply Chain		0.1 - 0.15	0.2 - 0.3
Last Mile Logistics		0.02	0.04
Others		0.5 - 0.75	1.1 - 1.6
Total	7 - 8	8 - 8.9	10.1 - 10.6

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Key Areas for Govt. Intervention to Unlock Industry's Potential

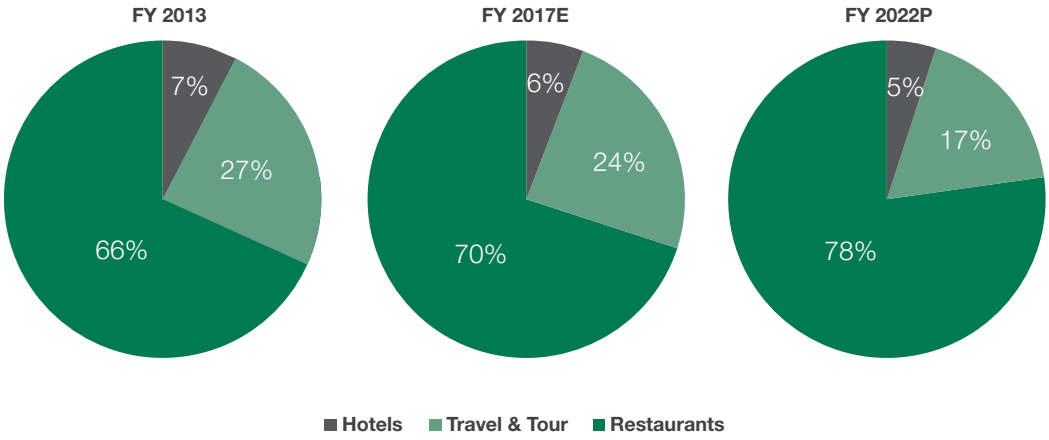
Food Services Industry is growing at a fast pace and has potential to emerge as a sunrise sector. Government has significant role in creating enabling business environment for Food Services Industry. This section briefly elaborates on key areas where Government support will help in Industry's growth which will facilitate in creating significant employment opportunities especially for unskilled and semi-skilled Indian youth.

Skill Development, Training and Capacity Building

Food Services industry is labour intensive industry; however, it faces shortage of trained manpower. The direct employment in restaurant industry in India (FY 2017) is estimated to be 6.3 mn and is expected to reach 9.3 mn by FY 2022, which implies that approximately 6,00,000 skilled manpower will be required in this industry every year. However, only 50,000 graduates pass out from government or private institutions in hospitality sector every year

This leaves a huge gap requirement for talented manpower in restaurant industry and is likely to be fulfilled by unskilled manpower leading to poor service delivery. Also as per the National Skill Development Corporation (NSDC), restaurants contribute highest to the workforce requirement of the hospitality sector and its share will further increase by FY 2022.

Exhibit 24: Skilled Manpower Requirement



Source: Human Resource & Skill Requirement in Travel, Tourism & Hospitality by National Skill Development Corporation, Technopak Analysis

Given this shortfall of quality manpower and the industry's high attrition rate of 35-40%, the cost of manpower is high. To bridge the demand and supply gap, currently players are increasingly investing in in-house training programs. The National Restaurant Association of India (NRAI) is actively involved in providing skilled manpower for the industry.

As part of the Tourism & Hospitality Sector Skill Council under NSDC, the association has facilitated creation of industry validated standards for 63 job roles. The skilling is being done through 179 selected training partners with 600 centres across all regions of the country. The job roles and training centres are continuously being expanded.

The Food Services market is labour driven and requires human intervention at each step right from receiving raw material to production and service delivery to customers. The overall Food Services market- organized and unorganized, is estimated to employ ~5.8 million people at present.

The employment grew by CAGR of ~8% from 2013 to 2017 and is expected to add another ~3 million people by 2022. The share of chain Food Services market is ~7% of the overall market and contributes to 11% of the total employment whereas the share of standalone market is ~24% and contributes to 40% of the total employment.

Investment in Supply Chain Infrastructure

The industry's supply chain is fragmented in nature and marked by the presence of multiple intermediaries. The lack of appropriate infrastructure, inadequate investment in technology and non-integration of the food value chain are the key factors leading to significant food wastage across the supply chain. The supply chain infrastructure in Food Services industry in India has improved over last few years; however there is still a huge gap that needs to be filled.

Low Cost Financial Assistance

Easy, low cost financing and credit facilities play a very pivotal role in the growth of every industry. The Food Services sector in general and the standalone segment in particular requires access to easy and low cost financing facilities as this will provide motivation to young entrepreneurs who want to enter the industry. Moreover, Food Services operators find it extremely difficult to get working capital loans without any collateral. High cost of domestic funding further adds to the problem.

Simplification of Processes & Licences

In India, obtaining the requisite licenses, e.g. health license, food safety license, police license, No Objection Certificate (NOC), from the fire department and the state pollution control board, etc. is a major obstacle hindering smooth operations of a restaurant. The process is not centralized as yet and requires filing applications with individual stakeholders, which involves a lot of paperwork and is a time-consuming activity. A player needs approximately 12-15 government licenses, from various departments, just to open an outlet. In comparison, the licensing requirements internationally are not as intricate.

