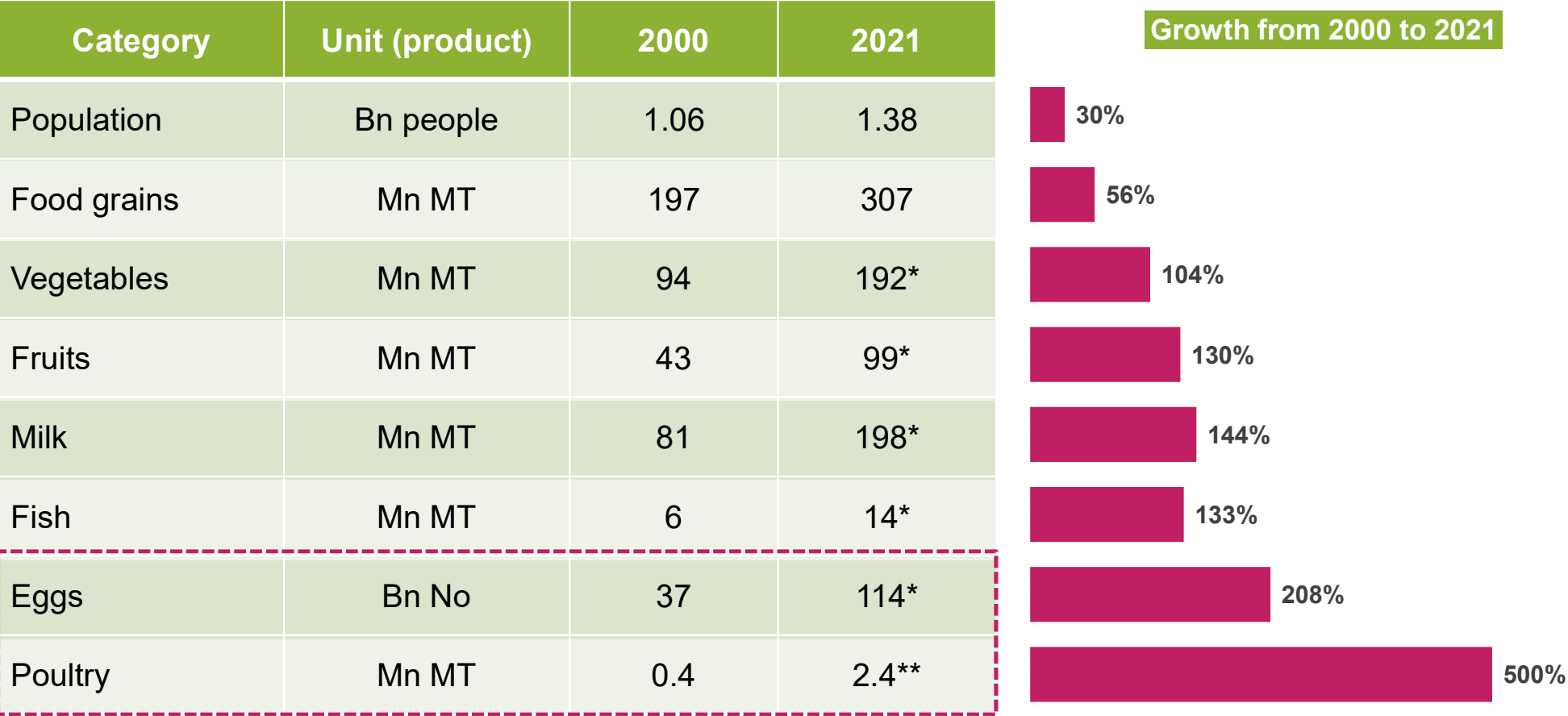


Sustainability and Future of Online Sales of Poultry Products

25 September, 2021

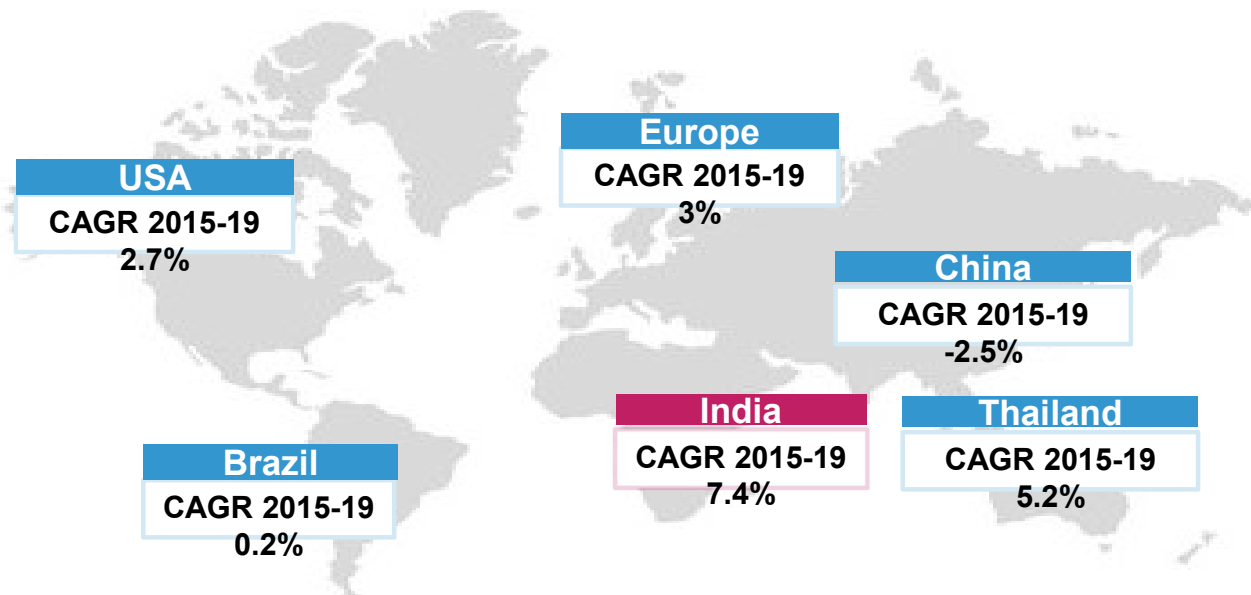


INDIAN POULTRY HAS SHOWN THE HIGHEST GROWTH IN AGRICULTURE BASKET IN LAST TWO DECADES



INDIA IS ONE OF THE FASTEST – GROWING POULTRY MARKETS GLOBALLY

In production terms (MMT)



Global per capita poultry meat consumption in kg / person, 2020



48.7



14



World average

14.7



3.2

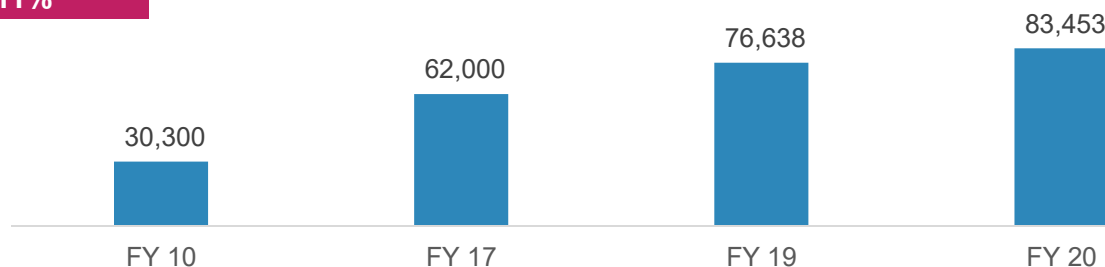
0.8
(2000)

4.5
(2020)

6-7
(2030E)

10 yr. CAGR:
11%

Poultry Industry Value (in Rs. Cr.)



