

Indian Spices Industry - The “Land of Spices”

Sector Note

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 o3capital

Your Partners, Your Advisors



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Why is it the right time to look at the Indian spices industry - o3 perspective



Organized shift

- Concerns about adulteration in loose spices are changing how people buy - trust now matters more than price
- That makes the shift from unorganized to organized players a lasting change, not a temporary reaction

Increasing branded penetration

- Spices lag other FMCG categories on branded penetration, implying a long runway for growth
- As companies push deeper into Tier-II and rural markets, this shift should keep running well past FY29

Blended spices as growth engine

- Blends command habitual loyalty - once adopted, they anchor household cooking and drive dependable repeat purchases
- This loyalty underpins superior margins, with demand accelerating among working professionals and younger consumers

Premiumisation of taste

- Cuisine-specific & international blends are replacing generic cooking, creating recurring high-margin consumption occasions
- Consumers are moving from loose and generic packs to differentiated, occasion-led products

Consolidation play

- Strong regional brands dominate their core geographies, anchored by entrenched local distribution
- As strategics and funds buy them for reach and distribution, a handful of pan-India platforms should emerge

Source: o3 analysis

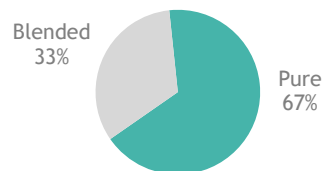
Indian spices market - INR 860 bn market, growing at a CAGR of ~10%

India is world's largest producer, consumer and exporter of spices, being home to more than 100 varieties of spices

INR 860 bn	~ 10%	40%	INR 345 bn	~ 12%
Overall Domestic Spices market size (FY24)	CAGR % - Domestic Spices market (FY24-29P)	Organized market % (FY24)	Organized Spices market size (FY24)	CAGR % - Organized market (FY24-29P)

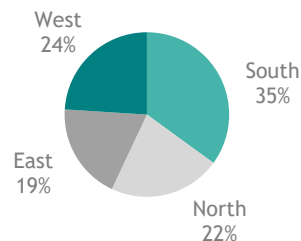
Segmentation of the organized spices market

By Consumption type



Convenience-driven **blends** growing faster than Pure spices segment

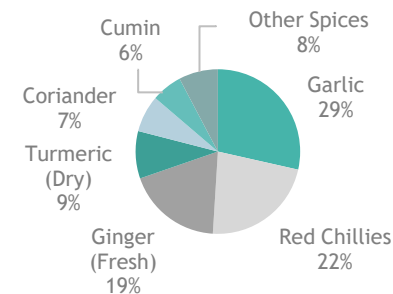
By Geography



South-India is the largest branded market with presence of strong regional players

Overall Spice production in India

By Type



12mn MT (FY25)

Top 6 spices account for **~90%** of overall production in India

Shift towards branded products and an increasing preference for blended spices are expanding the opportunity for organized players

Sources: Industry Reports, o3 analysis

Spices are an essential high-margin category having a sticky consumer base with high growth rate vs. other categories

		Market Size ¹	CAGR (2024-29P)
Spices		345	12.3%
Biscuits		551	10.4%
Breads & Buns		62	10.7%
Pasta & Noodles		114	9.1%
Savoury Snacks		748	13.0%
Confectionery		381	7.0%
Convenience Meal Kits		80	18.2%
Packaged Sweets		75	20.0%

Among packaged food categories, spices is one of the most attractive categories

1

Large Category

Everyday Usage

Centre of the plate

2

High Growth

Unorganized to branded shift

Convenience focus > higher adoption of blended spices

3

Strong Margins

High value added

Brand stickiness

Sources: Industry Reports, o3 analysis; Note 1: Market Size for FY24 (INR bn)

