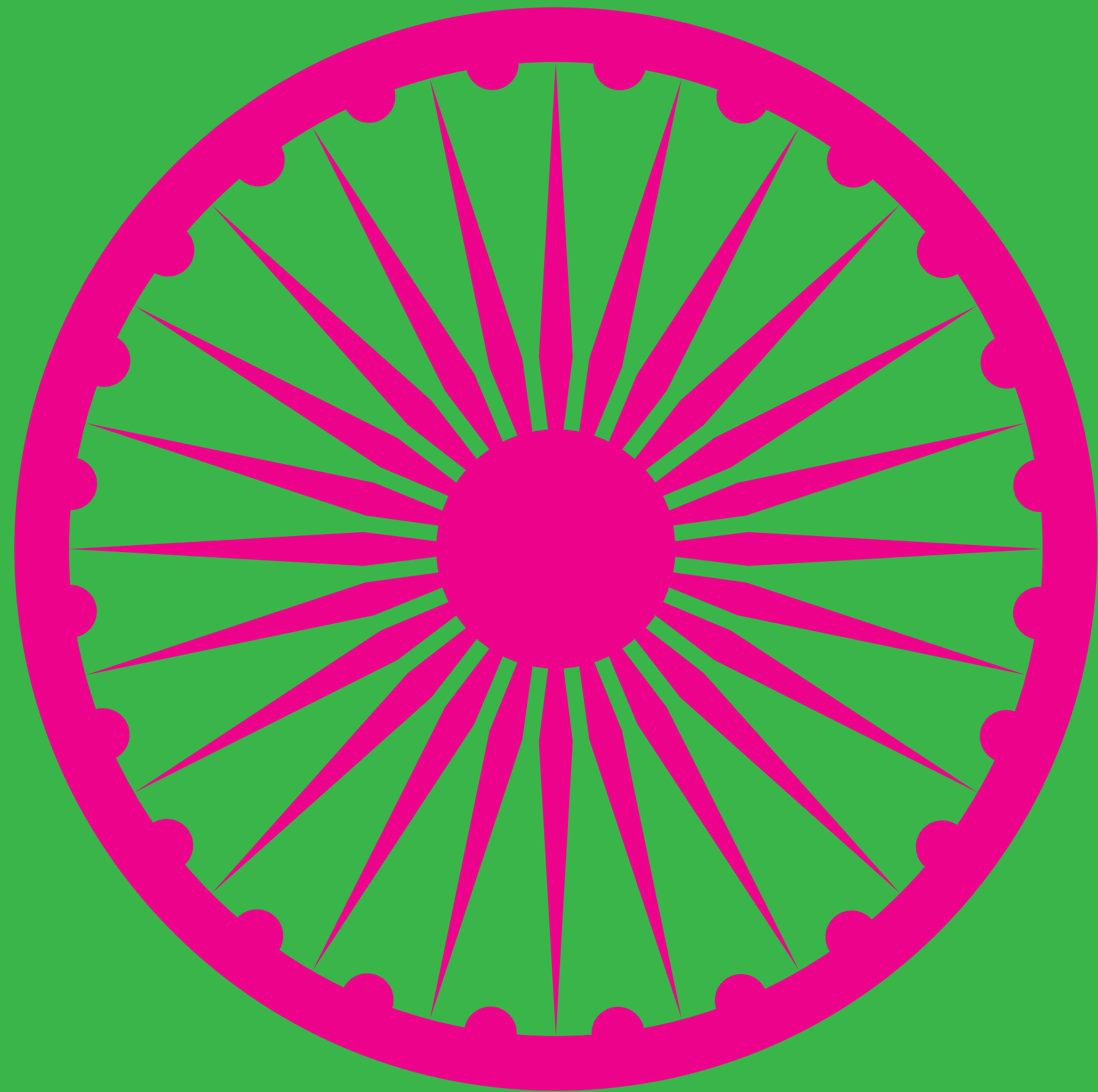




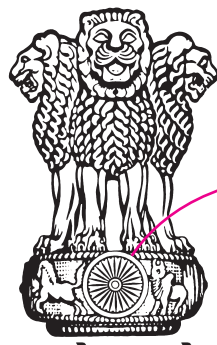
MAKING

INDIAN

FOOD PROCESSING



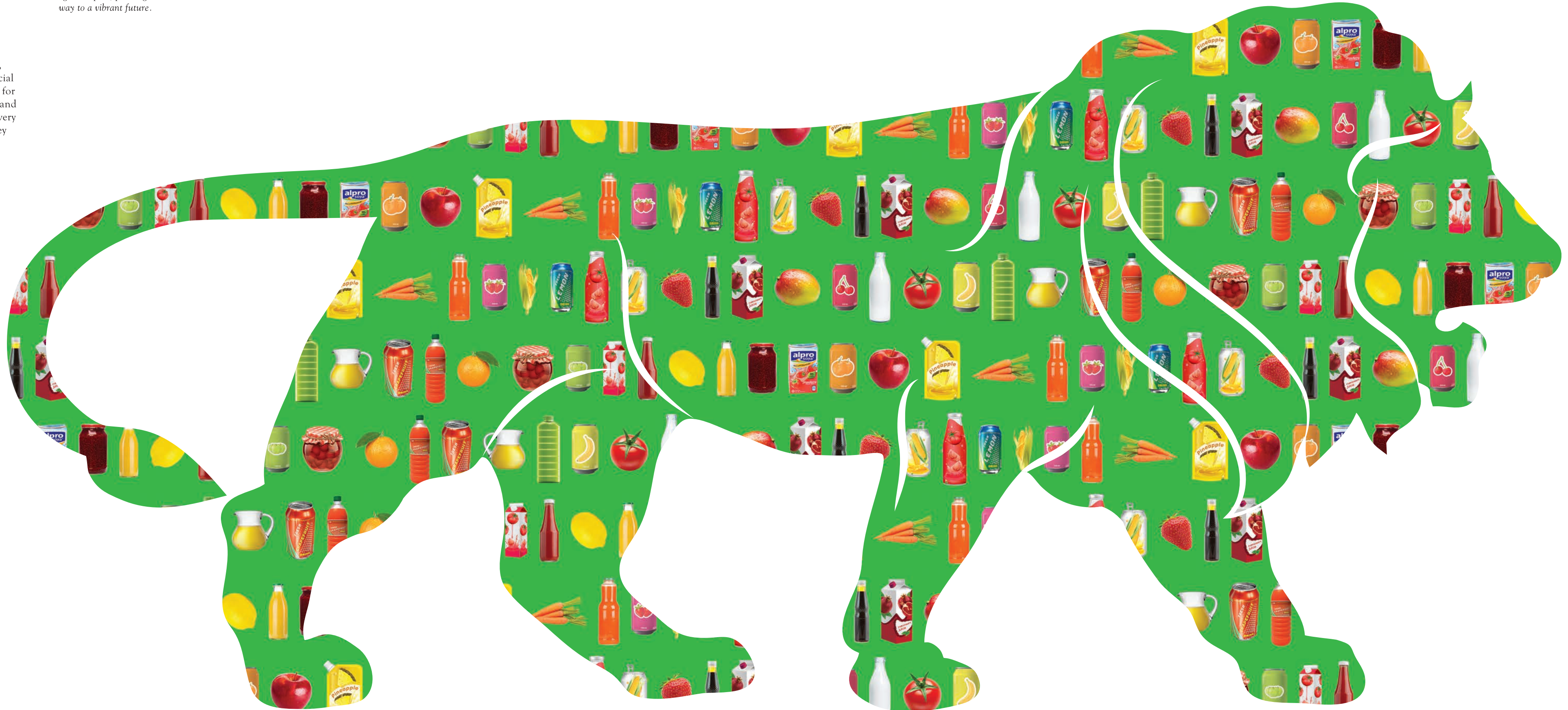
**FROM AGRICULTURE TO AUTOMOBILES
FROM HARDWARE TO SOFTWARE
FROM SATELLITES TO SUBMARINES
FROM TELEVISIONS TO MOVIES
FROM BRIDGES TO BIOTECHNOLOGY
FROM PAPER CLIPS TO POWER PLANTS
FROM ROADS TO CITIES
FROM FRIENDSHIP TO PARTNERSHIP
FROM PROFIT TO PROGRESS
WHATEVER YOU WANT TO MAKE:
MAKE IN INDIA**