Poultry market consolidation

Market share of top 7 players

FY 10

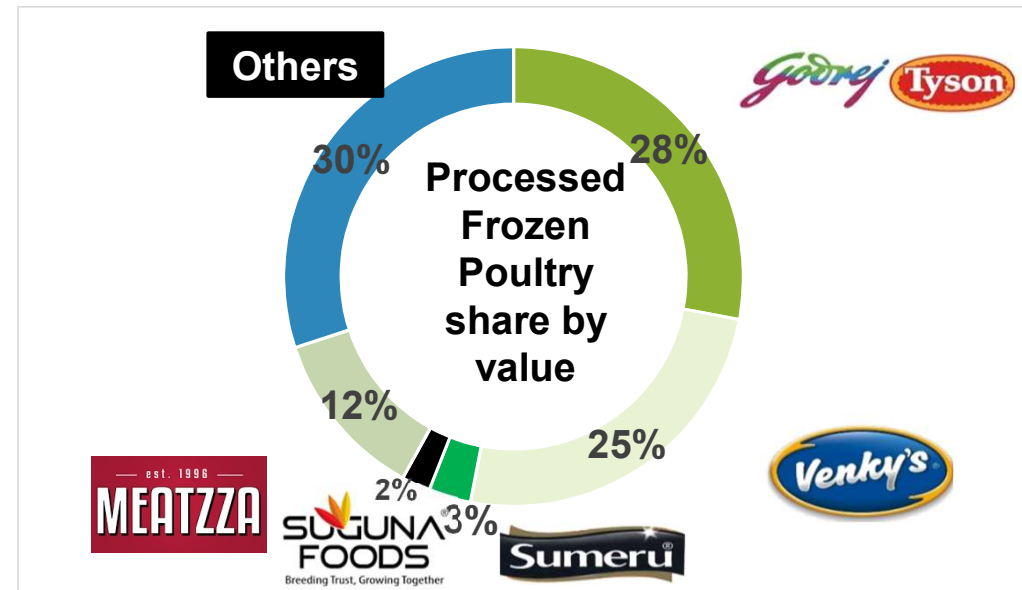
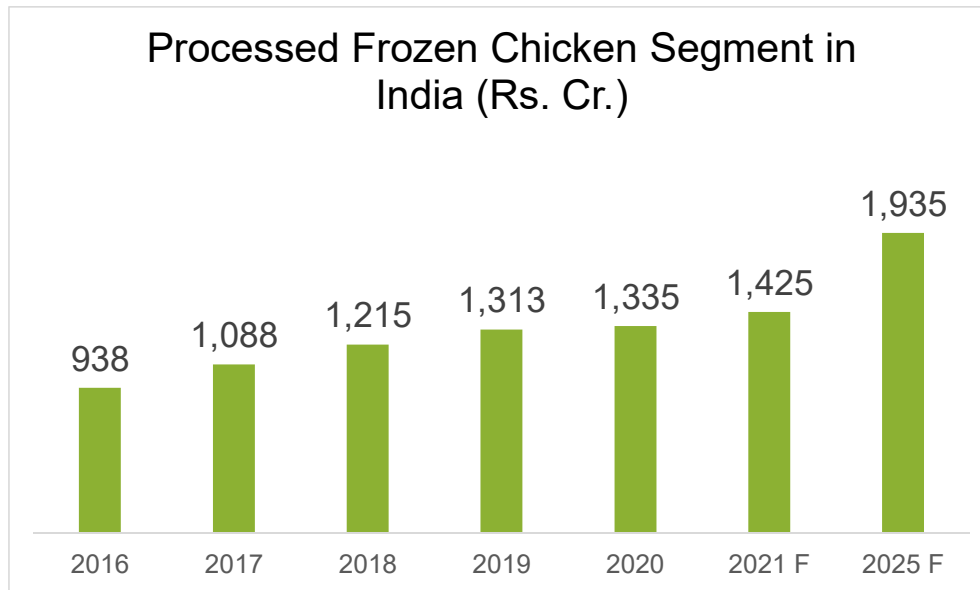
15%

FY 20

38%

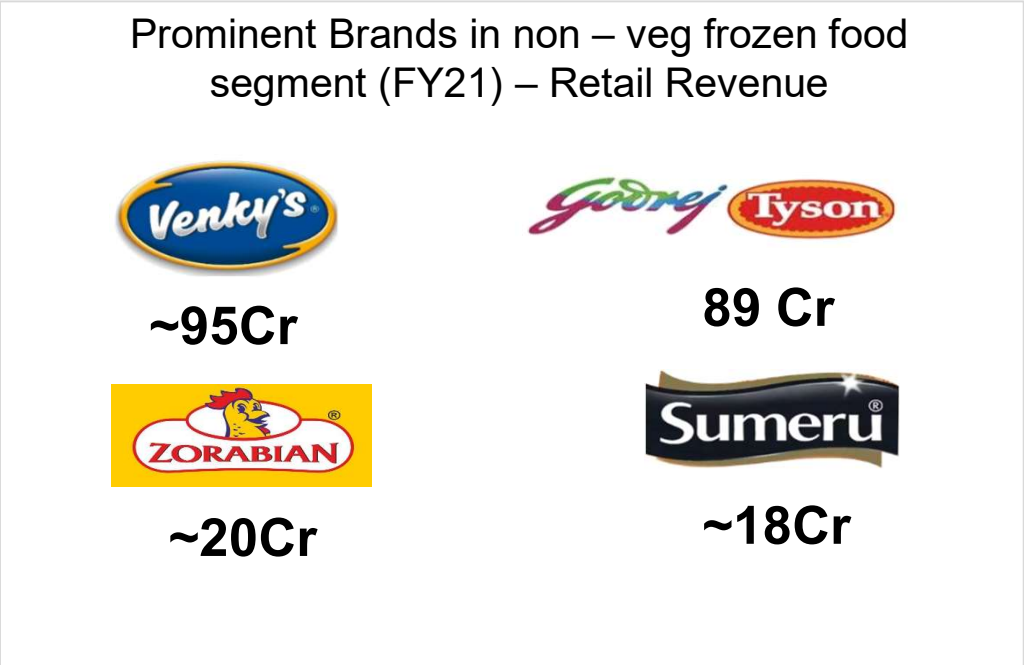
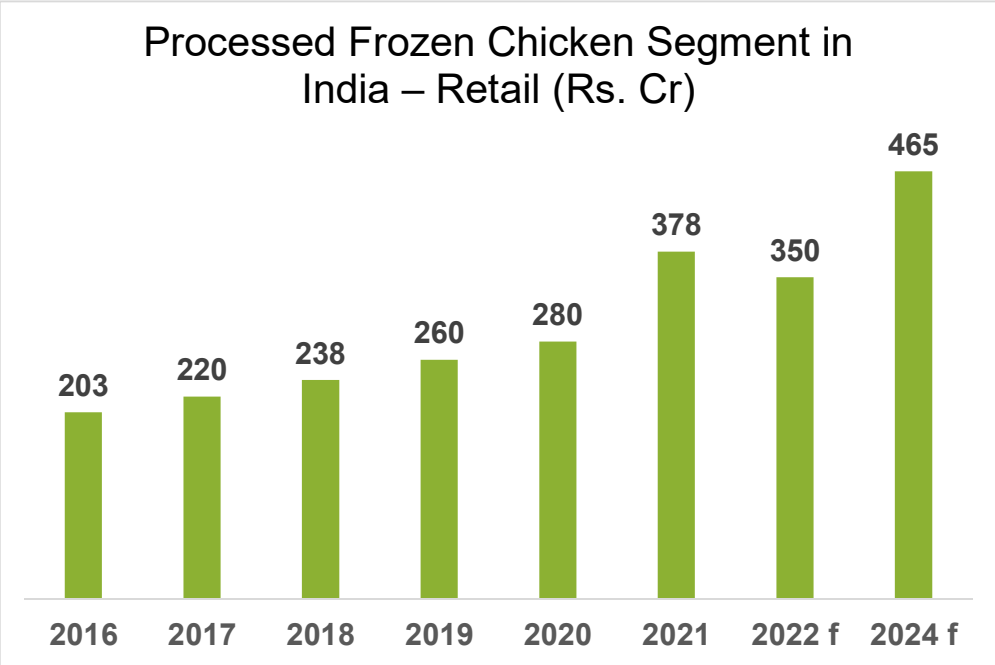
Source: Rabo bank and internal estimates

IN RECENT YEARS, THE DEMAND FOR PROCESSED FOODS HAS SHOT UP IN INDIA, FOLLOWING THE RAPID INCREASE IN THE NUMBER OF SUPERMARKETS, RETAIL STORES AND QSR'S