India's spice belt: Region-wise production landscape

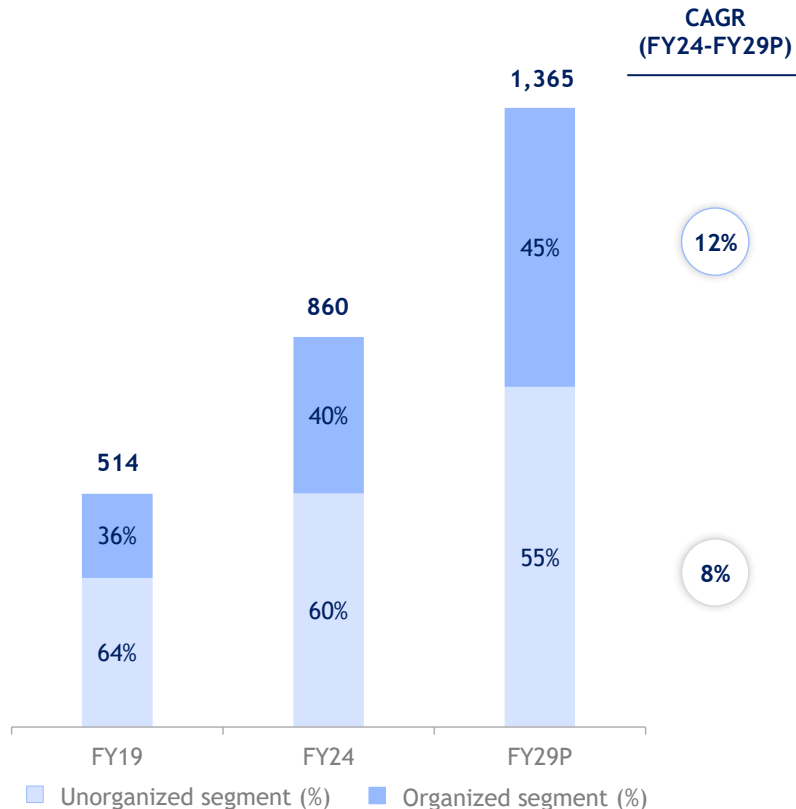
Region	States/UT	Key Spices Produced
North (Hot & Spicy, More cumin)	<i>Delhi, Punjab, Haryana, UP, Himachal Pradesh, Chandigarh, J&K, Uttarakhand, Rajasthan</i>	       Cumin Coriander Fennel Fenugreek Ginger Saffron Mint
West (Spicy but not very pungent)	<i>Maharashtra, Gujarat, Madhya Pradesh, Goa</i>	        Red Chillies Turmeric Ginger Garlic Fenugreek Tamarind Black Pepper Nutmeg
East (Hot, coastal & sweet)	<i>Bihar, Chhattisgarh, Jharkhand, Odisha, West Bengal, Sikkim, North-East</i>	     Tejpatha Black Pepper Cardamom Ginger Turmeric
South (Hot, roasted)	<i>Telangana, Tamil Nadu, Karnataka, Andhra Pradesh, Kerala</i>	      Nutmeg Black Pepper Cardamom Tamarind Turmeric Red Chillies

Sources: Industry Reports, o3 analysis

Organized segment outpacing the overall market, growing at a CAGR of ~12%

Sizeable opportunity to grow for organized players, given increasing shift towards branded products

Split by market segmentation (% | INR bn)



1 Food Safety & Quality Consciousness

- Loose spices are prone to adulteration driving consumer migration to certified branded products due to rising health consciousness

2 Convenience & Changing Lifestyles

- Urbanization, rising female workforce participation, and younger, less culinary-skilled millennials/Gen Z are driving demand for ready-to-use branded spice blends

3 Distribution & Accessibility

- Aggressive branded expansion, aided by e-com & quick-com, is making packaged spices accessible & price-competitive with loose alternatives across a wider geography

Organized segment growing at a faster rate vis-à-vis overall market - Driven by increasing consumer preference for higher quality food products, adoption of local tastes and distribution reach

Sources: Industry Reports, o3 analysis

Structural shift to blended spices driving superior growth & margins for organized players

1 Shift from pure spices to blended spices

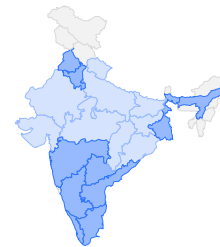
- Blended spices share is expected to increase from ~33% in FY24 to ~38% in FY29P
- Fuelled by urbanization, nuclear households, and weaker cooking skills among millennials and Gen Z
- Brands enter on pure spices for recall & win loyalty on blended increasing customer stickiness

2 Superior Margins and Pricing Power

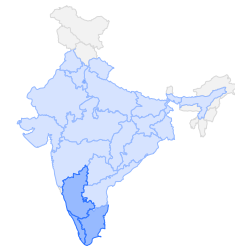
- With limited differentiation, pure spices earn ~30% margins while blended command ~45%, giving brands premium pricing power
- Regional players dominate rural markets with straight spices & big players focus on blended, drawing profitability from metros & Tier-I
- Cuisine-specific blends & international blends are replacing generic cooking, creating recurring high-margin consumption occasions

