

A
BRIEF REPORT
ON
NUTRACEUTICAL PRODUCTS IN INDIA

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1. OVERVIEW OF NUTRACEUTICAL PRODUCTS

1.1 Background

As Indians become conscious about their health and how they look and feel, the market for dietary supplements, sports nutrition products, and weight loss products that are broadly clubbed under nutraceutical is beginning to pick up speed. At present, the nutraceuticals industry in India is about USD 2.2 billion and is mainly focused in the southern region, followed by the eastern region with three major states of Andhra Pradesh, Tamil Nadu and West Bengal. Along with the growing healthcare industry in India there is an emerging trend in Fast Moving Healthcare Goods (FMHG) in India worldwide known as Nutraceutical, which are by definition, ingredients with human health benefits beyond basic nutrition.

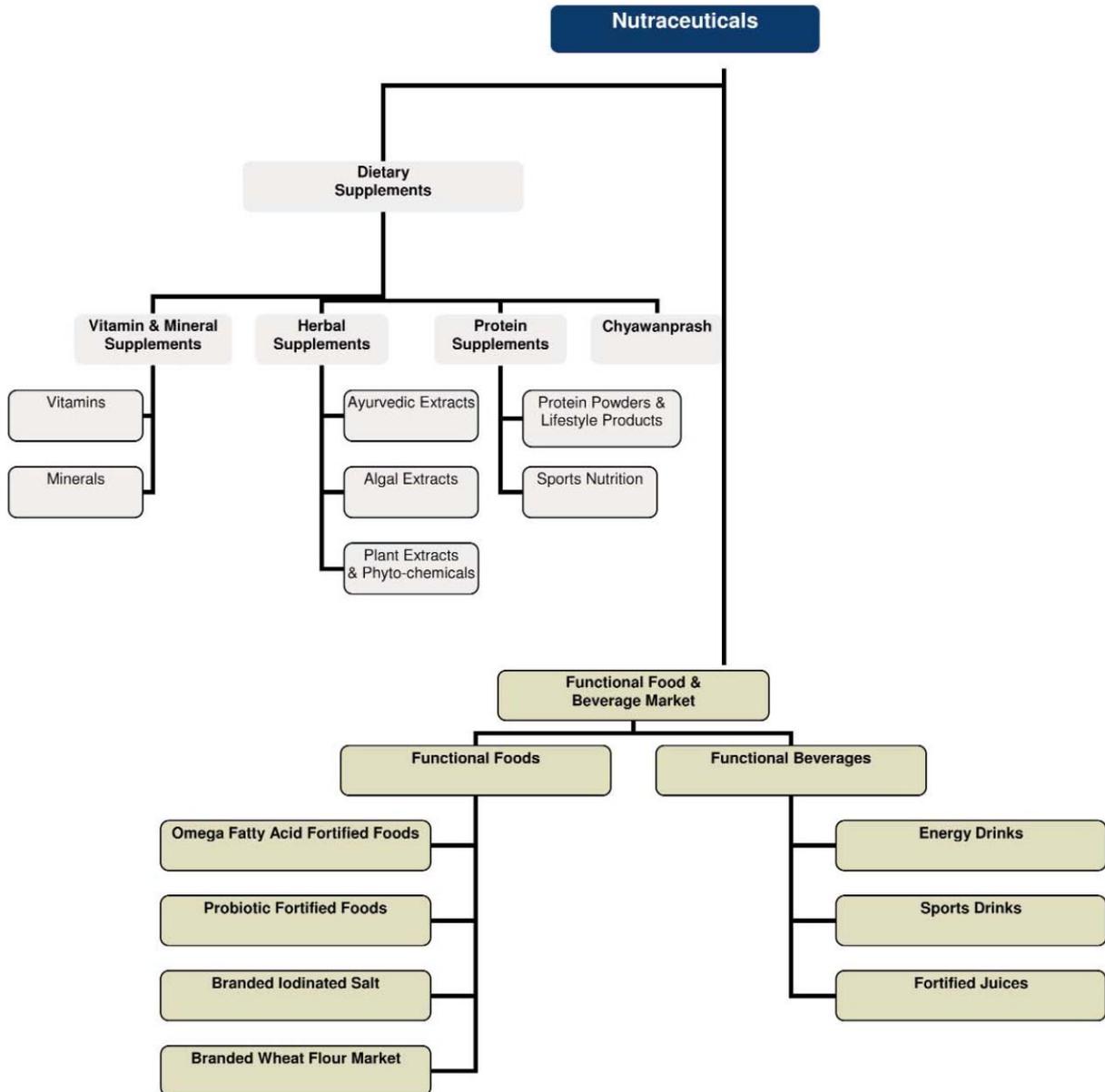
The Indian nutraceuticals industry is expected to grow at 20 per cent to USD 6.1 billion by 2019-2020 due to rising awareness about health and fitness and changing lifestyle. However, dietary supplements, specifically herbal and dietetic supplements will form the greatest opportunity areas for Nutraceutical manufacturers, driven by growing demand from an evolving consumer base.

