

JSA Primer Indian Food and Consumer Sector The Way Forward: 2025

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Introduction

The food and consumer sector is a vital part of our economy as it is directly associated with inflation, impacting microeconomics on a wider scale. This sector is a bright spot, offering opportunities for global investors to join one of the fastest-growing economies in the world. With the first month of the calendar year in the books and the annual budget round the bend, this is an apt time to crystal ball gaze on what themes the remaining year could or should follow.

Union Budget

In last year's budget, the Government of India ("**GoI**") demonstrated commitment to boosting the food and consumer sector. Setting up 50 (fifty) multi-product food irradiation units in the micro, small and medium enterprises sector and establishing food quality and safety testing labs with National Accreditation Board for Testing and Calibration Laboratories accreditation were key among these. The GoI started work on inviting expressions of interest for the food irradiation units in the second half of the year. With safety and quality at the forefront, it would be good if the work that was started last year receives continued commitment and funding in this year's budget.

Access to debt funding

Agricultural activities and food processing in large parts has remained in the priority sector lending segment for the last few years, and the GoI has attempted to incentivise the space through its various policy initiatives and fund creations (such as Pradhan Mantri Kisan Sampada Yojana, Pradhan Mantri Matsya Sampada Yojana, National Bank for Agriculture and Rural Development Food Processing Fund, Animal Husbandry Infrastructure Development Fund etc). Given the spread-out nature of the industries involved in the food and wider consumer space, this may be the year for debt capital to reach not just mega projects but also the small and medium enterprises segment and young entrepreneurs. The need for this is real, as some reports suggest that till July 2024, bank credit stood at INR 168.12 lakh crore (Indian Rupees one hundred and sixty-eight point one two lakh crore) (equivalent to USD 2,020 billion (US Dollars two thousand and twenty billion)) out of which bank credit to non-food industries stood at INR 167.82 lakh crore (Indian Rupees one hundred and sixty-eight and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixty thousand and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixty-seven point eight two lakh crore) (equivalent to USD 2,016 billion (US Dollars two thousand and sixteen billion)).

Access to private capital

The trend of venture capital and institutional investors paying more attention to new age food and consumer brands is here to stay. It can only be expected that 2025 will have more of it. Whether the investor portfolio diversifies as rapidly into food adjacent sectors such as warehousing and logistics would be something to watch out for. Foreign investors are also likely to have increased interest in the sector, while ensuring compliance with regulatory requirements that this sector has. While in the last 24 (twenty-four) years the food processing industry has received foreign direct investment of approximately USD 12,812 million (US Dollars twelve thousand eight hundred and twelve million), the industry is well poised at the moment for greater and more consistent foreign investment.

Inorganic growth

With sluggish growth in the sector in the last several months due to retail consumer spending limitations, inorganic growth prospects are likely to increase this year. Larger players adding brands or offerings to their existing portfolio as well as consolidation and restructuring seems to be the order of the day. Well-structured and planned transactions can offer great results to strategic players, both in terms of acquisition transactions as well as unlocking value of existing product portfolio or business. Morning truly shows the day in this case, with the first month of 2025 seeing the Uprising Science Pvt Ltd acquisition being announced.

E-commerce and quick commerce

A special mention for this segment of the food and consumer industries, with 2 (two) of its most prominent players now listed. With more players vying to join the race for quick delivery of not just food and groceries but also other consumer and premium goods, innovation and cash burn are inevitable for companies on their path to a greater share of the customer's wallet. This would mean not only raising and spending funds at the right valuation but also ensuring that rapid forays through innovation remain within the regulatory regime in existence.

Regulatory supervision

In 2024, the Food Safety and Standards Authority of India made its presence felt in a number of ways, be it reinforcing food safety compliance for e-commerce Food Business Operators; classifying packaged drinking water and mineral water in the high-risk food category; and a collaboration with Bhutan's Food regulator. This year the amendments to:

the Food Safety and Standards (Import) Regulations of 2017 and to Food Safety and Standards (Licensing and Registration of Food Business) Regulations of 2011, are awaited (Both are intended to reduce red tape while focusing on quality management). Other regulations that are expected include the Food Safety and Standards (Food Products Standards and Food Additives) Amendment Regulations (proposing amendments related to milk fat composition, fermented milk, haleem, garam masala, dried peppermint, Indigotine, and processing aids); the Food Safety and Standards (Contaminants, Toxins, and Residues) Amendment Regulations (proposing amendments concerning limits of metal contaminants, crop contaminants, naturally occurring toxic substances, and antibiotics in food products); and Food Safety and Standards (Fortification of Foods) Amendment Regulations (proposing amendments related to the fortification of foods, aiming to enhance nutritional standards).

Similarly, the Central Consumer Protection Authority took up the cause of misleading advertisements in 2024, for relatively less attended sectors such as coaching, as well as misleading/greenwashing of products in their marketing and advertising.

Overall, 2025 is unlikely to see a let up in the environment of regulatory scrutiny to ensure that the end consumer is protected. A corollary to this would be companies needing to invest more time and resources into ensuring compliance.

Epilogue

Overall, 2025 reflects an inflection point for the food and consumer sector, as the Indian retail customer's choices, preferences and financial allocation see variation. The sector is expected to remain resilient and meaningfully active.

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