Branded spices penetration levels

Penetration of Branded FMCG

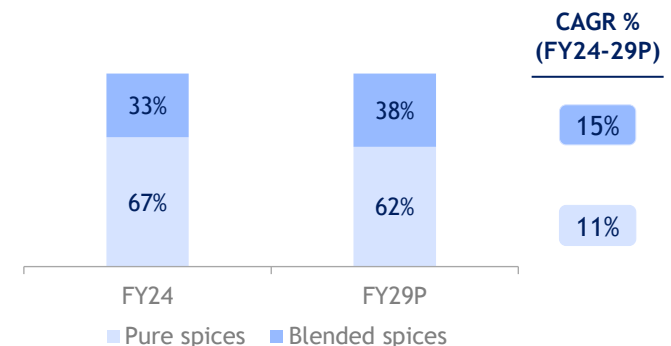


Penetration of Branded Spices



Low branded spices penetration vs. FMCG peers indicates significant headroom for branded players

Pure and Blended spices split



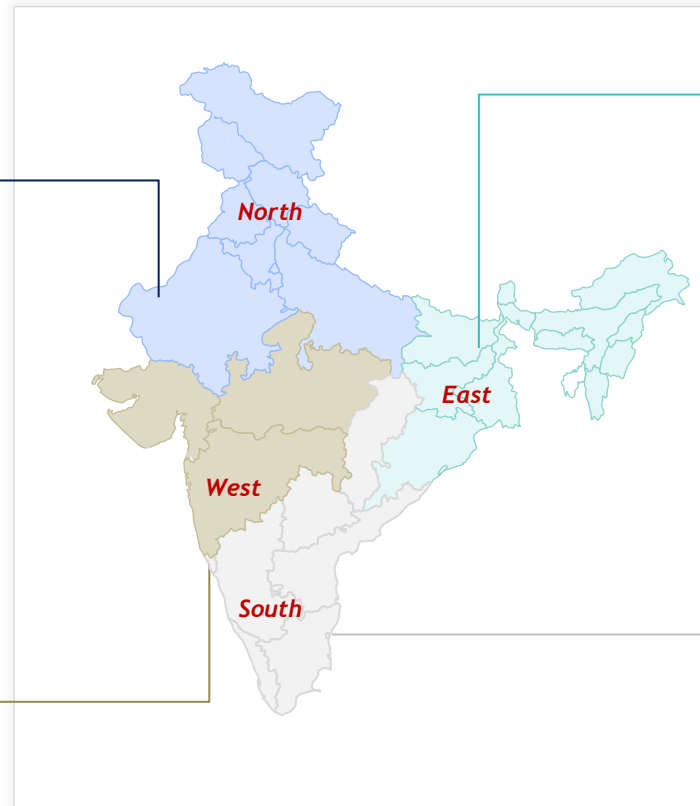
Sources: Industry Reports, o3 analysis

India's spice landscape: Strong regional landscape dominated by regional leaders

Fragmented market with presence of multiple strong regional brands having deeply entrenched distribution in their core markets

Company	Location	Rev.
	Delhi	28,450
	Noida	14,900
	Kanpur	14,820
	UP	7,670
	Noida	7,080
	Punjab	2,910
	Agra	2,820
	Kanpur	2,150
	New Delhi	2,030

Company	Location	Rev.
	Mumbai	36,030
	Pune	13,430
	Ahmedabad	5,840
	Indore	4,050
	Nagpur	4,150
	Nashik	3,130
	Mumbai	3,110
	Rajkot	5,190
	Gujarat	2,980
	Jamnagar	2,310
	Ahmedabad	2,230



Company	Location	Rev.
	Kolkata	5,920
	Odisha	6,880
	Assam	3,400

Company	Location	Rev.
	Chennai	21,620
	Erode	20,880
	Hyderabad	13,510
	Cochin	8,590
	Bangalore	2,570
	Kerala	2,200

Note: Revenue for FY25 for all players except FY24 for Munshi Panna, Suhana, Suruchi, Sakthi, Priya; FY22 for Eastern; FY20 for Sunrise; All figures are in INR mn

Top 10 players account for ~45% of the organized market, led by 2 pan-India brands

2 pan India players Everest and MDH - constitute ~16% of the organized market

Top 10 players on revenue - constitute ~45% of the organized market

2 of Top 5 regional players - Sakthi, Aachi are South focused players



Notes: 1. RoCE calculated using EBIT/average capital employed (Net worth + Net debt); 2. Financials for Tata Consumer, Sunrise have not been included as the standalone numbers for spices was not available; Note 3. All financials are for FY25 except FY24 for Sakthi, Priya & Suhana and FY22 for Eastern; Note 4. Revenue includes spices, pickles, etc.