सत्यमेव जयते

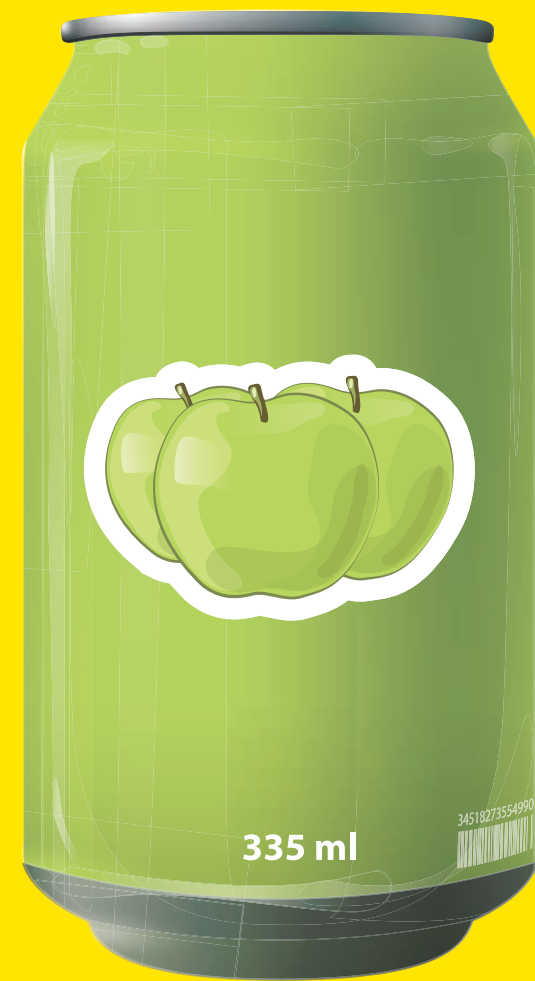
The Ashoka Chakra is a central element in India's national emblem and also forms the centrepiece of India's national flag. The wheel denotes peaceful progress and dynamism – a sign from India's enlightened past, pointing the way to a vibrant future.

Since time immemorial, the Lion has been the official emblem of India. It stands for strength, courage, tenacity and wisdom – values that are every bit as Indian today as they have ever been.



CAN DO.

WITH 199 MILLION CULTIVATED HECTARES AND 42 MEGA FOOD PARKS IN THE MAKING, INDIA IS THE FUTURE OF FOOD PROCESSING.



192 MILLION HECTARES OF GROSS CROPPED AREA

89.9 MILLION HECTARES OF NET IRRIGATED AREA

127 AGRO-CLIMATIC ZONES

42 MEGA FOOD PARKS BEING SET UP WITH AN ALLOCATED

INVESTMENT OF INR 98 BILLION

NEW INITIATIVES

THE MAKE IN INDIA PROGRAM INCLUDES MAJOR NEW INITIATIVES DESIGNED TO FACILITATE INVESTMENT, FOSTER INNOVATION, PROTECT INTELLECTUAL PROPERTY AND BUILD BEST-IN-CLASS MANUFACTURING INFRASTRUCTURE.

