

FOOD AND BEVERAGE INDUSTRY IN INDIA

A summary guide on the Food and Beverage Industry in India

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Introduction

Food and Beverages constitutes one of the most exciting and interesting sectors today. The combination of recent developments in our scientific understanding of nutrition, the burgeoning field of genomics and the large-scale challenge around nutrition security creates a potent canvas for market and technology led innovations.

In India there is the added dimension of a tacit societal understanding and respect for traditional nutritive practices and hence the interplay of these facets can create significant value. While the global industry has embraced these technological advancements, India is yet to embrace them fully.

India is one of the fastest-growing economies in the world and is expected to become the third-largest world economy by 2030, surpassing developed countries. Food and beverage ("F&B") is the largest segment of the consumption market. The future of the food and beverage sector looks promising, given the growing demand due to changes in the consumer's lifestyle and consumption patterns. The Indian F&B industry is emerging as a high-profit sector. It accounts for about 3% of India's Gross Domestic Product ("GDP") and around 2/3 of the total retail market in India. In fact, the revenue in the food and beverage business segment is estimated to show a Compound Annual Growth rate ("CAGR") of 14.2 percent from 2020 to 2024.

Furthermore, by 2024, the projected market volume is expected to increase by US\$ 1,264 million. The packaged food industry comprises baked goods, convenience foods, dairy, and confectionaries. Biscuits (cookies) are one of the most popular baked goods in India. The convenience food segment includes frozen meals, packaged snacks, and ready-to-cook foods. The confectionary segment includes desserts and sweets. Tea is the most common hot beverage in India, especially in the northern, western, and eastern regions. Cold drinks such as soft drinks and fruit drinks are becoming more common in the country. Packaged water is increasingly prevalent as the Indian population does not trust the quality of municipal water.

Market scenario

The current market size of the Indian F&B industry shows great potential for higher profit and, therefore, is attracting enormous foreign investments. The number of users in this market is estimated to reach 346.9 million by 2025. There is also a great potential for the user penetration rate to hit 24.0% by Financial Year ("FY") 2025. India has seen sustainable packaging growth in food and beverage industries due to increased packaged food consumption, awareness, and demand for quality products. India's F&B sectors are the main drivers of the packaging market's expansion. Growing investment in the food processing sector is opening up new packaging opportunities due to efforts to reduce agricultural crop waste.

The expansion of organised retail, the rise in the middle-class population's purchasing power, and exports all contribute to the market's growth. As a result, uniform packaging is now required to increase shelf life, maintain production speed, and guarantee quality. With India's population skewed toward younger consumers, the majority of Indian consumption of food and beverages is driven by people between the ages of 18 and 40, which opens the opportunity for manufacturers to come up with more varieties.



A higher level of living, increased wealth, and the fast-paced lifestyle of urban areas are all contributing to the expanding trend of online food delivery combined with packaged food.

The market is expected to be significantly challenged due to dynamic changes in regulatory standards, primarily due to increasing environmental concerns.

Government initiatives

- Under the Infrastructure Development Scheme, the Government of India has approved the establishment of 15 mega food parks with a total grant of Rs 787.50 crore (US\$ 148.57 million).
- The Center has also proposed to set up 30 food parks by the Ministry of Food Processing Industries, which will help 20,000 small and medium-sized businesses engaged in the manufacturing and processing of food products every year.
- The Ministry of Food Processing Industries has allocated Rs 595 crore (US\$ 112.48 million) for various food processing schemes to be implemented.
- The Union Ministry of Agriculture's Inter-Ministerial Task Force on Agricultural Marketing Reforms recommended the establishment of additional cold chain facilities with an investment of Rs 2,500 crore (US\$ 472.59 million).
- The Government of India had approved the umbrella Central Sector Scheme for Agro-Marine Processing and Development of Agro-processing ("SAMPADA") Clusters with a total allocation of Rs. 6,000 crore. The scheme has been subsequently renamed as 'Pradhan Mantri Kisan SAMPADA Yojana ("PMKSY"). PMSY was envisaged as a comprehensive package that would result in the creation of modern infrastructure with efficient supply chain management from the farm gate to the retail outlet.
- Now, the Government of India (GOI) has approved the continuation of the Central Sector Scheme (PMSY) (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) with an allocation of Rs. 4600 crore till 31.03.2026, coterminous with the 15th Finance Commission cycle. The scheme will be implemented by the Ministry of Food Processing Industries ("MoFPI").

