



"Changing Regulatory Landscape in India & Expectations of Indian Cashew Kernel Buyers"

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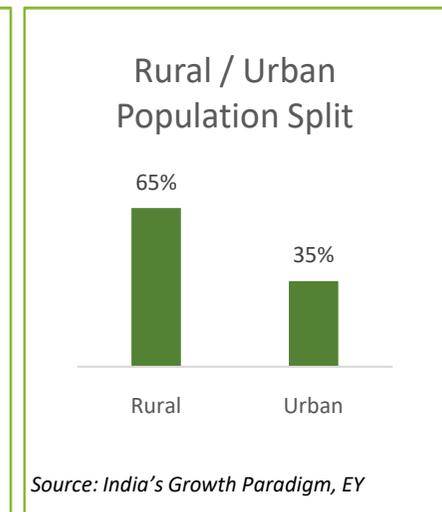
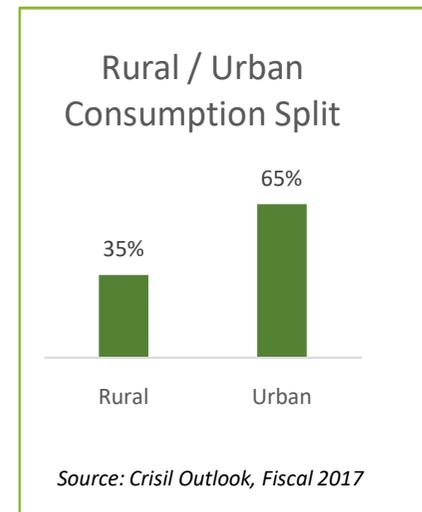
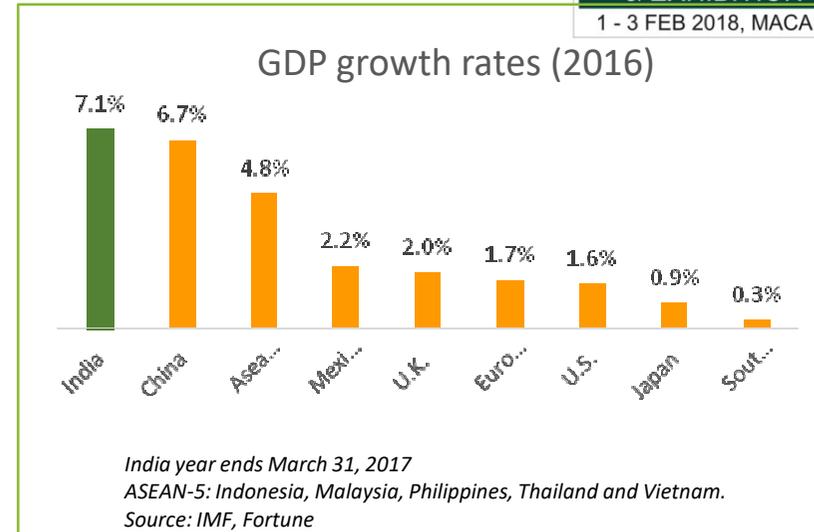
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India – A Dynamic Economy