The licensing process is not centralized as yet and requires filing applications with multiple departments and involves a lot of paperwork and is a time-consuming activity.

Exhibit 25: List of Restaurant Licenses - Across Countries

Country	No. of Licenses	Nature of Licenses
India	12-15	As detailed in Exhibit 26
Thailand	5	Sanitation (Food) License Fire License Sales (Tax) License Work Permit License Local Municipality License
China	4	Sanitation License Environment License Fire License Sales License
Singapore	4	Food/Health License Fire License Sales License Waste License
Turkey	2	Municipality License Fire Department License
USA	7	Business License Employer Identification No. Certificate of Occupancy Food Service License Liquor License

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Exhibit 26: List of Restaurant Licenses – India

Food Safety License	Environment Clearance for Grease Trap/ETP (Water Pollution Act)	Weights and Measure
Health Trade License	Environment Clearance for Generator Sets (Air Pollution Act)	Lift License
Eating House License	NOC from Fire Department	Insurance (Public liability, Product liability, Fire policy, Building & Asset)
Liquor License		Shop & Establishment Act
Approval of Restaurants		Signage License
Approval / Re-approval of Restaurants		
Playing of music in Restaurants		

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis



Investment Attractiveness Landscape

PE/VC Investment Landscape

The Indian Food Services market space is attracting significant interest from domestic as well as international private equity and venture capital funds with investors such as Goldman Sachs, India Value Fund, Everstone Capital, CX Partners and Samara making investments in this space. The large number of investments can be attributed to the fact that the Food Services market is a domestic consumption driven story with great growth potential. In fact, private equity investments are seen flowing through the entire ecosystem, funnelling growth in front-end companies across formats (fine dine, casual dine and quick service restaurants), back-end companies (such as Suppliers, Logistic Partners, etc., which act as a support system to the front-end companies) and even food-tech companies (like Fassos, Scootsy, Swiggy, Zomato, Holachef, etc). With the help of private equity investments, various companies such as Jubilant Foodworks (Domino's), Speciality Restaurants, Barbeque Nation and Devyani International have grown significantly over the years.

Private equity funding acts as a catalyst enabling well-managed, ambitious, growing businesses to reach the next level, generating returns for investors and investees alike. A private equity firm aids its investee companies in many ways, such as:

- Long term capital facilitating the company's growth
- Robust corporate governance practices
- Higher visibility amongst landlords, bankers, suppliers, employee talent pool etc.
- Strategic and financial advice
- Future fund raising endeavors
- Ability to form strategic alliances by leveraging the investor's network of contacts and portfolio investments
- A partial or total exit strategy

Types of Investments

Private investments can be broadly categorized into three stages: early stage, growth stage, and mature/ late stage.

In most scenarios, private equity/ venture capital funds take minority positions. However, a number of private equity firms prefer to take a controlling stake in a business as part of their fund philosophy. A number of private equity firms are also looking at building F&B platforms with multiple brands. Everstone owns and operates several brands (Bombay Blue, Copper Chimney, Gelato Italiano, Noodle Bar, Spaghetti

Kitchen and The Coffee Bean & Tea Leaf - CBTL) under Pan India Food Solutions Pvt. Ltd. F&B Asia, an investment holding company of Everstone, owns assets such as Massive Restaurants (majority stake) and Harry's Group, and it also owns a stake in the Indonesian franchise of Domino's Pizza (51%) and the JV that operates Burger King in India. One of the investment strategies adopted by India Value Fund Advisors (IVFA) is the 'Buy and Build Model' where it becomes the majority shareholder and drives the business. deGustibus Hospitality (Indigo, Indigo Deli, Neel, etc.) is an example of such a controlling investment by IVFA.

Further, the investor base is expanding with a large number of corporates as well as family offices making investments in the F&B space. Following are a few examples of this growing trend:

Exhibit 27: Type of Investments

	Early	Growth	Late Stage/ Mature
Type of investor	Angel investors (friends, family, private funds of successful entrepreneurs)/ venture capitalists	Private equity firms	Strategic investors/large private equity firms
Stage	Start-up stage	Expansion stage	Stable growth & maturity
Operations	Nascent stage where the business idea is in place and the product category defined although operations may or may not have taken off	The business has already proven concept and achieved reasonable scale. It is in a position to expand aggressively	Pre IPO stage when the company has achieved significant scale of operations
Use of funds	Typically used for setting up restaurants, hiring key personnel and putting in place systems & processes	Generally used to fund the expansion of current operations of the company	The capital is used to expand the company's operations, enter new markets, finance an acquisition, or provide an exit to the existing investors
Company size	Small sized companies with tremendous potential to grow	Mid-sized companies with high growth potential	Large companies with a stable outlook
Size of investment	Small	Medium	Large
Risk profile	Very high due to uncertainty about the business taking off as there is very little or nothing tangible or visible on the ground	Moderate to high; risk is relatively easier to ascertain on the back of existing operations	Lower due to past track record
Return expectations	40-50% p.a.	25-30% p.a.	18-25% p.a.