Legal regulations

Food Safety and Standards Act, 2006 (the FSSAI Act); and the Food Safety and Standards Rules, 2011 (the FSSAI Rules).

- The Food Safety and Standards Act, 2006 consolidates various acts and orders that handle food-related issues in various Ministries and implements the act through food control authorities in various states.
- The Food Safety and Standards Act, 2006 establishes a national regulatory body, the Food Safety and Standard Authority of India (FSSAI), as an authority for food safety and quality in India.
- The Food Safety and Standards Act, 2006 also regulates and monitors the manufacturing, processing, storage, distribution, sale, and import of food to ensure proper consumption.
- The authority is also responsible for contributing to the spread of awareness about food safety and the framing of regulations to lay down standards and guidelines concerning various aspects of maintaining high standards for food.

Environment Protection Act, 1986:

- The Environment Protection Act, 1986 was enacted with the main objective of providing protection and improving the environment.
- The Environment Protection Act, 1986 also incorporated the rules for the manufacture, use, import, and storage of hazardous microorganisms, substances, and cells used as foods.
- As a special feature, the Environment Protection Act, 1986 also made it compulsory for every food plant discharging waste into the mainstream to obtain a No Objection Certificate from the respective State Pollution Board.

Voluntary Standards and Certification: The Bureau of Indian Standards (BIS) formulates Indian Standards in the food processing industry by prescribing standards relating to raw materials and their quality, hygiene requirements for packaging, and labelling.

Taxation regimes

Every business in the food and beverages industry has to comply with several tax regulations of the country in which they are operating their businesses.

Goods and Service Tax (GST) rate on food items in India combine of:

- Meat packed in a container with a registered trademark/brand name is subject to a 5% GST.
- 5% GST on non-in-shell avian eggs and egg yolks boiled or steam-cooked.
- GST is 5% on ginger (excluding fresh ginger), turmeric (except fresh turmeric), thyme, curry leaves, bay leaves, and other herbs and spices.
- 12% GST on sugar-preserved vegetables, fruits, nuts, and edible plant parts.
- Foods such as meal/powder of dried leguminous vegetables are subject to a 5% GST.
- 12% GST on the vinegar/acetic acid, preserved/prepared vegetables, fruits, nuts, and edible plant components.
- 18% GST on food preparations containing less than 40% cocoa by weight, such as those made with flour, malt extract, and so on.

Input Tax Credit ("ITC") benefits are only available to businesses charging 18% GST on food services, according to GST Laws, while restaurants or eateries charging merely 5% GST on food services do not obtain ITC benefits. Currently, the GST on food and food services does not exceed 18%, and no food goods are included in the highest tax category of 28%. As a result, no significant price increases or cuts in food goods have been reported since the implementation of GST (Goods and Service Tax).



Licenses required



FSSAI licence: FSSAI stands for Food Safety and Standards Authority of India. The requirements that need to be fulfilled by a food business to obtain the licence are:

- a basic FSSAI registration is required for a food business with an annual turnover of up to Rs. 12 lakhs.
- a state FSSAI licence is needed that has an annual turnover of up to Rs. 20 crore and operates in only one state.
- a central licence is needed for a food business that has an annual turnover of more than Rs. 20 crore and operates in multiple states.

An application form is sent to the licensing authority along with registration fees, which can now be paid online as well. On registration, an FSSAI number is given to the business. This number is printed on every food package manufactured or processed by the business.

Registration under the Shops and Establishments Act: A food business has to register under the Shops and Establishments Act of the state in which its business is located. A Shop and Establishment Certificate can be obtained by filling out a form, paying the requisite fees, and attaching relevant documents to it.