Consolidation play with acquirers looking to expand geography, procurement access & distribution

Key factors expected to drive consolidation



Expand beyond core geography

Spices is inherently a **regional play**, with multiple strong brands. Acquirers are using inorganic routes to enter new regions



Product portfolio / Distribution

Large FMCG players looking for cross-selling opportunities to **leverage existing distribution** network



India market entry

Large global players are increasingly evaluating inorganic opportunities to **tap into the Indian markets**



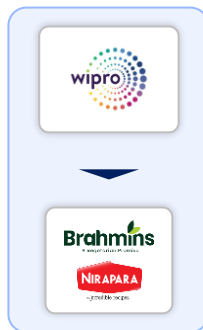
Platform opportunity

Opportunity to roll-up multiple assets across geographies to build a **large pan-India spices platform**

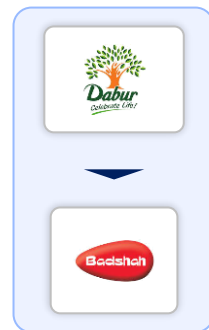
Signs of consolidation witnessed in the last few years concluded by strategic players and buy-out funds

Strategic /
Buy-out funds

Target



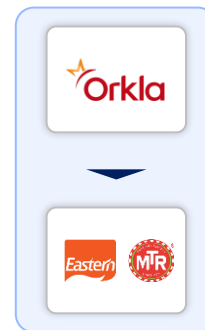
(2023)



(2022)



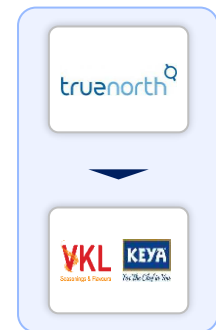
(2020)



(2009 | 2020)



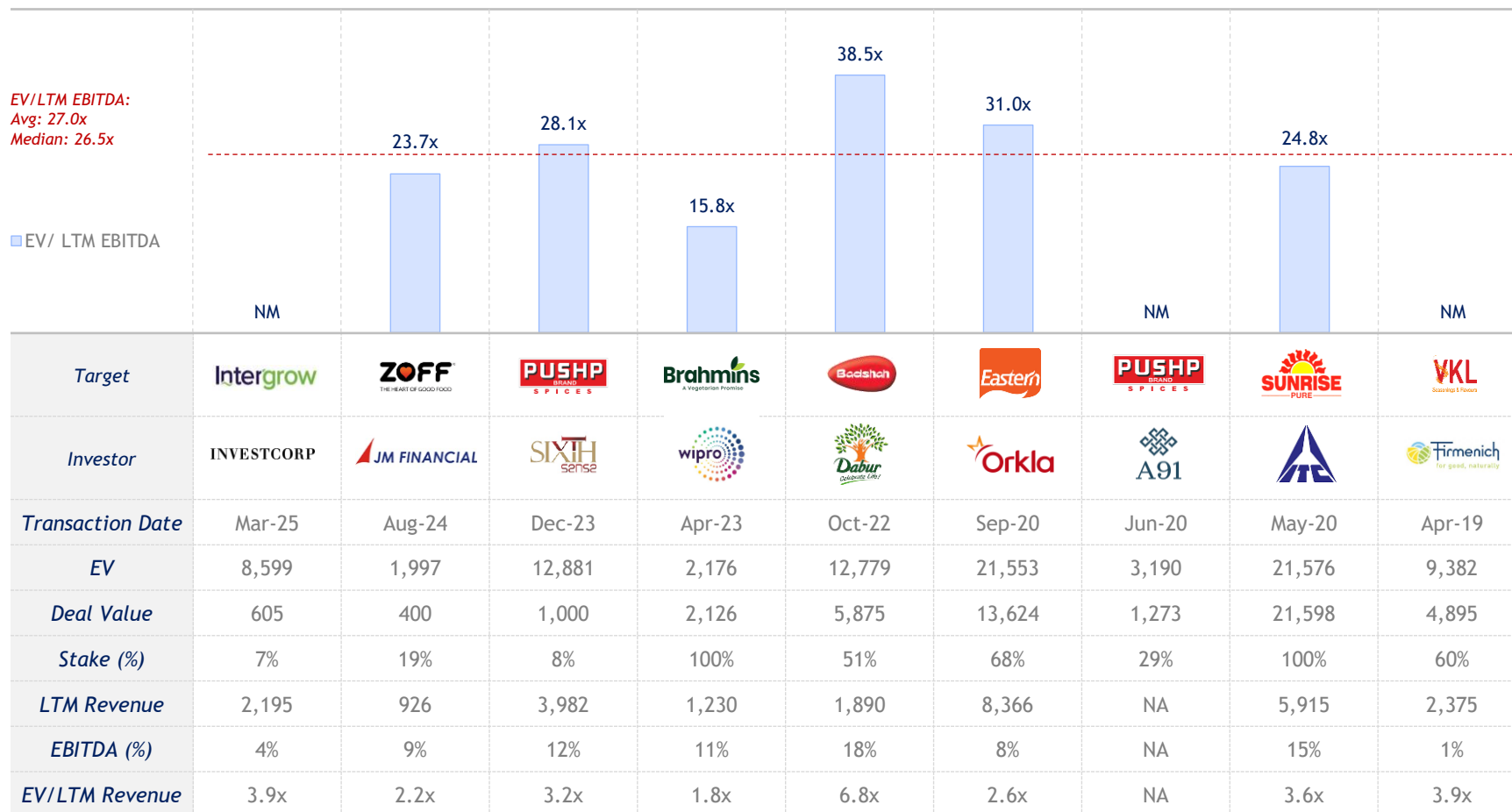
(2019)