1 NEW PROCESSES

- SPECIAL FOCUS ON EASE OF DOING BUSINESS
- DE-LICENSING & DEREGULATION

2 NEW INFRASTRUCTURE

- INDUSTRIAL CORRIDORS
- INDUSTRIAL CLUSTERS
- SMART CITIES
- NURTURING INNOVATION
- SKILL DEVELOPMENT

3 NEW SECTORS

- OPENING OF CRITICAL SECTORS LIKE DEFENSE, CONSTRUCTION AND RAILWAYS FOR FDI

4 NEW MINDSET

- DEDICATED TEAMS THAT WILL GUIDE AND ASSIST FIRST-TIME INVESTORS FROM TIME OF ARRIVAL
- FOCUSED TARGETTING OF COMPANIES ACROSS SECTORS

FACTS + FIGURES



REASONS TO INVEST

- A rich agriculture resource base - India was ranked No. 1 in the world in 2012 in the production of bananas, mangoes, papayas, chickpea, ginger, okra, whole buffalo, goat milk and buffalo meat.
- India ranks second in the world in the production of sugarcane, rice, potatoes, wheat, garlic, groundnut (with shells), dry onion, green pea, pumpkin, gourds, cauliflower, tea, tomatoes, lentils, wheat and cow milk.
- The country's gross cropped area amounts to 199 Million hectares, with a cropping intensity of 140%. The net irrigated area is 89.9 Million hectares.
- A total of 127 agro-climatic zones have been identified in India.
- Strategic geographic location and proximity to food-importing nations makes India favourable for the export of processed foods.
- An extensive network of food processing training, academic and research institutes spans the country.
- 42 mega food parks are being set up in public-private partnership at an investment of INR 98 Billion rupees. The parks have around 1200 developed plots with basic infrastructure enabled that entrepreneurs can lease for the setting up of food processing and ancillary units.
- The cost of skilled manpower is relatively low as compared to other countries.
- Attractive fiscal incentives have been instated by central and state governments and these include capital subsidies, tax rebates, depreciation benefits, as well as reduced custom and excise duties for processed food and machinery.
- The major global players in the food domain are already present in India.
- 121 cold chain projects are being set up to develop supply chain infrastructure.

STATISTICS

- India's food processing sector ranks fifth in the world in exports, production and consumption.
- Major parts of the food processing sector are milled grain, sugar, edible oils, beverages and dairy products.
- The contribution of the food processing industry to the gross domestic product at 2004-05 prices in 2012-13 amounts to INR 845.22 Billion. India's food processing industry has grown annually at 8.4% for the last 5 years, up to 2012-13.
- The value addition of the food processing sector as a share of GDP manufacturing was 9.8% in 2012-13.
- Investment in registered food processing sector had grown by 20.1% at the end of 2012.
- The number of registered processing factories has increased from 35,838 in 2010-11 to 36,881 in 2011-12, marking a growth rate of 2.9%.
- The industry is also one of the largest employment creators, with growth in direct employment in the organised food processing sector standing at 6.05% between 2010-11 and 2011-12.
- Food is the biggest expense for an urban Indian household. About 38.6% of the total consumption expenditure of households was spent on food in 2011-12.
- The total household expenditure on the purchase of food items in 2012-13 was INR 11 Trillion. An average household in India spent INR 41,856 on food.



GROWTH DRIVERS

- Liberalization and the growth of organized retail has made the Indian market more attractive for global players. With a large agricultural sector, abundant livestock and cost competitiveness, India is fast emerging as a sourcing hub of processed food.
- A population of 1.2 Billion people, with the world's highest youth population - India has 572 Million people under the age of 24.
- Rising income levels and a growing middle class.
- One-third of the population will be living in urban areas by 2020.
- Increasing desire for branded food as well as increased spending power.
- Large and distinct consumer brackets to support customised offerings, new categories and brands within each segment.
- Consumption in India is driven towards packaged and ready-to-eat foods.
- Favourable economic and cultural transformation and a shift in attitudes and lifestyles have consumers experimenting with different cuisine, tastes and new brands. There is an awareness and concern for wellness and health, for high protein, low-fat, wholegrain, organic food.
- Processed food exports and related products have been rising steadily, the main destinations being the Middle East and Southeast Asia.
- India is a global outsourcing hub, with large retailers sourcing from India owing to abundant raw materials, supply and cost advantages.