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

Key Examples: Early

- Chaayos raised seed funding of INR 2 crore from Zishaan Hayath in 2014. In May 2015, the company had 8 outlets and raised Series A funding of INR 32 crore from Tiger Global
- Holachef raised its Series A funding of INR 19.6 crore from Kalaari Capital and Mr. Ratan Tata in June2015
- After successfully exiting Punjab Grill, Zorawar Kalra started Massive Restaurants with an investment by Mirah Group in December2012
- Swiggy raised Series A funding of INR 12 crore from Accel India and SAIF Partners in February2015
- Azure Hospitality (Mamagoto), founded by Kabir Suri and Rahul Khanna, raised seed funding from Gautam Thapar (founder and chairman of Avantha Group) and Mauritius based Blue Sky Capital

Key Examples: Growth Stage

- Barbeque Nation had 12 outlets when it raised funding of INR 110 crore from CX Partners in March 2013
- Devyani International that runs a chain of180 outlets including KFC, Pizza Hut and Costa Coffee raised INR 250 crore in funding from ICICI Venture in May2011
- Cremica raised INR 72 crore funding from Goldman Sachs in January 2007. It had a turnover of INR 227.5 crore in FY'07
- Azure Hospitality raised INR 66 crore from Max Ventures & Industries and Goldman Sachs in May 2016. In July 2015, it raised INR 65 crore in funding from Goldman Sachs when it had 9 outlets of Mamagoto and 5 outlets each of Rollmall & Speedy Chow

Key Examples: Mature

- Temasek invested INR ~500 crore in Devyani International (INR 400 crore primary and INR 100 crore secondary) in October 2014, providing a part exit to ICICI Venture. Devyani operated a chain of over 300 outlets at the time of the transaction
- Rabo Equity Advisors invested INR 100 crore in Cremica in June 2016. CX Partners invested INR 390 crore in Cremicain August 2015 (providing an exit to Motilal Oswal PE). In FY14, the company recorded revenues of INR 532.5 crore with an 11% EBITDA margin

Key Investment Considerations

In evaluating various investment opportunities, investors rely on various parameters based on their experience. The following points highlight some of the major investment considerations when it comes to investing in a company, especially in the Food Services space:

1. Underlying Strengths of a Business

A proven track record of solid achievement is a base line for attracting financial backing. The business must be capable of operating as a commercially viable entity that has:

a. An established market position and a solid, defensible market share/ brand recall
b. A product or service with a competitive edge or unique selling point (USP)
c. Opportunity for growth and scalability
d. Attractive store-level economics with healthy return on investment and payback period along with good profitability at corporate level
e. Regular and reliable income and cash flows
f. Good corporate governance with robust financial systems and controls
g. A proven track record

2. Promoter Credentials

As passive investors, PE fund managers rely on the promoters of the company to carry on the business in a fully committed way. Typically, they expect the promoters to have enough skin in the game to be incentivized to deliver on the projected business plan. They prefer to partner with top quality promoters and management teams that are professional, ethical and have a proven track record.

It is important to note that PE/ VC investors invest in a company for financial returns, and therefore, they are likely to invest only if they believe that a promoter is going to do all that is in his power to provide an exit and maximize returns to an investor.

3. A Realistic Exit Plan

Most PE investors typically invest for a horizon of 4-5 years and therefore, the potential of exit plays an important role in the investment decision. Typical exit options include – listing on a stock exchange, secondary sale to another PE investor or a trade sale of the entire business or a majority stake to a strategic investor

4. Fair Deal Terms

Performance of PE investment is determined by internal rate of return (IRR), which is a function of entry and exit price. Typically, PE investors consider the valuation paid in various recent transactions and the valuation at which listed peers trade at to value businesses. Therefore, it is crucial to reach an agreement on all such terms and rights including valuation to close a transaction.

Therefore, they seek standard minority protection rights. They play an active role in monitoring portfolio companies through participation on the Board of Directors and Management Committees.

Typically, a PE investor seeks the following rights (amongst many others):

- **Board representation**
- **Information rights:** To receive information on the company's financials and operations on a regular basis
- **Reserved matters:** List of certain matters that may have an impact on the interests of the investor and cannot be decided upon without the consent of the investor. These matters typically include any decisions on significant capital expenditure or acquisitions or dispositions, any new borrowings or share issuances, any alterations to the company's Articles & Memorandum of Association, and approval of the annual business plan (and any significant deviations from the approved plan).
- **Promoter Lock-In:** Promoters are required not to sell their stake in the business while an investor owns a stake in the business
- **Exit rights,** whereby promoters have to agree to provide an exit to an investor. An exit right clause may require the promoter to either list the company, sell the business to a strategic investor or buy back the investor's stake at the end of the investment horizon. Typical exit rights also include (i) a Tag Along right, whereby an investor has the right to co-sell its shares in the company on the same terms, should the promoter sell his or her stake to a third party and (ii) a Drag Along right, whereby promoters are obligated to sell their shares to a potential purchaser along with the PE investor - usually, this right comes into force once all other exit options have been exhausted

While the above factors are typically considered for PE/VC investments, investors view different formats within the restaurant space distinctly.