GROWTH IN FOODSERVICE (ESPECIALLY QSR), DRIVEN BY CHANGING SPENDING PATTERNS

PROCESSED FROZEN CHICKEN SEGMENT | RETAIL IS GROWING AT A RATE OF ~10%, EXPECTED TO REACH ~465 CR BY 2024

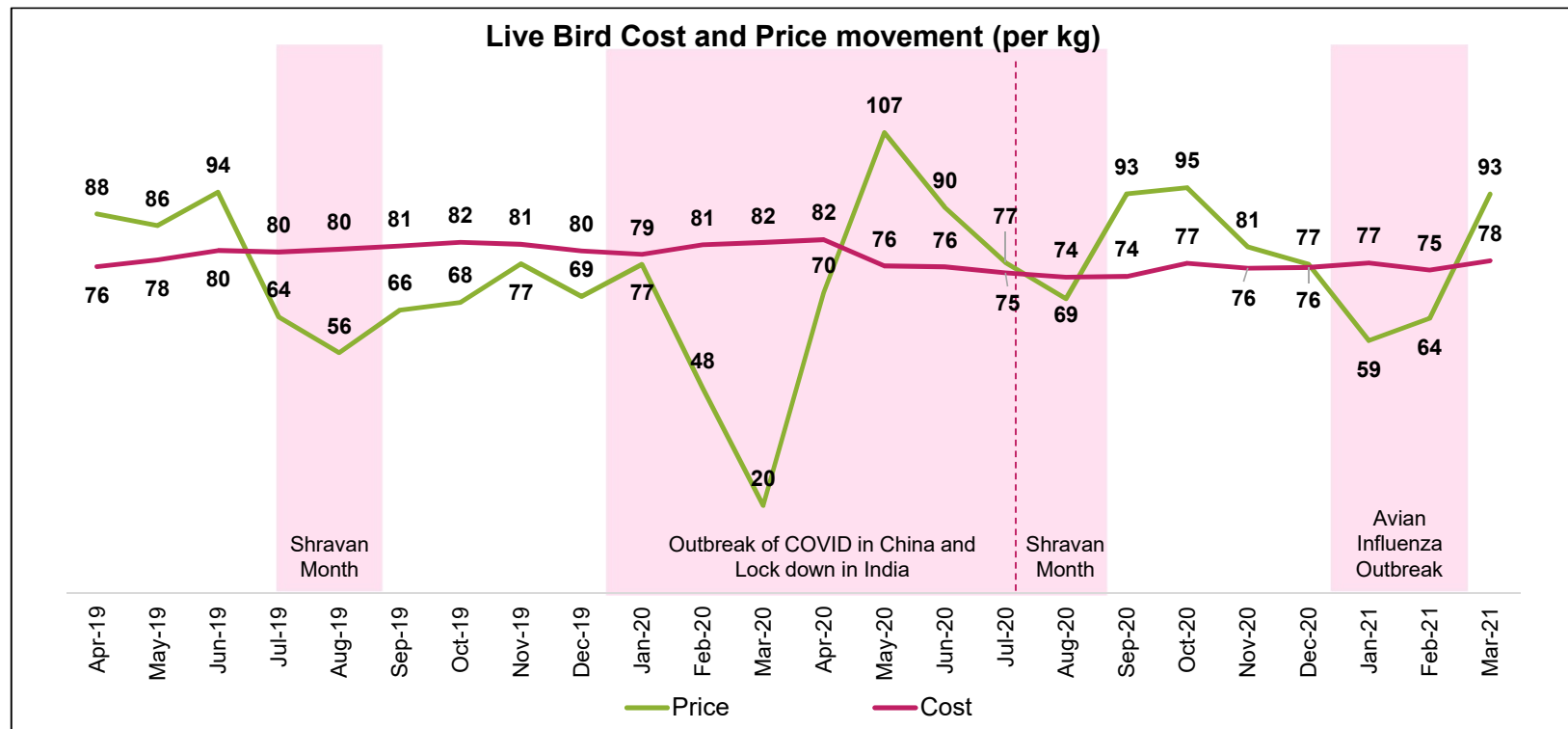


Source: Internal estimates

HAS ITS OWN “FOREVER” CHALLENGES

1. INDUSTRY PROFITABILITY – A GAME OF AVERAGES! QUARTERLY TO ANNUALLY AND NOW BIANNUAL

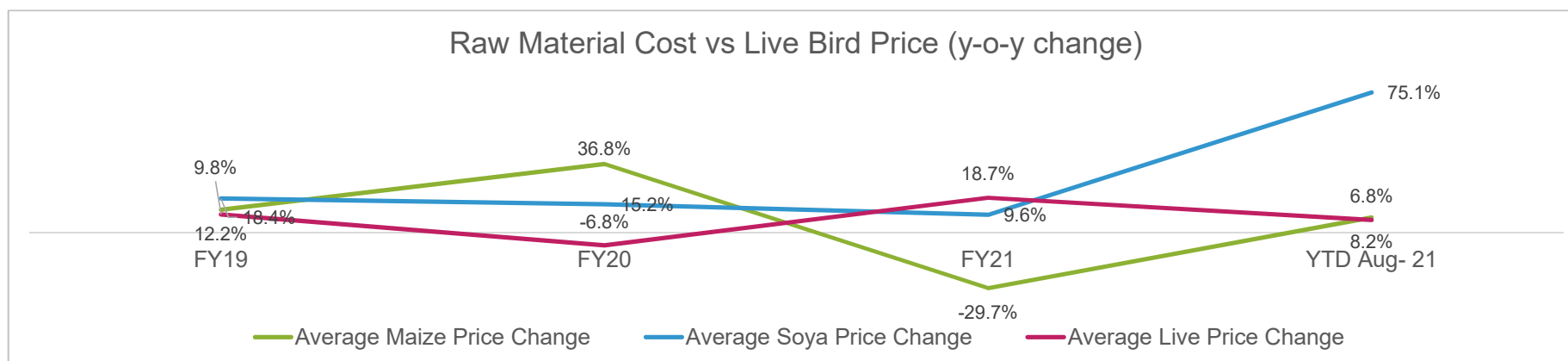
DUE TO SUPPLY – DEMAND MISMATCH CERTAIN PART OF THE YEARS PRODUCERS ARE FORCED TO SELL BELOW COST OF PRODUCTION



ALSO, SINCE 2006, ALMOST EVERY YEAR IN WINTERS, AVIAN INFLUENZA, A COMMON COLD DISEASE FOUND IN BIRDS HAS BEEN FOUND SOMEWHERE OR THE OTHER, WHICH RESULTS IN SUBSEQUENT FALL IN DEMAND

2. LIMITED OPPORTUNITY FOR PRICE INFLATION, WHILE RAW MATERIAL COST INFLATION IS UNCONTROLLABLE

In Rs. Per kg.	FY18	FY19	FY20	FY21	YTD Aug-21
Average Maize Price	14.30	16.04	21.95	15.43	16.69
Average Soya Price	27.71	32.80	37.79	41.40	72.48
Average Live Price	66.51	73.00	68.00	80.70	86.17



Source: GAVL internal estimates

3. POULTRY INDUSTRY IS MARRED BY MISINFORMATION AND LACK OF AWARENESS

Chicken infected from corona virus found in bangalore today. Kindly circulate this message and avoid consumption of chicken 🐔. Spread to your dear ones

See Translation

FAKE

Bird Flu outbreak brings down chicken sales by 40% across India

MUMBAI NEWS

Poultry industry suffers Rs 13,000 crore loss due to Covid-19 pandemic

Forwarded

BOILER CHICKEN ME KORONA VIRUS KO PAYA GAYA HAI. TAMAM LOGO SE APPEAL KI JATI HAI KE BOILER KE GOSHT KA ISTEMAL NA KARE.... MUSLIM COMMUNITY MUMBAI. KHAR. DUAA KI Appeal

12:01 PM

COVID

- **22,500 Crore** Poultry sector losses due to COVID-19 in India
- **40-45%** demand decline from HoReCa.



BIRD FLU

- Only **one death** due to bird flu human infection detected since February 2017



“EVEN DURING AN OUTBREAK OF **CHIKUNGUNYA** IN **2016**, SOME **ASSOCIATED THE MOSQUITO-BORNE DISEASE WITH CHICKEN** DUE TO ASSUMED PHONETIC SIMILARITIES AND GAVE UP MEAT”