Large global food companies, which are always on the lookout for ways to diversify their product line and still turn a profit, have set up functional food or nutraceutical divisions. Pharmaceutical companies are now adopting the nutraceutical and the recent trend is convergence of food manufacturing companies with pharmaceuticals to implement the research necessary for drug discovery; the move into the less expensive and time consuming nutraceutical research process. It is thus becoming a logical progression for many food companies to enter into nutraceutical market.

1.2 Present Market Scenario

The trend towards preventive healthcare has seen Pharma Companies such as Novartis, GlaxoSmithKline, and Cadila Healthcare has diversified into the production of nutraceutical. Then there are fast moving companies like Cadbury India and Dabur that have had a presence in the market with a slew of supplements & additives. On the other end of the spectrum companies that specialize in ayurvedic/ herbal health care products like the Himalaya Drug Company. The Indian Nutraceutical Market is dominated by pharmaceutical and fast-moving consumer goods (FMCG) giants. While Dietary supplements such as Vitamin and Mineral Supplements have been captured by Pharmaceutical companies, functional food and beverages are now being brought to the market by FMCG companies. However, certain segments like dietetic supplements are now being catered to by pure-play nutraceutical companies, apart from their pharmaceutical and FMCG counterparts. The nutraceuticals industry in India is one of the rapid growing markets in the Asia-Pacific region. Factors like rising awareness about health and fitness, ageing population, changing lifestyle are fostering this growth. The industry is anticipated to grow at around 20 per cent over the period to reach USD 6.1 billion by 2019-2020. Nutraceuticals business is divided into three segments - functional food, functional beverages and dietary supplements. Entry of various international and

local players in this market, there is acceleration in growth. The Indian nutraceuticals market is divided into functional food and beverages (68 per cent) and dietary supplements (32 per cent).



International Market Dynamics

The global nutraceutical market was valued at \$160.6 billion in 2013 and increased to \$171.8 billion in 2014. The market is expected to reach \$241.1 billion by 2019, a compound annual growth rate (CAGR) of 7% from 2014 to 2019. Global population of individuals over 60 years of age expected to reach 1 billion by 2020, 70% of which will be living in developed nations driving “Anti-aging”

and “age-defying” products to higher product visibility. Increases in global healthcare costs led more individuals to focus on preventative care, self-diagnosis, and self-medication.

1. Europe - Increased government regulation and arduous approval processes stifling innovation. In lieu of introducing new ingredients, European companies are focusing on rebranding and expanding product offerings for currently approved ingredients
2. Latin America - Underserved markets could spur growth in the region as disposable income increases
3. Asia/Pacific - Currently the Asia/Pacific region’s market share is only surpassed by the U.S. dominated North America region. Regional market share as a whole is expected to surpass North America’s market share by 2017
 - China - Expected to be the largest consumer of Nutraceuticals ingredients by 2020. Growth in China expected to be fueled by the rapidly growing middle class and its disposable income
 - Japan - Currently the second largest individual consumer of Nutraceuticals (behind the U.S.)As its middle class continues to expand, China should eclipse Japanese consumption within the next few years
 - India and Indian Subcontinent - Unlike its regional neighbors, India’s market share growth is not expected to come from dietary supplements. However, functional beverages are expected to drive growth throughout the subcontinent

The Functional foods (24 percent) and Functional beverages (12 percent) are relatively nascent markets in India, primarily due to the existence and reliance on traditional wisdom and Ayurveda by a burgeoning middle class, which accounts for a huge chunk of the purchasing power in India. Further the marketing of products such as sports and energy drinks is primarily targeted at niche segments of the urban population, resulting in low penetration for these products, even amongst the urban population. Growth of the Dietary supplements will be spurred forward by the growing demand for dietetic supplements, due to an urban, fitness conscious, young population. With increasing sophistication among Nutraceutical, consumer demand for products with specific health benefits has been on the rise. Nutraceutical products have now been cordoned into various segments based on the health benefits. These sectors such as heart health, eye health, in India and allow manufacturers to position themselves better.