(2013 | 2014)

Sources: Industry Reports, o3 analysis

Precedent domestic transactions in the spices industry



Source: VCCEdge, Private Circle. Notes: 1. All figures in INR mn; 2. "NM" = Not meaningful (includes all deals with multiple <0 and >50)

o3 Capital consumer practice: An overview

Recent closed transactions	 VKC Nuts raised funds from AvH and Venturi Partners	 Motilal Oswal Private Equity invests in Lahori	 Jumbotail Advised SCV on one of the largest & most complex M&A	 Facilitated Promoter buyout from a Private Equity	 PayU Advised Mindgate on one of the largest cross-border fintech M&A
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Food & Beverages		Apparel & Retail		HPC		Education		
 KIRIN  BIRA raised funds from Kirin Holding & MUFG	 reckitt Primavera's acquisition of Reckitt's Infant Nutrition business	 8° EIGHT ROADS' Chai Point raised funds from Eight Roads Ventures	 amazon Hopsotch raised funds from Amazon	 SIGULER  o3 alts Siguler Guff, o3 Alts acquires stake in Baazar Kolkata	 SEQUOIA  Go Colors raised funds from Sequoia Capital India	 enrich salons & academy WestBridge Capital makes significant investment in Enrich	 sauce.vc Perfora raised funds from RPSG and Sauce Ventures	 LIGHTHOUSE  XSEED raised Series B funding from Verlinvest
  NSR acquired majority stake in Moshe's	 Heineken Stake sale by Remgro in Distell to Heineken	  Remgro's acquisition of Unilever's spreads business	 8° EIGHT ROADS' Chai Point raised funds from Eight Roads Ventures	 Kalyan Jewellers IPO advisor	 WARBURG PINCUS  BIBA raised funds from Warburg Pincus and Faering Capital	  Premier was acquired by BILT	 WESTBRIDGE CAPITAL WestBridge Capital makes significant investment in Enrich	 CLSA  CLSA and IBOF sold their existing stake in Resonance
 delyver Big Basket acquired Delyver	 CX partners  Barbeque Nation raised funds from CX Partners	  Merger of Coca Cola Sabco with SABMiller	  NSR acquired majority stake in Moshe's	 delyver Big Basket acquired Delyver	  Gaurdian Nutrition raised funds from Mitsui Ventures	  Enrich raised funds from JM Financial	  Origami raised growth capital from BanyanTree	 Career Point raised funds from Darby

• Color denotes o3 Capital's client

Super-specialists across different segments of consumer



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