4. OTHER CHALLENGES FACED BY THE INDUSTRY



Loss of Rs. 15,000 Crore per annum

No vaccine for Avian Influenza

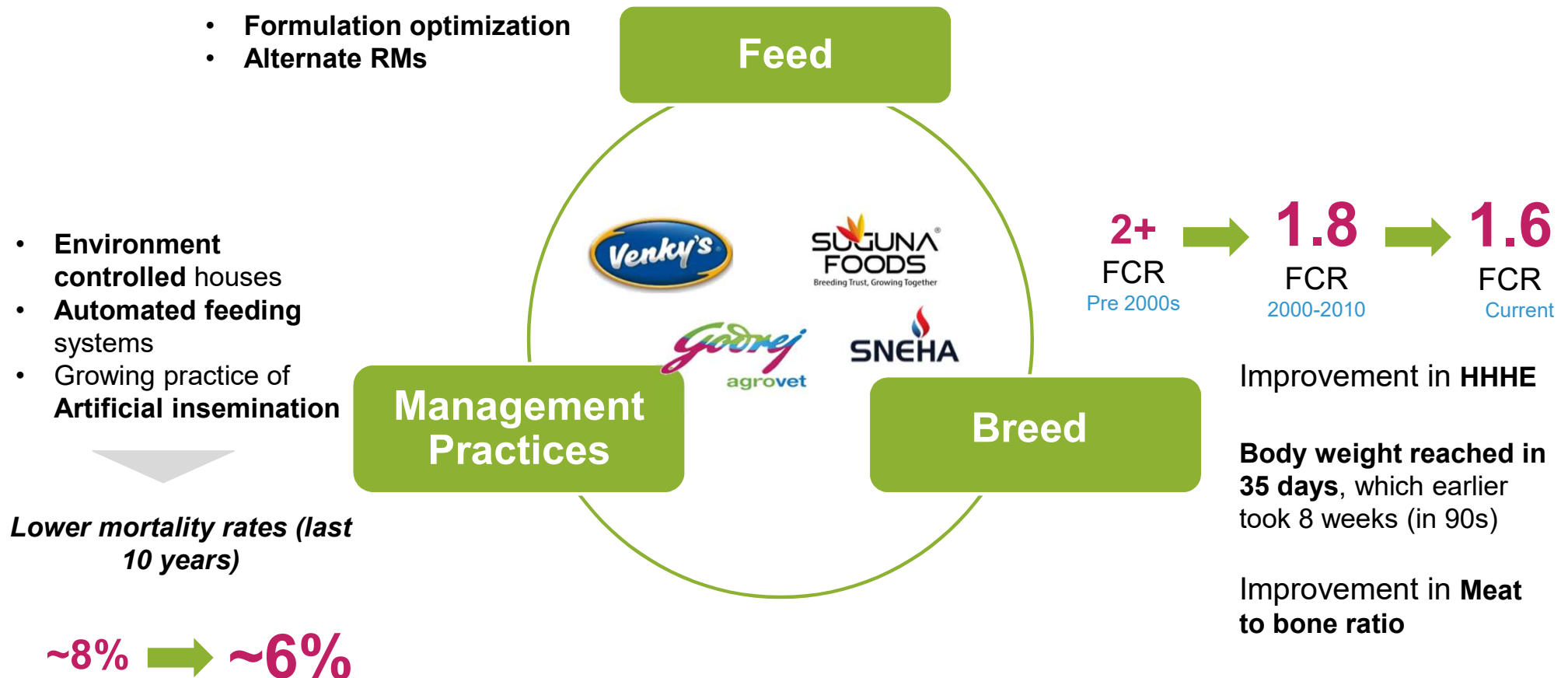


Dumping of chicken legs



Exports Only Rs. **Rs. 435**
Crore (only 11% of
processed)
In FY20-21

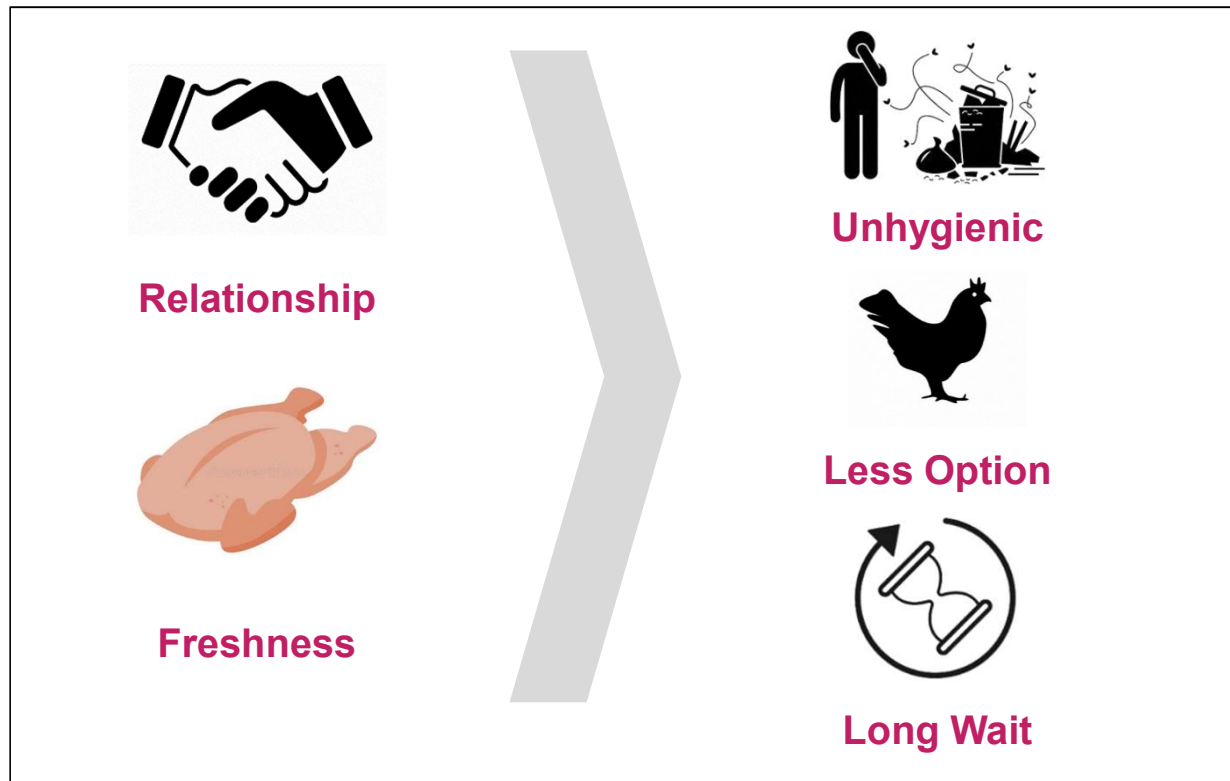
HISTORICALLY, INDUSTRY HAS ONLY FOCUSED ON THE HOLY TRINITY OF FEED-BREED-MANAGEMENT...