Health Trade licence: A health trade licence allows a business to trade in any items or services that have a direct impact on public health. A food business that has this licence from the Municipal Corporation, is certified to comply with hygiene and safety standards. A health trade licence is issued by the municipal corporation or the health department of the state

NOC from the Chief Fire Officer: To obtain a NOC (No Objection Certificate), the business has to submit its building plans, model of the building, and certificate of an architect, and fill out a questionnaire with the Chief Fire Officer.

Eating House licence: An eating house licence is required for any business where the general public is admitted and any kind of food or drink is served for the public's consumption. An eating-house licence can be obtained from the State Police Commissioner.



Environmental Clearance: This licence can be obtained from the state or city pollution board. This licence is granted once the authority evaluates the scope and impact of the business on the environment.

Signage licence: A signage licence allows a food business to advertise itself by putting up any words, signs, or pictures.

Dispute resolution

If a company, hotel, or individual takes part, in assisting, or perpetrating food or beverage contamination, a complaint can be filed against the manufacturer, restaurant owner, shopkeeper, or employer. For this, the local health authority, the Food Safety Authority's district commissioner, or the Consumer Forum must be approached.

Even the Consumer Forum can be approached at any of the three levels: district level, state level, or national level. The complaints that are registered have original jurisdiction at district levels and further appellate jurisdiction at a state or federal level.

As per the Food Safety and Standards Act of 2006, people who perform acts that result in food and beverage contamination may face the following penalties:

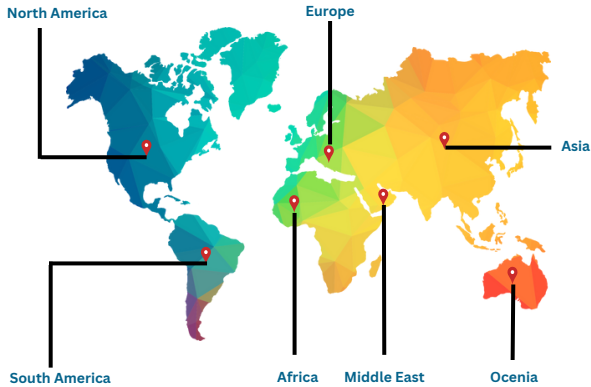
- any individual who sells any material that is not as per the consumer's demand or provision is liable to pay a maximum fine of Rs. 5 lakh if found guilty;
- anyone who manufactures, stores, sells, distributes, or imports any sub-standard food or beverage item, any food or beverage item which contains decayed matter, or any item stored in unhygienic conditions, is liable to pay a penalty, which may extend up to Rs. 5 lakh;
- anyone who manufactures, stores, distributes, or imports any misbranded food-related product against the prerequisites stated by the Act might face a penalty of up to Rs.3 lakh;
- any person who issues a misguided advertisement misrepresenting food quality or provides consumers with false guarantees might have to pay up to Rs 10 lakh;
- if anyone distributes a non-severe adulterant, they may face a fine of up to ₹1 lakh; if the adulterant is harmful to health, the fine may rise to Rs.10 lakh; and
- a fine of Rs. 2 lakh will be imposed for any violation of the law as specified in the Act.
- Consumers can lodge their complaints by approaching the Food Safety Commissioner or through the state grievance-handling mechanism.

How we can help?



- Our team is a part of a multidisciplinary firm with first-rate practices in dispute resolution, intellectual property, data security, digital forensics, corporate, and other disciplines.
- We engage in preliminary market research relating to the registrations, compliances, and authorizations that would be required for establishing any form of a food or beverage company in India;
- We have proficiency and updated knowledge of the laws, regulatory requirements, and industry practices.
- We assist businesses as well as international companies looking to export or establish a franchise in India.
- Our team has been actively involved in advising clients on statutory packaging and labelling compliances, reviewing their labels, print, and media advertising contents, etc., to ensure statutory compliance, advising on the import of food products into India, custom bonding and clearance, storage, and labelling issues.
- We have a dedicated team who specialise in matters and concerns related to the food industry and assist clients in complying with food and beverage laws.

SERVING CLIENTS WORLDWIDE



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