2. MAJOR PLAYERS

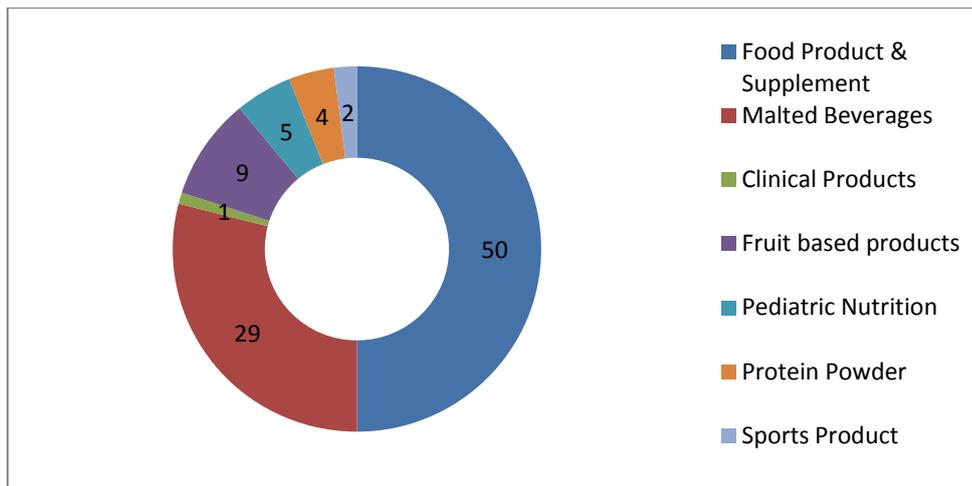
- 2.1 GSK Consumer Health Care:** is an Industry leader with an estimated seven percent of the world's Pharmaceuticals Market. GSK has two products: Nutritionals and OTC. Recently GSK has successfully extended brand Horlicks into food categories such as biscuits, noodles, cereal bars & oats.
- 2.2 Amway:** Amway is one of the world's largest direct selling companies. Amway operates in more than 80 countries and territories on six continents. More than 450 unique, high-quality products carry the Amway name in the areas of nutrition, wellness, beauty, and home. In addition, Amway distributors in selected markets sell additional brand-name goods through local merchandise catalogues, plus a variety of services and educational products. The Indian arm of Amway Corporation, has achieved a turnover of Rs 22.88 billion for calendar year 2012. The company also registered a CAGR of over 20 per cent for the past five years and is aiming to achieve the turnover of Rs 50 billion by year 2020.
- 2.3 Abbott Nutrition:** Abbott Nutrition is a division of Abbott, the global, broad-based health care company. Every day, our global team of scientists is working hard to discover and develop nutritional and related health care products that advance the quality of life for people of all ages. It offers a range of nutritional products for children, infants, adults, people with diabetes etc. Worldwide sales of nearly \$5.4 billion increased 3.5 percent on an operational basis, consistent with previous guidance, driven by 9.0 percent operational sales growth in Nutrition and 6.4 percent operational sales growth in Diagnostics.
- 2.4 Baidyanath Group :** One of India's most respected Companies, Shree Baidyanath Ayurved Bhawan (p) Ltd. (Kolkata), popularly known as Baidyanath, is the acknowledged leader of Ayurvedic know-how. Ayurveda is a 5000 year old Science of health care and herbal treatment. Ayurveda, is highly effective in common and complicated ailments, assures long term relief and has no side effects. AYURVEDA is now backed by modern scientific research and technologies and provides its gentle healing touch to millions around the world.

3. GROWTH OF NUTRACEUTICAL PRODUCTS

3.1 Market Growth

The nutraceutical market broadly consists of two major segments- Food supplement and vitamins and Mineral supplements, the former constituting over 60 per cent of the market and the rest 40 per cent comes from the latter. Among vitamins and mineral supplements have continued to be marketed and distributed like prescription drugs in India, as the general awareness level are still low. Food and supplements on the other hand, are marketed and distributed more like FMCGs, a reason why they are also clubbed as fast moving healthcare goods by the various players. Nutraceuticals market penetration in urban India is at around 22.5 per cent, while it is comparatively low in rural India at 6.3 per cent. The urban penetration is more as demand for protein supplements is increasing among the urban youth due to rising desire towards maintaining fitness and building a strong physique.

Categories of Food Supplements



For nutraceutical, marketers follow end-user demographic market segmentation (like infants, children, youngsters, women, senior citizens etc) and the products are positioned for each of these segments, and the marketing messages revolve around benefits to the end users (like boosting energy, body health — bones, joints, weight management).

3.2 Opportunities & Challenges

Opportunities	Challenges
<ul style="list-style-type: none"> ➤ Size of the market at Rs 65 billion India is just 2 percent of the global nutraceutical market. ➤ The rising incidence of certain diet-related health problems 	<ul style="list-style-type: none"> ➤ Product Development- Companies should develop more consumer focused products. ➤ Product differentiation- Brands should take the lead by building the

<p>➤ Growing consumer awareness. With mass media conversations players in this segment are educating the consumers.</p>	<p>credibility and lowering prices.</p> <p>➤ Product Promotion- Players should try and increase awareness through advertising and consumer education.</p>
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Pharma and nutraceutical companies need to focus on now is product innovation. India will be a strong market for Nutraceutical products as the players in the industry will be a combination of large multi-nationals, Indian companies using proprietary formulations and the small players who constitute the unorganized market. Multinational companies have set up production facilities in India and this trend can only be expected to grow further. Convergence of food manufacturing companies with pharmaceutical companies to manufacture and market Nutraceutical is another emerging trend that will catch on in the future. On the supply side, India will maintain a modest trade surplus in Nutraceutical ingredients as most of the country's large pharmaceutical companies operate divisions that produce bulk medicinal and nutritional compounds. The distribution channels available for Nutraceutical shall play a vital role in the future growth of the business.