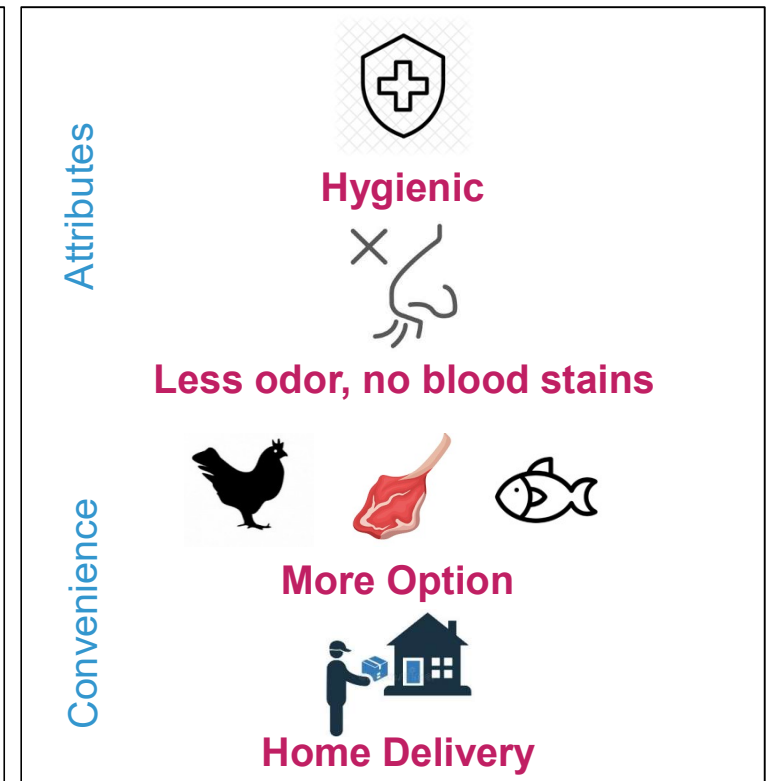
Source: GAVL internal estimates

...EFFORTS BY INDUSTRY IN CREATING AWARENESS ABOUT CHICKEN HAS BEEN VERY FEEBLE

WHAT TRADITIONAL CHANNEL OFFERED



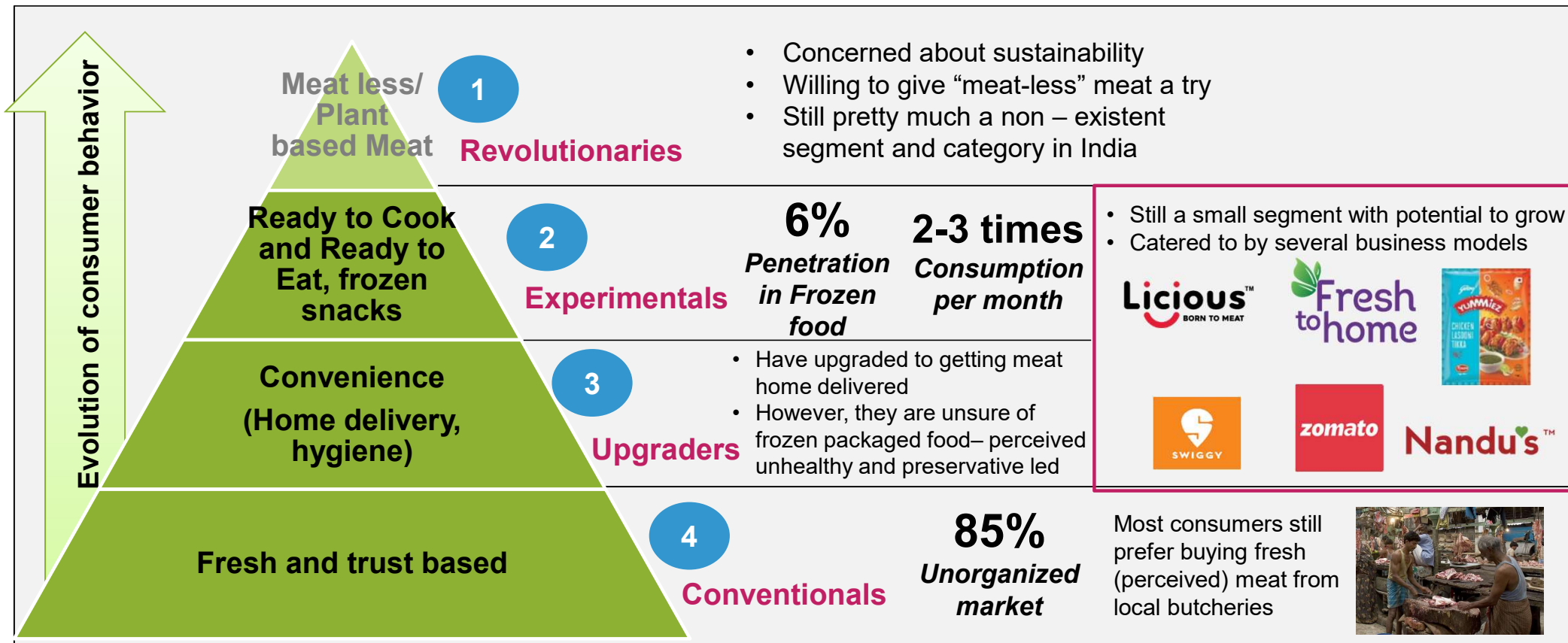
VALUE PROPOSITION OFFERED BY DIRECT TO CONSUMER



SIMILAR VALUE PROPOSITION CAN BE CREATED BY THE HYPER LOCAL RETAIL MODEL

**STARTUPS HAVE CRAFTED THEIR BUSINESS MODEL AROUND
THE LATENT CONSUMER NEEDS**

CONSUMER AND BUYING BEHAVIOR PROGRESSION IN CHICKEN CONSUMPTION



Source: GAVL internal estimates

THE WHITE SPACE CREATED BY THE INDUSTRY IS FILLED BY DISRUPTORS

ACCORDING TO A SURVEY CONDUCTED BY REDSEER CONSULTING ON A RESPONDENT BASE OF
~800 PEOPLE:

Top 3 Reasons to buy from butchers

72%
*Relationship
and trust*

68%
*Freshness
assurance*

65%
Bulk Product

Top 3 pain points – Local butchers

41%
Unhygienic

38%
Less options

37%
Long wait times

Peoples' view on online meat providers solving key points of butchers

67%
Hygiene

63%
Wide offering

65%
*Less odor/
stains*

57%
Convenience

*“Increasingly people
are warming up to
the idea of ordering
through online meat
start ups”*

COVID PROVIDED THE IMPETUS TO THE NEW BUSINESS MODELS (FOOD SERVICES/ DELIVERY)

“CHANGING THE RETAIL EXPERIENCE OF MEAT BUYING AND CONSUMPTION”

1. Direct to consumer models (D2C)



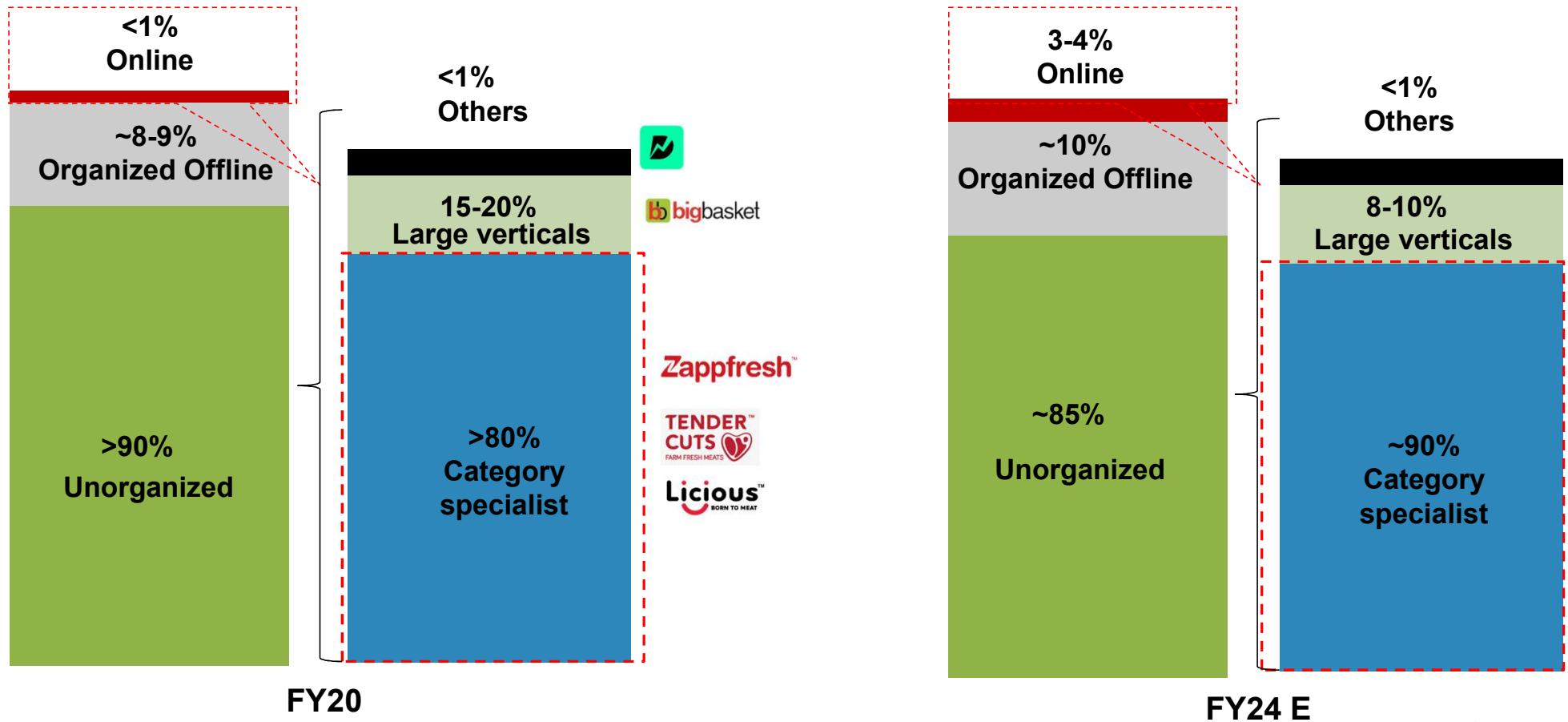
2. Food service models or Cloud kitchens



3. Hyperlocal and omni channel meat retailing

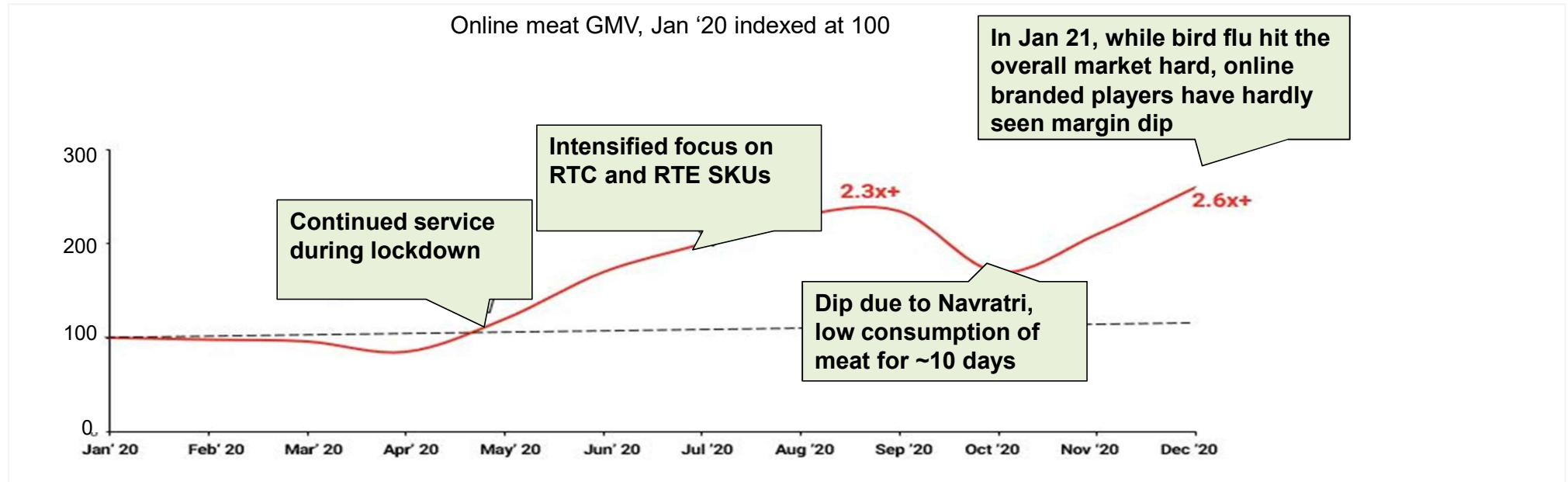


ONLINE MEAT MARKET THOUGH CURRENTLY AT <1% OF OVERALL CHANNEL IS SET TO GROW EXPONENTIALLY IN COMING YEARS LED BY CATEGORY SPECIALISTS