Quick Service Restaurants (QSR)

QSR is considered an attractive space given the high degree of scalability, which is evident in the success of various foreign brands such as Domino's, McDonald's, Subway, KFC, etc. Having said that, the format requires significant investments, especially to set up the supply chain, and typically has a long gestation period. Also, given low prices and a high degree of competition, healthy levels of profitability are typically achieved when the brand starts enjoying strong recall as also achieves a level of scale that allows it to adequately leverage its high back-end costs

Casual Dining Restaurants (CDR)

Given that most middle class/ upper middle class families frequent CDRs for a weekend/celebratory meal, this format is reasonably scalable, at least in large cities. Although QSRs are far more scalable, CDRs enjoy much higher revenue per outlet, reducing to some extent the execution effort and risk as compared to QSRs. Some examples of successful brands in this format are Mainland China, Smoke House Deli, Cream Centre, Mamagoto and Rajdhani

Fine Dining Restaurants (FDR)

(FDR): Owing to the higher spend per customer, successful fine dining brands, such as Indian Accent, Masala Library, Yauatcha, Indigo and The Table, gross higher revenues and profits when compared to QSR/CDR formats. However, the scalability of such formats is limited and only 1 or 2 restaurants can typically be opened in each Tier I city.

Back-end Companies

Back-end companies act as the backbone of the Food Services market on which the efficiency of the front- end system rests. These primarily constitute suppliers (produce, dairy, bakery and confectionary, staples, sauces, condiments, etc.) and logistics (including cold chains) companies.

Back-end companies are exceedingly important for good restaurant chains, helping them maintain the consistency and quality of ingredients, and therefore a standardized end product across their network of restaurants. Certain examples of back-end companies are as follows:

Exhibit 28 – Example of Investments in Back End Companies

bakers circle	Producer and supplier of frozen dough and confectionary toala rgenumber of QS Rrestaurant chains in India like Subway, Domino's, Taco Bell, KFC, Pizza Hut and McDonald's among others. Bakers Circle raised INR 30 crore from Gaja Capital in February2015.
CREMICA	Supplier of chips, sauces, sandwich mayonnaise, salad dressings and syrups to institutional clients such as McDonald's, Taj Group, Subway, Domino's Pizza, PVR, Starbucks, Barista, Cafe Coffee Day and Papa John's. In January 2007, Cremica raised funding from Goldman Sachs, who sold its stake in the company to Motilal Oswal PE Exhibit X – Type of Investments in September 2010.In August 2015, CX Partners invested INR 390 crore in Cremica, providing an exitto Motilal Oswal PE.InJune2016, Rabo Equity Advisors invested INR 100 crore in Cremica.
VKL	Leading manufacturer of food ingredients and flavoring solutions in India and the Middle East with a strong focus on the QS Rand processed food industries. Its customer base includes Domino's, McDonald's, KFC, Café Coffee Day, Haldirams, etc. In 2013, India Value Fund Advisors (IVFA) committed an investment of an undisclosed amount.
	McDonald's supplier for the chicken and vegetable and pie/ puff range of products in India. It is a part of OSI Industries (USA), which is one of the largest suppliers for the chick enrange of products to McDonald's across the world.
Veeba	Engaged in manufacturing and marketing sauces, emulsions, dessert toppings and syrups etc., it supplies to some of the biggest names in the QSR sector such as Domino's, KFC, Burger King ,Pizza Hut, Taco Bell and Dunkin Donuts, amongst others. Its strong national distribution network helps it reach even the smallest bakeries and pizza stations that are dotted across the country. In June 2015, it raised Rs. 25 crore in a fundraising round led by Saama Capital. The company has recently stepped into the B2C space offering a range of its products for retail.

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

PE and VC investors are making significant investments in the back-end space as these companies can benefit from the tremendous growth potential of the restaurant space. Although back-end companies enjoy lower margins as compared to front- end "branded" players, they are typically considered to be safer investments given that they serve a diversified set of front-end companies. Being a low margin – high volume play, the following factors play a vital role for the success of a back-end business:

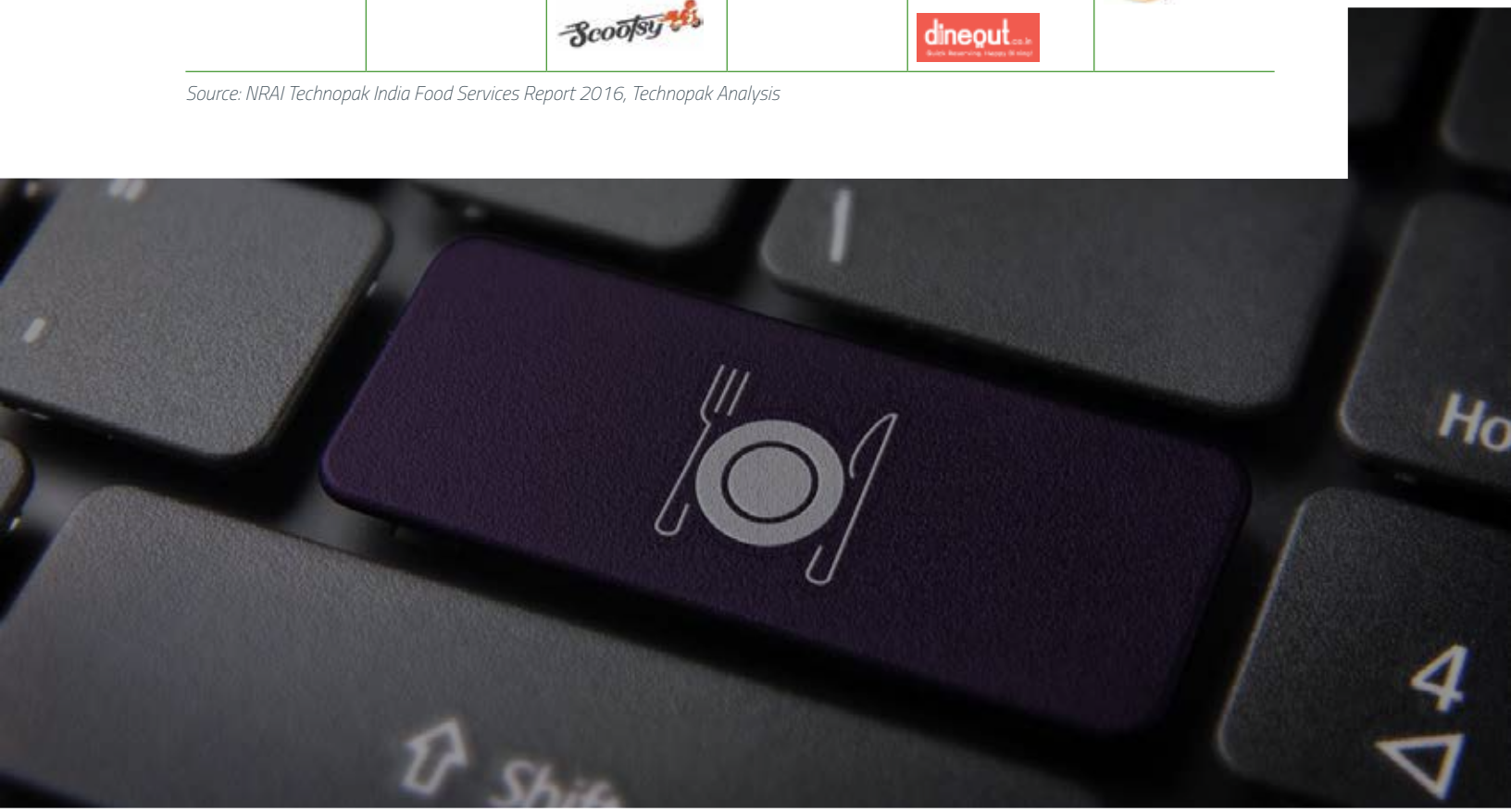
1. A balanced customer base without over-dependence on any one customer
2. Large well-known brands as clients that can offer long term contracts with significant volumes
3. Ability to scale, resulting in cost efficiencies
4. Robust quality control mechanisms in sourcing and manufacturing
5. Technological capabilities

Food Tech Companies

With the increasing proliferation of smartphones and the growing penetration of the internet, food tech companies are gaining significant traction. These are supported by consumers resorting to meals from the convenience of their homes and offices with the tap of a button. The popularity of food tech companies has grown tremendously over the past couple of years garnering a great deal of interest from the venture capital/ private equity fraternity. Below is an overview of various food tech companies across different categories:

Restaurant Search Portal	B2B Food Delivery Aggregators	B2C Food Delivery Aggregators	Virtual Restaurants	Restaurant Reservation Portals	Global Food Tech Companies
zomato	foodpanda	foodpanda	hola	WOWTABLES	yelp
GROUPTABLE	runnr	SWIGGY, FAASOS		eazydiner	eazydiner
	shadowfax	zomato			
	GRAB	runnr			
		Scootsy		dineout	

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis



Potential Investment Opportunities

Key Investments in the Food Tech Space

Food Tech Deals

Valuation

In India, the listed companies in the front end Food Services space are valued in the 1x – 4x revenue multiple range. Companies operating QSR brands are valued at better multiples compared to the ones offering CDR and fine dine brands due to significant growth potential and large addressable market.

Generally, transactions in this space have also happened in the 1.5x – 4.5x revenue multiple range. A 15x – 25x EBITDA is considered fair for most private investments in this space.

The scalable, profitable companies with solid entrepreneurs and good systems and processes (not owner dependent) enjoy higher multiples and the ones which have some brand recognition but performance has been a bit of a question mark enjoy lower multiples.

Tables given below highlight valuation of some listed front end Food Services companies in India and the USA

Exhibit 29: Significant Investments in the Food Services Space by Funds

Front-end	Back-end	Food tech
Azure Hospitality (Mamagoto)	Bakers Circle	Faasos
Massive Restaurants (Masala Library, Made in Punjab)	Cremica	Foodpanda
Degustibus Hospitality (Indigo, Indigo Deli)	VKL Seasonings	Swiggy
Dodsal Group	Prabhat Dairy	Zomato
Chai Point	Snowman Logistics	Yumist
The Beer Cafe		Holachef
Devyani International		Fresh menu
Sagar Ratna		

Source: NRAI Technopak India Food Services Report 2016, Technopak Analysis

The massive growth potential in the Food Services industry has attracted a plethora of private equity and venture capital investors. These PE/VC investors bring with them a host of benefits to the investee company, playing a vital role in the growth and development of the Food Services industry as a whole.