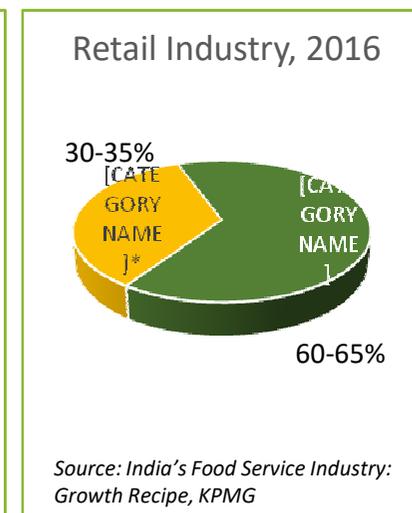
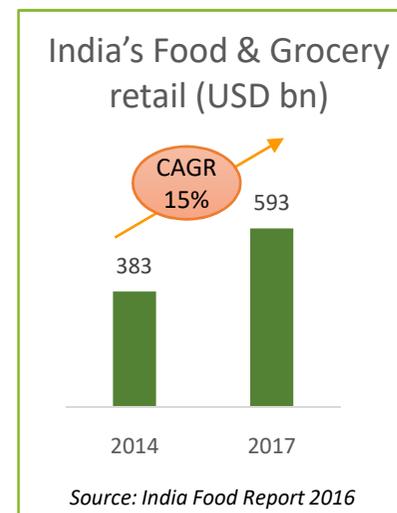
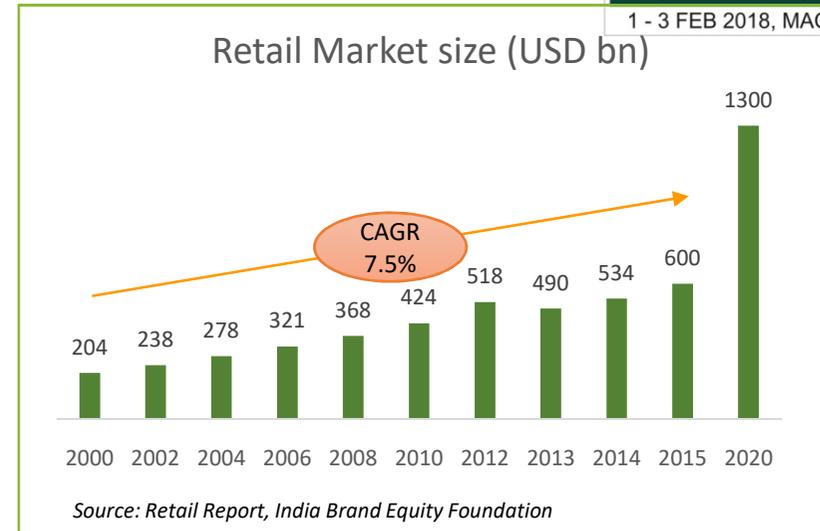
- India, world’s fastest growing large economy, is expected to grow at 7.6% in FY 17-18¹
- A country of 1.2 bn² population of which nearly 65% is younger than 35³
- During FY16-17, India’s Foreign direct investment (FDI) stood at US\$60 bn; CAGR of 19% from US\$ 36bn during FY13-14⁴
- India is the 3rd largest startup base in the world with over 4,750 technology startups⁴
- Urbanization, growing middle class, and increasing consumer spending are the driving forces of growth



Source: ¹World Bank; ²Doing Business in India, ³Future of India, PWC, ⁴Financial Express, ⁵India Brand Equity Foundation

Growing Retail Sector

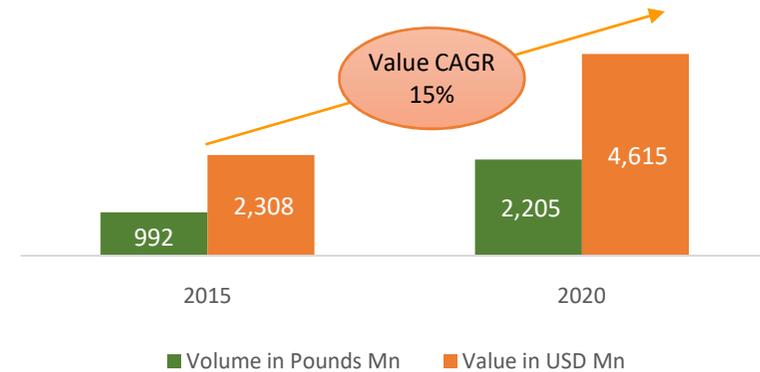
- Retail has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players
- The retail industry accounts for 10%+ of the country's GDP and ~8% of employment⁶
- Ranked 1st in the 2017 Global Retail Development Index (GRDI) rapidly progressing from a 20th position in 2014
- Retail sector has benefited from rapid growth in e-commerce wherein 100% foreign ownership is allowed in B2B e-commerce businesses and for retailers that sell food products