Source: Redseer report, internal estimates

1. DIRECT TO CONSUMER (D2C) MEAT DELIVERY START UPS GREW ~3X GMV SINCE COVID FIRST WAVE



ARPU	AOV	Customer Retention
10-15% ↑	15-20% ↑	10-15% ↑

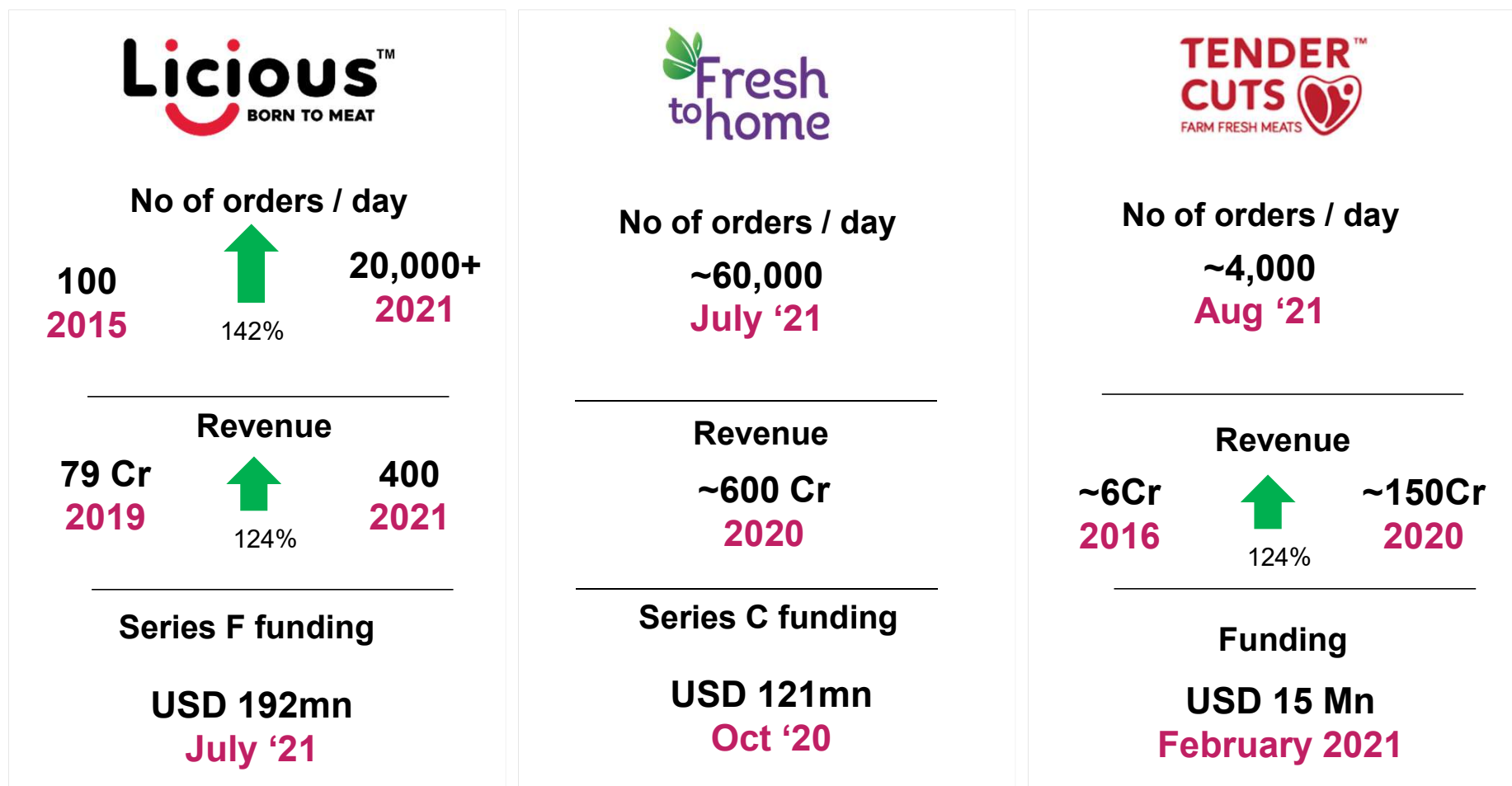
- This was driven by Covid-related apprehensions while purchasing from offline/local butchers.
- The D2C players **effectively communicated their superior quality and hygiene practices** boosting consumer confidence with a width of offerings including RTC and RTE options

INDUSTRY LEADER CLAIMS GROWTH OF OVER 500% IN THE LAST ONE YEAR WITH DELIVERY TO MORE THAN TWO MILLION UNIQUE CUSTOMERS

Source: Redseer Report – 'A New Silver Lining To India's Meat Market'

GMV – Gross Market Value, ARPU- Average Revenue Per User, AOV- Average Order Value, RTC- Ready to Cook, RTE- Ready to Eat

1. ONLINE MEAT DELIVERY (D2C) SAW A HUGE SURGE TRIGGERED BY COVID INDUCED LOCKDOWN...



1. ...WHICH THEY WILL FURTHER CAPITALIZE BY **EXPANDING RTC AND RTE CATEGORIES**



Licious **expanded its RTE offering** by introducing a prawn-based spread in an attempt to gain **better margins** of 10-15% as compared to fresh meat products ~5-7%.



Fresh to home has **doubled its SKUs in the RTC category** from **60 to 120** in the past few months. This category now contributes 6-7% to its monthly revenue of **Rs 50 crore**, up from 1.5% in the pre-Covid times.



TenderCuts grew to **80-90 SKUs in the RTC category**, compared to 45-50 in the pre-pandemic period. It has seen sales from this category increase to **14%**, compared to 4% earlier.



Zappfresh launched **RTE products** like meatballs and chicken momos.

2. PANDEMIC ALSO PROMPTED THE RISE OF ONLINE FOOD AGGREGATORS



Valuation

**USD 5.5
billion**

**USD 13
billion**

GMV*

Rs. 22,500 Crore

**No. of orders
per day***

30,00,000

**Order
Frequency***

5.5 per annum

Order size*

~Rs. 300

**Delivery
Partner***

~4,00,000

**Accumulated
Losses***

Rs. 11,000 Crore

* Total Industry

2. IN SEARCH OF PROFIT FOOD AGGREGATORS TO TRANSFORM INTO FOOD SERVICES PLAYER - FOCUS ON “CLOUD KITCHENS” AND “SOURCING & SUPPLY BUSINESS”

THE ANNUAL AVERAGE COST TO OPEN A RESTAURANT IN INDIA IS 3X THAT OF A CLOUD KITCHEN



1000+ Kitchens
500+ cities



10+ Brands
300+ kitchens (India)
20 cities
65K orders / day



40+ kitchens
70+ SKUs
12 cities
1L+ customers / month



FreshMenu

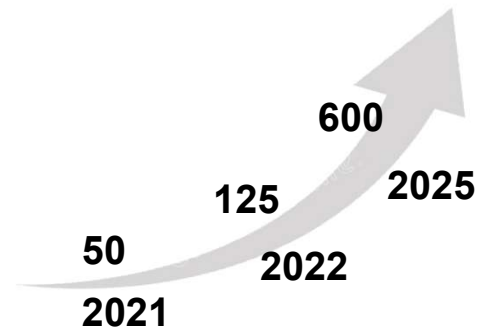
25+ kitchens
12K+ orders / day
150Cr Revenue (2020)

3. RISING CONSUMER AWARENESS AND QUALITY CONSCIOUSNESS HAVE GIVEN UPSWING TO BRANDED HYPER-LOCAL RETAILING

Nandu's™



Number of stores



Business model

- Omni channel
- Retail stores
- App
- Ecom website

Way ahead

- Entering RTC
- Sea Food Retailing
- Becoming a pan-India brand

Number of stores

38+ Retail outlets in Karnataka – “Life Line’s Tender Chicken”