INVESTMENT OPPORTUNITIES

- Fruits and vegetables: preserved, candied, glazed and crystallized fruits and vegetables, juices, jams, jellies, purees, soups, powders, dehydrated vegetables, flakes, shreds and ready-to-eat curries.
- Food preservation by fermentation: wine, beer, vinegar, the preparation of yeast, alcoholic beverages.
- Beverages: fruit-based, cereal-based.
- Dairy: liquid milk, curd, flavoured yoghurt, processed cheese, cottage cheese, swiss cheese, blue cheese, ice cream, milk-based sweets.
- Food additives and nutraceuticals.
- Confectionery and bakery: cookies and crackers, biscuits, breads, cakes and frozen dough.
- Meat and poultry: eggs, egg powder, cut meats, sausages, other value added products.
- Fish, seafood and fish processing - processing and freezing units.
- Grain processing - oil milling sector, rice, pulse milling and flour milling sectors.
- Food preservation and packaging: metal cans, aseptic packs.
- Food processing equipment: canning, dairy and food processing, specialty processing, packaging, frozen food/refrigeration and thermo-processing.
- Consumer food: packaged food, aerated soft drinks, packaged drinking water.
- Spice pastes.
- Supply chain infrastructure - this niche has investment potential in food processing infrastructure, the government's main focus is on supply chain related infrastructure like cold storage, abattoirs and food parks.
- The establishment of food parks - a unique opportunity for entrepreneurs, including foreign investors to enter in the Indian food processing sector.





FINANCIAL SUPPORT

KEY PROVISIONS OF THE 2014-2015 UNION BUDGET:

→ INR 500 Million has been allocated for the development of indigenous cattle breeds and an equal amount has been set for starting a blue revolution in inland fisheries. It has also been decided to provide for a lock-in period of eight years for use of assets in instances where deduction under Section 35 A of the Income Tax Act has been claimed.

Any of the following two deductions can be availed:

1. Investment allowance (additional depreciation) at the rate of 15% to manufacturing companies that invest more than INR 1 Billion in plant and machinery acquired and installed between 01.04.2013 and 31.03.2015 provided the aggregate amount of investment in new plant and machinery during the said period exceeds INR 1 Billion.

2. In order to provide a further fillip to companies engaged in manufacturing, the said benefit of an additional deduction of 15% of the cost of new plant and machinery exceeding INR 250 Million, acquired and installed during any previous year, until 31.3.2017.

→ Full exemption from customs duty is being granted to de-oiled soya extract, groundnut oil cake/cake meal, sunflower oil cake/cake meal, rice bran/ rice bran oil cake and palm kernel cake until 31.12.2014.

→ The government has introduced several schemes to provide financial assistance in the form of grants and subsidies for the setting up and modernization of food processing units, the creation of infrastructure, support for research and development and human resource development as well as other promotional measures to encourage growth within the processed food sector.

THE NATIONAL MISSION ON FOOD PROCESSING:

The centrally sponsored scheme provides the following:

1. Technology upgradation, establishment and modernization of the food processing industries.

2. Cold chain, value addition and preservation infrastructure for non-horticultural products.

3. The setting up, modernization and expansion of abattoirs.

4. Human resource development.

5. Promotional activities.

6. Primary processing and collection centres in rural areas.

7. The modernisation of meat shops.

8. Reefer vehicles.

→ The scheme for infrastructure development includes grant of subsidies for the setting up of mega food parks and integrated cold chains.

→ Project imports for food processing at concessional customs duties.

→ In order to promote faster establishment of food processing industries in the country, the government provides various tax and other incentives to businesses.

INCOME TAX:

Deduction of expenditure:

→ These incentives are allowed for the following businesses, for the investment made in the previous year and prior to commencement of its operations.

1. Businesses permitted 100% deductions:

→ Setting up and operating a cold chain facility.

→ Setting up and operating warehousing facilities for storage of agricultural produce.