Recommendation

Over the past few years, the Indian Food Services market has gained increased prominence and grown to include a large number of brands across various Food Services formats alongside the presence of standalone outlets and a large unorganized market. Food Services is emerging as a key contributor for the Indian economy, including employment generation, skill development, growth in the allied industries, entrepreneurship, and tourism and creating experiences for the Indian consumer.

Efforts have to be made to remove the various factors that are impediments to the growth of the industry and impacting the smooth functioning of business operations.

Key areas that may help Food Services Industry in achieving its true potential are being discussed in this section.

Positive Policy Framework

Policies formulated by government plays a vital role in growth of any industry. In case of Food Services industry in India, the industry feels that policy formulation by government should have more active involvement of industry bodies (for example NRAI, National Restaurant Association of India). By actively involving stakeholders in policy making, transparency in decision making can be achieved and a realistic and effective policy can be formulated. With involvement of stakeholders in policy making, implementation becomes easier and conflict is minimized.

Industry Status

Food Services sector has still not got an industry status from the government which further makes it difficult to attract the desired levels of investments. For the rapid growth of the sector, government should grant industry recognition to the Food Services sector and facilitate easy availability of working capital loan to the players through policy formulation.

Ease of Doing Business for Food Services Industry

A high level empowered secretarial group should be appointed focussed on ease of doing business for the restaurant industry and moving towards a single window clearance system. Current system and its complexities discourage entrepreneurs to open up their own restaurants. Single Window Clearance system will simplify the process and will encourage Indian Youth in becoming self-employed.

Setting up Institute for Training

There is a dearth of skilled manpower in Food Services Industry. To address this, few players have set up in-house training centres. Initiative from Government to establish (certified) training centres, especially in

geographical clusters where manpower supply is higher such as Tier II cities and North Eastern region; it will encourage youngsters to enrol for training and will increase their employability.

Also, some sort of certification, whereby the current workforce can register and get certification will help current employees as well as employers. There may be multiple level certifications starting from basic qualification to advanced qualifications that indicates degree of skill of the employee.

Collaboration among Industry Association, Food Brands and Government agencies will facilitate in creating robust training program, and providing employment to Indian Youth as well as helping Industry address one of its key constraint.

The road ahead for the Indian Food Services Industry is promising and it is imperative for the Indian government to facilitate faster growth of this sector.

Make in India Initiative for Kitchen Equipments

The rising number of restaurants, a consequence of the changing culinary preferences in India, is a harbinger of business for the manufacturers of commercial kitchen equipments – commercial fryers, char broilers, ovens, cooking ranges, microwaves, toasters and food warming equipment, etc. The average equipment cost involved in setting up Food Services business range from INR 1 lac to a few crore depending on the format type, product range, brand, etc. Currently, most of the brands import kitchen equipment and it comprise of significant cost of setting up restaurant.

Encouraging domestic kitchen equipment industry will not only help restaurants in reducing their capex, it will also provide employment opportunities in India. Encouragement from Government in forms of incentives in setting up Kitchen Equipment industry will help Food Services Industry in cutting cost. It will also help entrepreneurs in being able to set up restaurants with lower cost.

The road ahead for the Indian Food Services Industry is promising and it is imperative for the Indian government to facilitate faster growth of this sector.

what Leaders have to say . . .


Unnat Verma

UNNAT VERMA

MD (India Subcon) - Pizza Hut Yum! Restaurants India

Use TECHNOLOGY to ensure customers keep coming back

Technology has become very important for restaurateurs to capture consumer data and analyse it meaningfully to understand the trends and consumer behaviour. Technology, if used correctly can give valuable consumer insights to brands to make customers happy and ensure that they keep coming back.


Saurabh Kochhar

SAURABH KOCHHAR

CEO-Food Panda

Young India Loves to EXPERIMENT

Young India loves to experiment. Food Services brands that will experiment with food and provide innovative food concepts will be able to connect better with these young Indian Consumers


Rahul Singh

RAHUL SINGH

Founder & CEO - The Beer Cafe

As our world shrinks, consumers seek global experience in their neighbourhood. Restaurants are no longer seen as a place to eat food, but a melting point for people to step out for an over all experience. The failure rate of restaurants is very high, so they need to be relevant in order to remain sustainable.


Leena Jaisani

LEENA JAISANI

Assistant Secretary General & Head - Retail, FMCG

Create Space for Conversations

Restaurants and Eating out is not just about food. It is about a space where people could come and interact and can create interesting conversations and build community vibe Today, consumer does not evaluate a restaurant only on food parameter – it is the complete eating out experience including food, ambience, service, location of the restaurant, parking space availability etc. So restaurants that provide excellent eating out experience will see higher footfalls.