Business model

Offline channel

- 1000+ Employee
- ~ Rs 350Cr Annual Turnover



GLOBAL MARKETS HAVE WITNESSED THE SAME TRENDS

GLOBAL FOOD DELIVERY/ CLOUD KITCHEN SPACE IS DOMINATED BY 3-4 KEY PLAYERS IN EVERY REGION



FOOD DELIVERY SPACE- CHINA

TWO PLAYERS ARE CONTROLLING THE 90% OF THE MARKET, BACKED UP BY ALIBABA AND TENCENT



美团 美团点评
Meituan Dianping



Ele.me



Valuation*

~USD 340 bn

Delivery as% of
food market*
12%

GMV

~USD 90 bn

No. of orders
per day

5,00,00,000

Order per user

25

* Total of all industry players

FOOD DELIVERY SPACE- INDONESIA

INDONESIAN MARKET IS QUASI REPRESENTATION OF INDIAN MARKET



Valuation*

~USD 50 bn

**Delivery as% of
food market***

1.3%

 **gojek**

 **Grab
Food**

GMV

~USD 2 bn

**No. of orders
per day**

~25,00,000

User Penetration

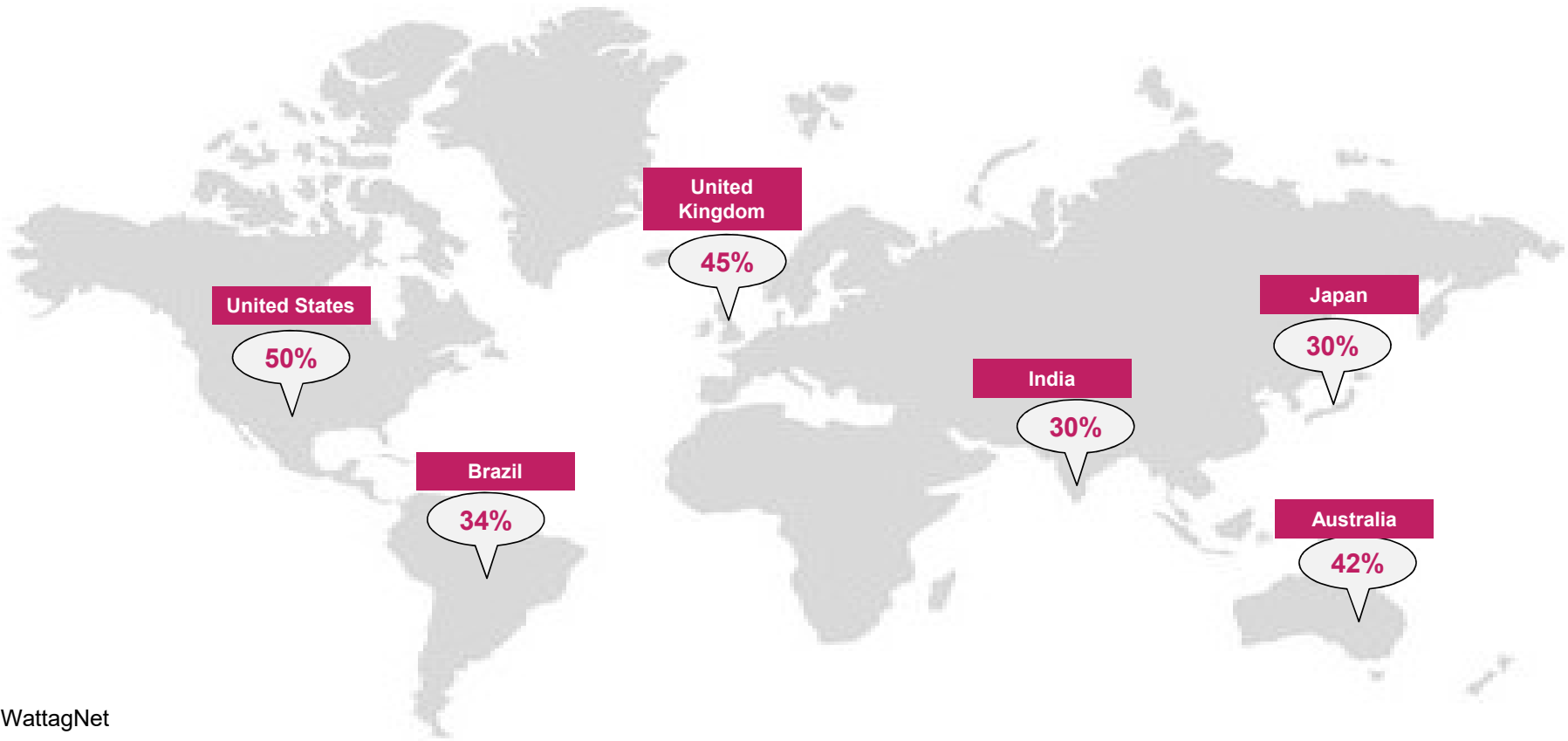
6.5%

* Total of all industry players

<https://www.linkedin.com/pulse/food-delivery-market-indonesia-shifting-dynamics-natakusumah/>














Globally, food services command major market share in chicken demand, India lacks an organized structure, which disruptors are likely to set up

Chicken demand from Food Services (in %)



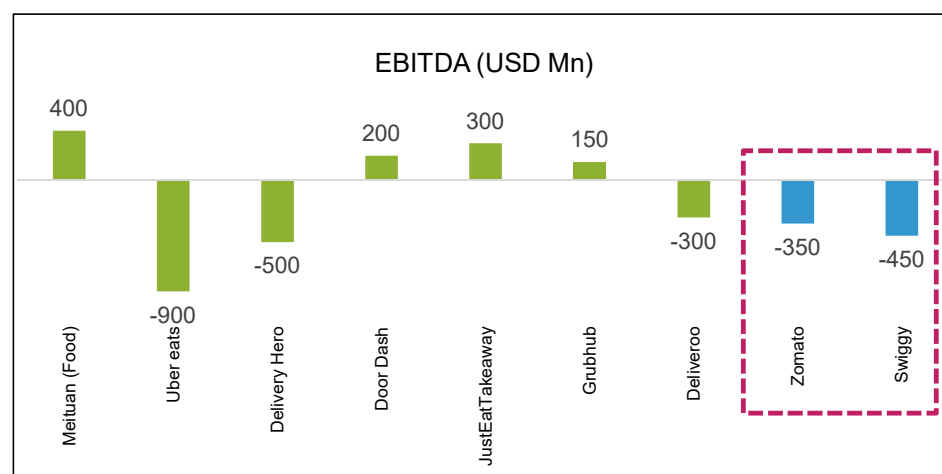
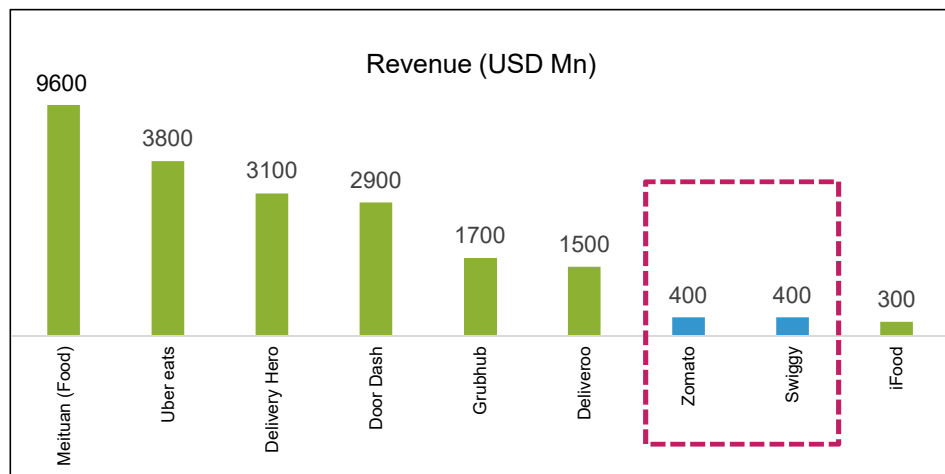
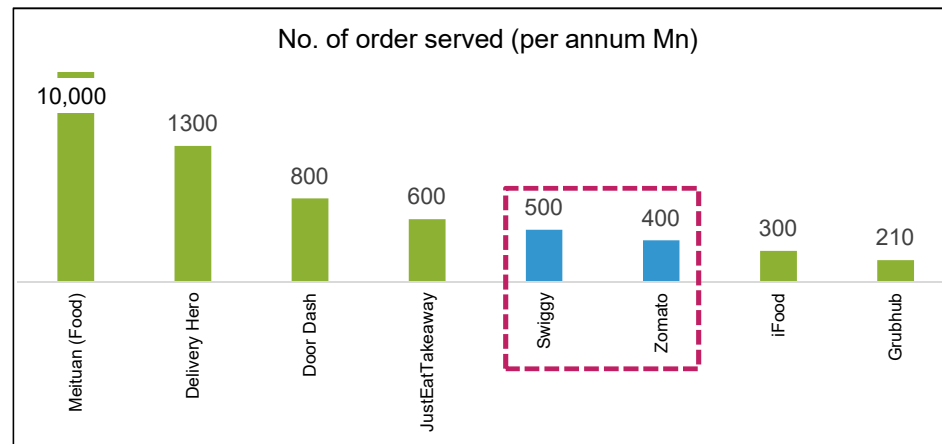
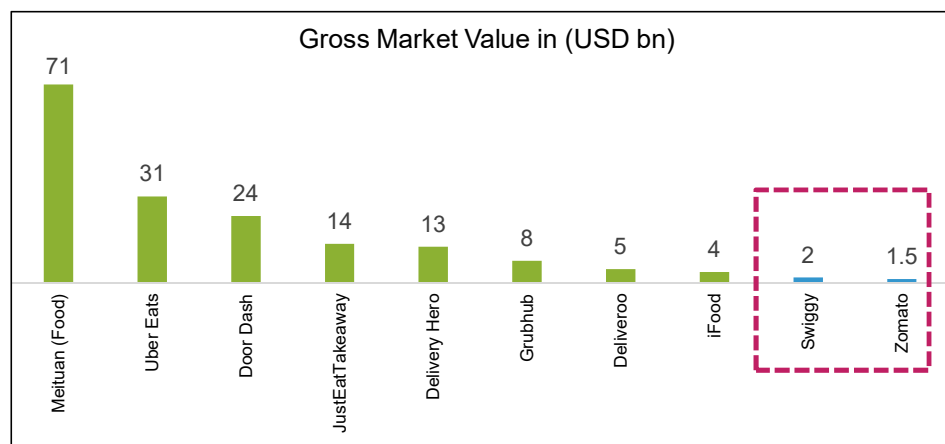
Source: WattagNet