2. Businesses permitted 150% deduction, provided the taxpayer has commenced business on or after the 1st of April, 2012.

→ Beekeeping and the production of honey and beeswax.

→ The setting up and operation of a warehousing facility for the storage of sugar.

DEDUCTION OF TAX FROM PROFIT:

→ This tax incentive is available at the rate of 100% tax exemption for the first 5 years of operations. After 5 years, the rate is 25% of the profits. However, in the case of a company, the rate of tax is 30% of profits, after 5 years of operations. This benefit is available only for ten years provided that such business has commenced with effect from the 1st of April, 2001.

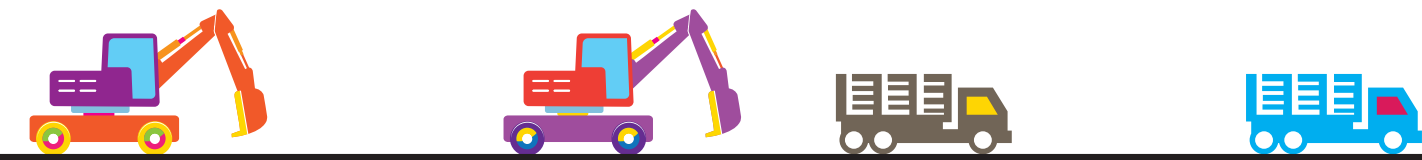
→ This incentive is provided for new units in the business of processing, preservation and packaging of fruits or vegetables, meat and meat products, poultry, marine or dairy products. However, in the case of businesses relating to meat, meat products, poultry, marine products or dairy products, the above incentive is available to only those units who have started their production after the 1st of April, 2009.

SERVICE TAX:

→ Exempted activities

Service tax may not be levied on items contained in the negative list. These are services including processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun-drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market.

→ →



→ →

→ Exempted categories.

Service tax is exempted in the following instances:

1) The construction, erection, commissioning or installation of original works pertaining to post-harvest storage infrastructure for agricultural produce, including cold storage for such purposes.

2) Mechanized food grain handling system, machinery or equipment for units processing agricultural produce as foodstuff, excluding alcoholic beverages.

3) Services provided by goods transport agencies for transportation of fruit, vegetables, eggs, milk, food grains or pulses in a goods carriage.

4) Services such as loading, unloading, packing, storage or warehousing of agricultural produce.

CUSTOMS DUTY:

→ Projects for the installation of mechanized food grain handling systems and pallet racking systems in mandis (agricultural produce markets) and warehouses for food grains and sugar.

→ Cold storage, cold rooms (including facilities for farm level pre-cooling) or industrial projects for the preservation, storage or processing of agricultural produce, apiaries, horticultural production, dairy, poultry, marine produce and meat.

→ Consequently, all goods related to food processing, imported as part of the project, irrespective of their tariff classification, would be entitled to uniform assessment at a concessional customs duty of 5%, plus countervailing duties as applicable.

CENTRAL EXCISE DUTY:

Food Products:

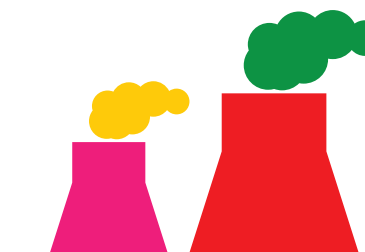
→ Nil excise duty in milk, milk products, vegetables, nuts & fruits - both fresh and dried.

→ Against a standard excise duty of 12%, processed fruits and vegetables carries a merit rate of 2% without CENVAT or 6% with CENVAT.

Food Processing Machinery:

→ All refrigeration machinery and parts used for the installation of cold storage, cold room or refrigerated vehicles for the preservation, storage, transport or processing of agricultural, apiary, horticultural and marine produce as well as dairy and poultry, are exempt from excise duty.

→ Machinery for pasteurising, drying, evaporating, etc. used in the dairy sector is exempt from excise duty.