Industry Overview

- Nuts and Dry Fruits is very old but highly fragmented industry in India
- Consumption of dry fruits in India has been low compared to other countries
- Amongst all Dry fruits, consumption of Cashew is highest

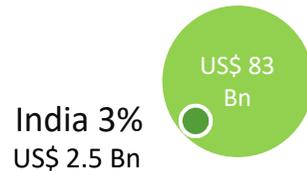
Expected Growth in Indian Dry Fruits Industry



Source: India Food Report 2016

Global Comparison

Global Dry Fruit Consumption



World Population



Annual Per Capita Nuts Consumption



1.8 Kgs



150 Grams

Dry Fruits Consumption, 2015

Annual Consumption in Pounds Mn

	India	USA
Population	1.2Bn	321Mn
Cashews	352.80	110.25
Raisins	198.45	509.10
Almonds	123.48	595.35
Pistachios	48.51	110.25
Walnuts	35.28	123.48



Cashews- *Most Widely used nut in India*

- As Snack -Raw, Roasted & Fried Forms
- Preferred Ingredient- For Traditional Indian Snacks & Recipes
- Most used nut in “HoReCa” Segments
- Used in Multiple verticals of Food Industry -Bakery, Ice Cream etc



Changing Regulatory Landscape

- The New Food Safety Law-FSSAI
 - Food Safety Standards Association of India
- Legal Metrology
- GST- One Nation One Tax



FSSAI-An Overview

- Created for laying UNIFIED Science base standards -in tune with Evolved Economies of the world
- Aims at being a Single Reference Point for all Matters concerning Food Safety & Standards.
- Regulating Manufacturing, Storage, Distribution, Sales, Imports and all facets of Food Sector

Pre FSSAI-2011 & FSSAI Now-2018



Pre 2011

- Food Laws-Fragmented under various Central & State Laws
- Lax Enforcement of Laws
- No Mechanism for creating Awareness of Consumers & Stake Holders

Now

- One Cohesive Centralised Agency –All Laws under one Umbrella
- Stricter Enforcement
- Concerted Efforts to educate Consumers & Stake Holders By FSSAI



FSSAI

- Long Term Benefits but Short Term Challenges with still evolving Food Safety Laws & Regulations.
- Consumer Awareness & Expectations have Increased Significantly throwing fresh challenges
- Food Labelling in both Consumer & Bulk Packs as become extremely important.
- A clear unambiguous distinction needs to be given for Value Added Propriety Products with Ingredient List- Only FSSAI approved Ingredients are to be used for such products.
- Since the regulations are still evolving- the same additive may be allowed for one product and not for other in the same category

- No health claims can be made on Consumer Packs unless backed by authenticated studies with due references
- It is not clear whether this is applicable for only Propriety Foods or for Natural Products as well whose health benefits are known for ages.
- The Interpretation of rules is not uniform across the states causing heartburns for the processors.
- The Case in Point- We were issued Show Cause Notice for “Misbranding” for mentioning Product as “Roasted & Salted Cashews” for having found traces of “NACL”, which is a just a chemical name for Common Edible Salt in the Lab Testing of our Cashews.

- Ascertaining Shelf Life on Raw Products is an issue
- No Study On Shelf Life for Raw Natural Products available in
- However we are required to Mention Shelf Life on all Raw Nuts in Bulk Packs.
- Labeling for Imported Food Products Needs serious Application- Any technical error can result in rejection even if the Product is in conformity with existing laws.
- A Case in Point- An imported consignment was rejected for a mere technical flaw – The required information was given on the Bulk Pack but on two different stickers instead of one.
- All Food Product are supposed to be moved, stored, transported in FSSAI Approved Warehouses/Vehicles.