Annexure I

List of Tier I and Tier II Cities

Tier I Cities	Tier II Cities					
Amritsar	Alappuzha	Bikaner	Guntur	Kollam	Patiala	Tiruchirappalli
Bhopal	Akola	Bilaspur	Guwahati	Kota	Pondicherry	Tirunelveli
Chandigarh	Ahmadnagar	Bokaro Steel City	Gwalior	Kozhikode	Raipur	Tiruppur
Coimbatore	Ajmer	Chandrapur	Hisar	Kurnool	Rajahmundry	Trivandrum
Indore	Agra	Cuttack	Hubli-Dharwad	Latur	Rajkot	Udaipur
Jaipur	Aligarh	Davanagere	Ichalkaranji	Malegaon	Ranchi	Ujjain
Kanpur	Allahabad	Dehradun	Jabalpur	Mangalore	Raurkela	Varanasi
Kochi	Amravati	Dhanbad	Jalandhar	Meerut	Rohtak	Vellore
Lucknow	Asansol	Dhule	Jalgaon	Moradabad	Sagar	Vijayawada
Ludhiana	Aurangabad	Durgapur	Jamnagar	Mysore	Saharanpur	Warangal
Madurai	Bareilly	Durg-Bhilainagar	Jamshedpur	Nanded-Waghala	Salem	Yamunanagar
Nagpur	Belgaum	Erode	Jhansi	Nashik	Sangli	
Patna	Bellary	Firozabad	Jodhpur	Navsari	Shillong	
Surat	Bhavnagar	Gaya	Kakinada	Nellore	Siliguri	
Vadodara	Bhiwandi	Gorakhpur	Kannur	Nizamabad	Solapur	
Visakhapatnam	Bhubaneswar	Gulbarga	Kolhapur	Panipat	Thrissur	

Tier III cities are cities other than the above mentioned such as Alwar, Anand and Bhatinda etc.

Annexure II

City Type Defination

City Type	Definition
Mega Metro/ Metro	Delhi NCR & Mumbai
Mini Metro	Next 6 cities with population >5 million (Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata & Pune)
Tier I	Population 1 to 5 million
Tier II	Population 0.3 to 1 million
Tier III	Population less than 0.3 million

Definition post Census Report 2011

Abbreviations and Assumptions

Term	Definition
APC	Average Per Cost
Bn	Billion
CAGR	Compound Annual Growth Rate
CAM	Common Area Maintenance
CDR	Casual Dine Restaurant
Cr	Crore
CY	Calender Year
CRM	Customer Relationship Marketing
DIY	Dolt Yourself
EIU	Economist Intelligence Unit
EOO	Eating Out Ocassion
ETP	Effulent Treatment Plant
F&B	Food & Beverage
FD/IC	Frozen Dessert/Ice Cream
FDI	Foreign Direct Investment
FDR	Fine Dine Restaurant
FLFP	Female Labour Force Participation
FSSAI	Food Safety and Standards Authority of India
FY	Fiscal Year
FY2017E	Estimated
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GST	Goods and Service Tax
GVA	Gross Value Added
HH	Household
ILO	International Labour Organization
IMF	International Monetary Fund
INR	Indian Rupee
IPO	Initial Public Offering

Term	Definition
IRDA	Insurance Regulatory and Development Authority
JV	Joint Venture
Mn	Million
MoSPI	Minisitry of Statistics and programme implementation
NoC	No Objection Certificate
NRAI	National Restaurant Association of India
NSDC	National Skill Development Corporation
ORM	Online Reputation Management
PBCL	Pubs, Bar Cafes & Lounges
PE	Private Equity
PFCE	Private Final Consumption Expenditure
PPP	Purchasing Power Parity
QSR	Quick Service Restaurant
RBI	Reserve Bank of India
RTC	Ready to Cook
RTE	Ready to Eat
SEM	Search Engine Marketing
SEO	Search Engine Optimization
SOPs	Standard Operating Procedures
SSSG	Same Store Sales Growth
Tn	Trillion
UAE	United Arab Emirates
UK	United Kingdom
US	United State
USA	United State of America
USD	United States Dollar
VAT	Value Added Tax

About Technopak

India's leading management consulting firm with more than 20 years of experience in working with organizations across consumer goods and services.

Founded on the principle of "concept to commissioning", we partner our clients to identify their maximum value opportunities, provide solutions to their key challenges and help them create robust and high growth business models.

We have the ability to be strategic advisors providing customized solutions during the ideation phase, implementation guides through start-up assistance, and be a trusted advisor overall.

Drawing from the extensive experience of close to 125 professionals, Technopak focuses on four major divisions, which are Retail & Consumer Products, E-tailing; Fashion (Textile, Apparel & Engineering); Food Services & Agriculture, and Education.

Our key services are:

Business Strategy. Assistance in developing value creating strategies based on consumer insights, competition mapping, international benchmarking and client capabilities.

Start-up Assistance. Leveraging operations and industry expertise to 'commission the concept' on turnkey basis.

Performance Enhancement. Operations, industry & management of change expertise to enhance the performance and value of client operations and businesses.

Capital Advisory. Supporting business strategy and execution with comprehensive capital advisory in our industries of focus.

Consumer Insights. Holistic consumer & shopper understanding applied to offer implementable business solutions.

Our Divisions

Food Services & Agriculture: Technopak's Food Services & Agriculture team comprises of established domain experts who build and enhance the business performance of organizations which are either working in the sector or are willing to enter this space. Our end-to-end solutions are customized as per the business's requirements and capabilities. We continuously strive to create strong industry relationships and work for a global footprint by delivering a wide range of services to organizations that operate or wish to operate in the Food and Agriculture sector, in India as well as internationally.