FDI POLICY

→ 100% FDI is permitted in the automatic route for most food products except for items reserved for micro and small enterprises.

→ 100% FDI is permitted for alcoholic beverages, with the requirement of an industrial license.

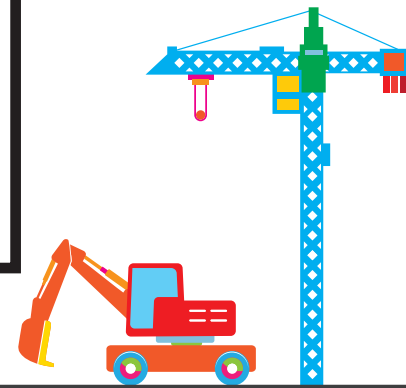
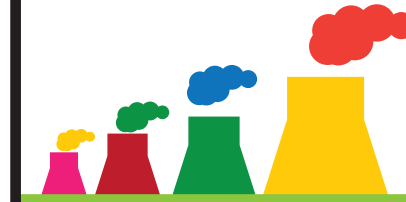
→ For pickles, mustard oil, groundnut oil and bread - items reserved for the micro small and medium sector, 24% foreign direct investment is allowed under the automatic route, with the requirement of prior approval from the Foreign Investment Promotion Board for FDI amounting to more than 24%.





SECTOR POLICY

- National Food Processing Policy aims to increase the level of food processing from 10% in 2010 to 25% in 2025.
- Food Processing is recognized as a priority sector in the new manufacturing policy of 2011.
- The National Mission on Food Processing and the Ministry of Food Processing Industries have launched a new centrally sponsored scheme in April 2012, for implementation through state and union territory governments.
- The basic objective of the National Mission on Food Processing is decentralization of the implementation of food processing related schemes for ensuring substantial participation of state and union territory governments.



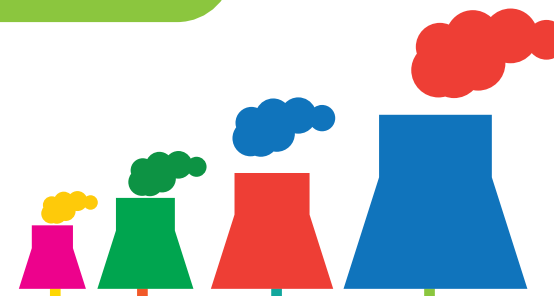
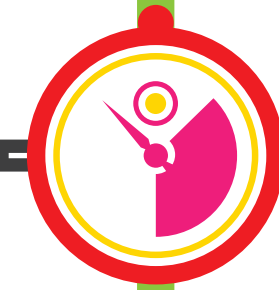
FOREIGN INVESTORS

- Kraft (USA)
- Mars (USA)
- Nestle (Switzerland)
- McCain (Canada)
- Danone (France)
- Ferrero (Italy)
- Del Monte (USA)
- Kagome (Japan)
- Kelloggs (USA)
- Pepsi (USA)
- Unilever (Anglo Dutch)
- Perfetti (Italy)
- Cargill (USA)
- Coca Cola (USA)
- Hershey (USA)



AGENCIES

- Ministry of Food Processing Industries (<http://mofpi.nic.in>)
- Food Safety and Standards Authority of India (<http://fssai.gov.in>)
- Agriculture and Processed Foods Export Development Authority (<http://apeda.gov.in>)
- National Institute for Food Technology and Entrepreneurship Management (<http://niftem.ac.in>)
- All India Food Processors Association (<http://aifpa.net>)
- Commodity Boards under the Ministry of Commerce and the Ministry of Agriculture/Ministry of Food Processing: coffee, tea, spice, meat and grapes. (<http://mpeda.com>)
- National Meat and Poultry Processing Board (<http://nmpfb.gov.in>)
- Indian Grape Processing Board (<http://igpb.in>)



सत्यमेव जयते

GOVERNMENT OF INDIA

Department of Industrial Policy & Promotion
 Ministry of Commerce & Industry
 Investor Facilitation Cell
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