- Much of the Transporters, Vehicles & Warehouses are not registered with FSSAI- Goods in Transit can be an issue once the law is strictly implemented.
- Seek Professional Opinion with regard to Standards, Labeling & Permitted Additives for our Value Added or Processed Products before launch.
- Insist and sensitize your Carriers / Contracted Warehouses for their FSSAI Registration.

Legal Metrology- *Standard Requirements*

- Already in Place but becoming increasingly stringent.
- All manufacturers are required to be registered
- However very few are aware of this requirement.
- Yearly inspection and stamping of all Weighing and Calibration Equipment is must by the department
- Non compliance can result in seizure of equipment.
- Clarity with regard to the size of Fonts with respect to pack size and the minimum required information
- Same Laws interpreted differently in different states.

Legal Metrology- Concerns

Seek Professional Opinion before creating a Label and ensure conformity for:

- Label Size
- Quantity
- Font Size
- Full Information on Label as per Statutes

Some of the common mistakes that can cost dearly

- “Rs.” Missing from the MRP
- MRP does not mention “ inclusive of all taxes”
- The Font size is not strictly as laid out in the statutes
- “Gms” can not be used for denoting Qty. in Grams
“Grams” or ‘g’ is ok.
- “Nos” and not “Pieces” is to be mentioned for denoting quantity in Pieces
We were fined for mentioning Qty. as “01 Piece” instead for “01 Nos”



GST-One Nation One Tax

- Biggest Regulatory Change in India
- One Tax across the Nation
- Will Boost GDP & Trade significantly in the long run.
- Lots of Opportunities for organized players with seamless integration of National Market
- No halting of transport on state borders- substantial saving in transit time.
- Various State wise Sales point not needed
- Logistics can be organised from DCs based on Operational Efficiencies and not for specific state Benefits

Challenges

- IT Infrastructure Issues
- Lot of Mix up with regard to HSN Codes.
 - Each Dealer, Buyer interpreting same Product in different HSN Codes.
- Variation in Tax rates across the same commodity
 - Cashew taxed at 5% but Valued Added (Roasted & Flavoured is taxed at 12% under different HSN Code.
- E-way Bill Mandatory over Rs 50000
 - Every Sales/Purchase Transaction Requires E-way Bill on Government website
 - Failure to comply will attract Heavy Penalties
 - No Clarity on Cancelled Orders /Dispatches after issuance of E Way Bill.

E-way Bill



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In view of difficulties faced by the trade in generating e-way bill due to initial tech glitches, it has been decided to extend the trial phase for generation of e-way bill, both for inter and intra-State movement of goods. It shall be made compulsory from a date to be announced

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Expectations of Indian Kernel Buyer

Challenges As a Buyer

- Lack of Standardization-
 - All Specs need to be standardized across the industry for benchmarking

Grades

1. WW240, W240,A240, P240, D240, S240, SW240
2. Tolerances of Each grade to be same across the industry
3. Even Different factories of same supplier has quality variations

Examples



M180-2-890
 SW180-1-860
 W210-1-960
 W240-4-900
 M240-5-820
 SW240-1-795
 W320-7-820
 SW320-7-730
 W300-15-795
 A300-12-770
 W400-2-755
 A400-3-735

FW-2-710
 FW1-2-580
 DW-3-700
 OW-6-440

JH-1-780
 JH1-5-765
 SJH-1-750
 K-4-730
 LWP-9-715
 LWP1-2-695
 SS-1-720
 SP-3-695
 DP-2-660
 BB-2-510
 DP2-2-450

FW1-2-650
 PKW-7-610
 PKW1-1-490
 DW-1-690
 SSW-11-740

JJH-1-785
 JH-5-770
 S-17-755
 SS-8-730
 JK-4-730
 K-9-720
 LWP-15-710
 LWP1-6-685
 SP-10-685
 DS-3-650
 SWP-2-650
 SWP1-3-600
 DP-1-650
 PKS-1-520
 PKP-1-430
 BB-2-510
 Daily Soap