Retail & Consumer Products, E-tailing: Technopak aids retailers and consumer product companies in formulating growth strategy and performance enhancement mandates. Over the past two decades, we have worked on various facets such as entry into the Indian market, development of new category, activation of new retail formats, channel development, product extension, region expansion etc. One key reason why Technopak is considered the industry leader is the relentless focus on the Indian Market. We help clients understand the market dynamics in India and help them arrive at the best method to grow business in India. Our Retail and Consumer product expertise helps gain a competitive edge by providing execution capabilities and corporate strategies.

Fashion - Textile, Apparel & Engineering: With almost 20 years of experience in delivering end-to-end solutions to the entire gamut of the textile industry, right from fibre to retailing, the Fashion division at Technopak assists the textile and apparel organizations in optimizing their profits through enhancement and expansion. Many leading Indian and international Textile manufacturers and Apparel brands have benefited from our offerings in the areas of business planning and strategy, apparel operations, supply chain management and strategic alliances. Our team consists of top calibre advisors who have worked closely with a diverse group of clients comprising textile manufacturers, apparel retailers, garment manufacturers and exporters, apparel sourcing organizations, trade promotion councils, industry associations, international development bodies, and financial institutions as well as central and state governments.

Education: Technopak Education division has a vast understanding of the sector in terms of industry environment, growth potential, regulation and policy, which has enabled us to become a thought leader in the sector. Technopak caters to all the education segments – K-12, Higher Education, Vocational Training and ancillaries. Innovative business models and government thrust on privatization has led to assertive participation by private organizations. Such participation spans various levels of investment and operational scale, be it organization planning for expansion in the country or foreign institutions aiming to foray into the Indian education sector.

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About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50, 000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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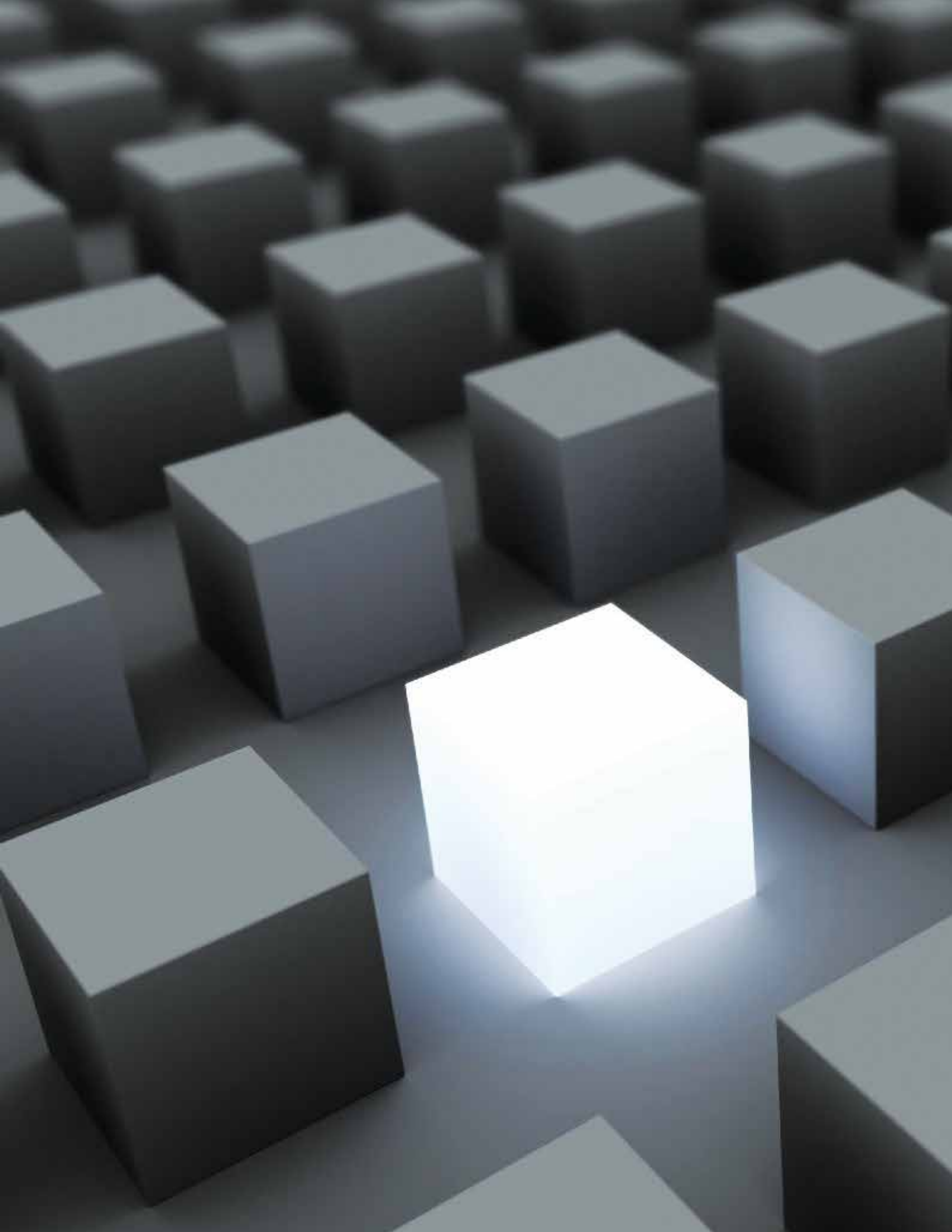
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