W180-4-1080
 A180-3-1020
 W210-3-970
 A210-3-935
 W240-12-915
 A240-12-870
 M210-1-870
 M240-1-830
 SW240-1-800
 DW240-1-780
 W320-12-830
 A320-10-815
 W300-15-800
 300-3-780
 W400-6-760
 A400-1-740

SW1-1-760
 DW-1-710
 DW1-2-630
 FW-5-710
 FW1-1-640
 KW-4-620
 KW1-4-520

JH-8-785
 S-20-770
 SS-5-750
 DS-2-550

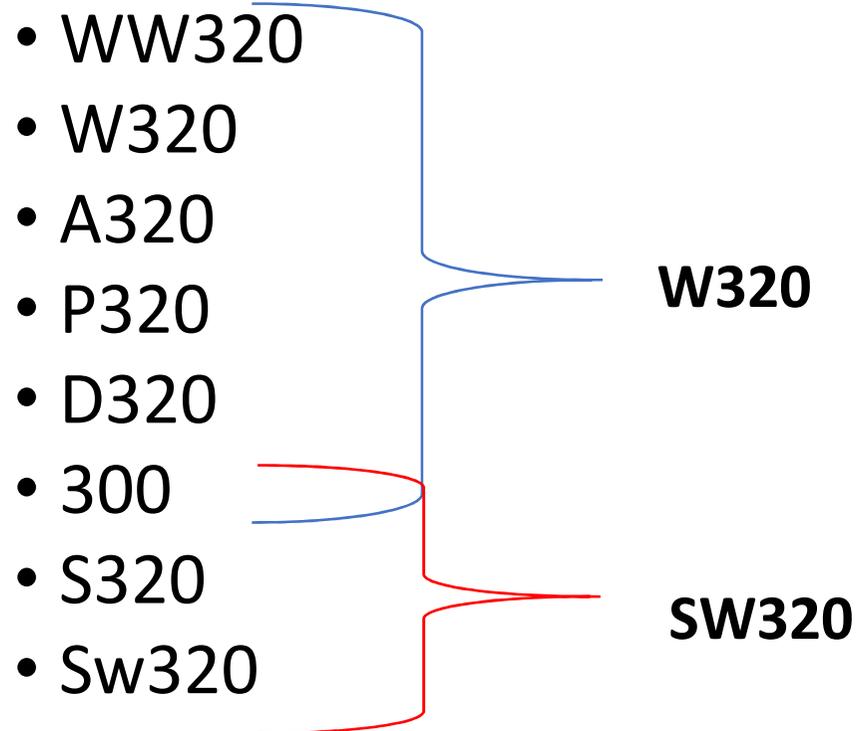
W320-17-820
 A320-24-805
 300-23-770
 W400-8-750
 A400-9-730
 SW400-1-700
 DW320-3-710
 M320-3-750

JDW-3-770
 FW-1-710
 FW1-2-630
 PKW-7-610
 PKW1-1-490
 DW-1-690
 SSW-11-740

JJH-1-785
 JH-5-770
 S-17-755
 SS-8-730
 JK-4-730
 K-9-720
 LWP-15-710
 LWP1-6-685
 SP-10-685
 DS-3-650
 SWP-2-650
 SWP1-3-600
 DP-1-650
 PKS-1-520
 PKP-1-430



Suggestive Grades



Weights

- All units in Metric Systems KG or Tonnes

Packs Sizes

- Preferably of 10 Kgs

Rates

- To be mentioned in Standard Metric Units
 - Like KGs or Metric Tonnes

Present Challenges

- We get rates in 11.340 or 22.680 KGs which becomes difficult

Packaging Concerns

- Smaller the Better- Vacuum retention
- 5 KGs or 10 KGs Pack- Better pack from buyers perspective instead of 20 KGs packs
- Impact on Tin Boxes during Logistics



India -A land of opportunities

- Laws at Nascent Stage
- Have to be extra vigilant to be on wrong side for technical Issues

*But a Billion Populations await
the best of the world.....*