GLOBAL COMPANIES HAVE ADDRESSED THESE CHANGES BY LAUNCHING FOOD SERVICES FOCUSSED BRANDS AND PRODUCTS

Vertically Integrated Business Model					
Presence		Indonesia Vietnam Myanmar India	70 Countries	15 countries (Hong Kong, Laos, India, Turkey, South Africa etc)	APAC USA Europe
Upstream	 Animal Feed Production	✓	✓	✓	✓
	 Breeding Farms	✓	✓	✓	✓
Midstream	 Fattening Farms	✓	✓	✓	✓
Downstream	Processing & Distribution	  	Food Makers, Food Service Companies and Food Retailers	Food Service Companies	  

WHERE DOES INDIA STAND – SIGNIFICANT HEADROOM FOR GROWTH

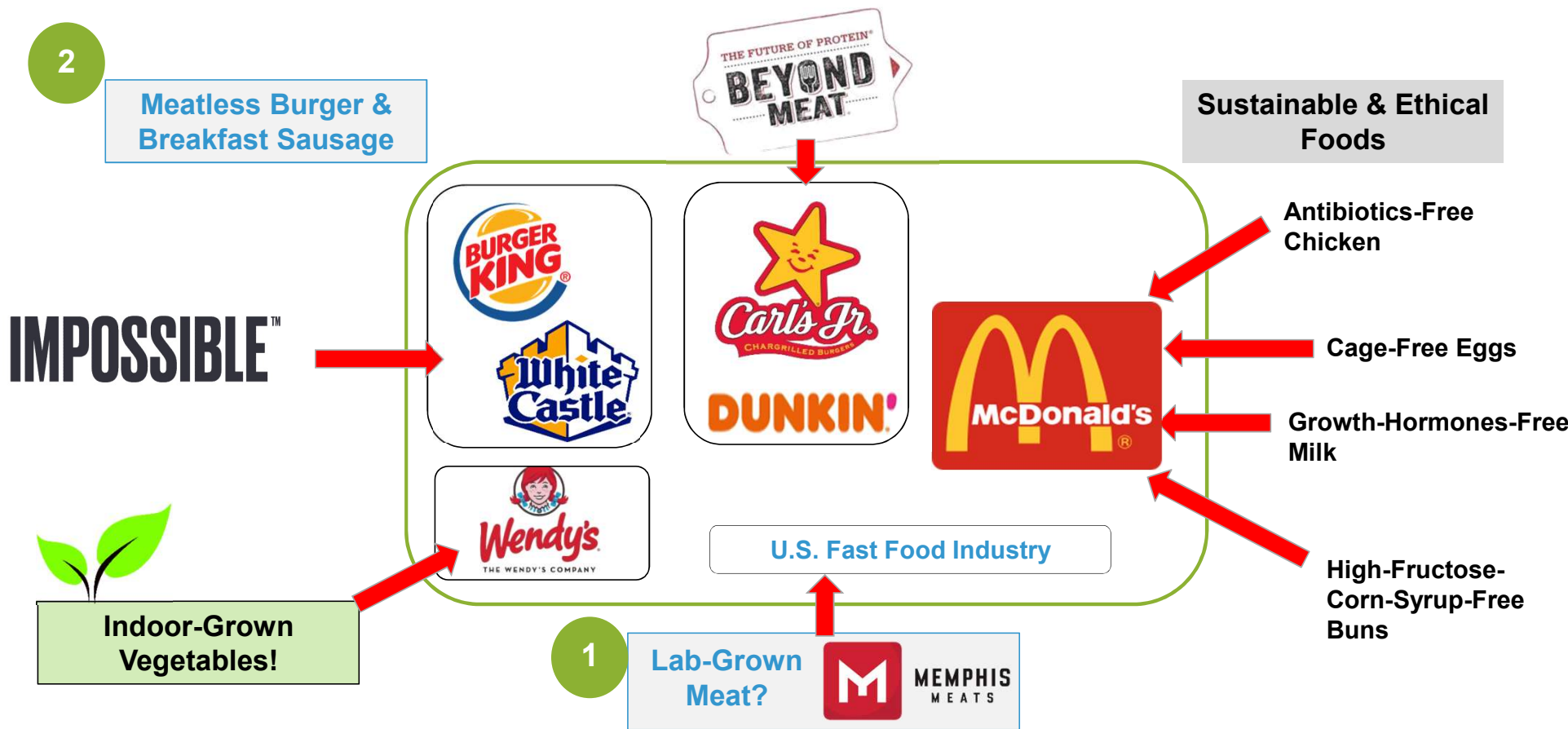
INDIAN FOOD PLAYERS HAVE JUST STARTED THEIR JOURNEY



Source: Business Standard

SOME OTHER TRENDS- UTOPIA

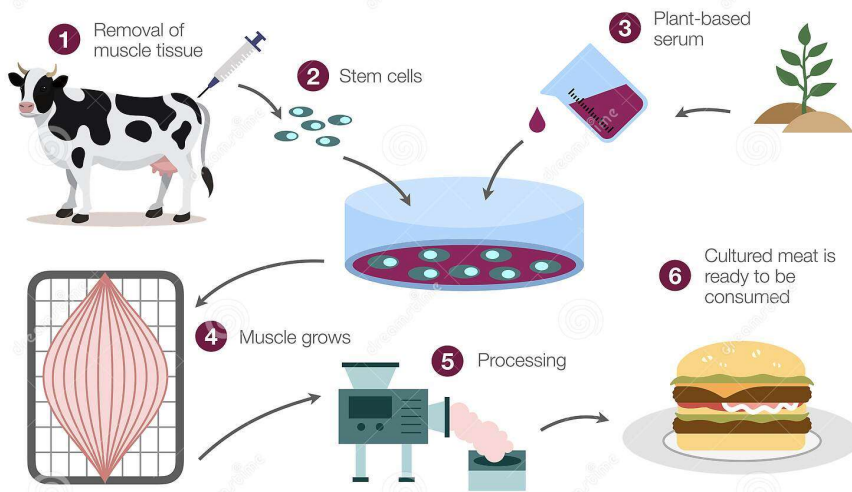
THE RISING CONVERGENCE OF AGTECH INNOVATIONS IN THE U.S. FAST FOOD INDUSTRY



1. THE MEAT OF THE FUTURE | LAB GROWN

USD 400 - 2000
a kilogram
Cost

How cultured meat is made



- Demand for alternatives to regular meat has surged due to consumer concerns about health, animal welfare and the environment.
- **Singapore has given regulatory approval for the world's first "clean meat" that does not come from slaughtered animals.**
- The decision paves the way for San Francisco-based startup Eat Just to sell lab-grown chicken meat.



<https://www.youtube.com/watch?v=RVWU9rbylhc>

2. THE MEAT OF THE FUTURE | MEATLESS MEAT (PLANT BASED)

USD 10 -12
a kilogram

Cost

*“Animal Based burger requires **220 liters of water and 3.5m.sq of land to produce ~100 grams of pound meat burger**”*

IMPOSSIBLE™

*“Impossible Burger
Made from plant protein
uses **99% less water, 93% less land, produces 90% fewer greenhouse gases and uses 46% less energy**”*



IMPOSSIBLE™

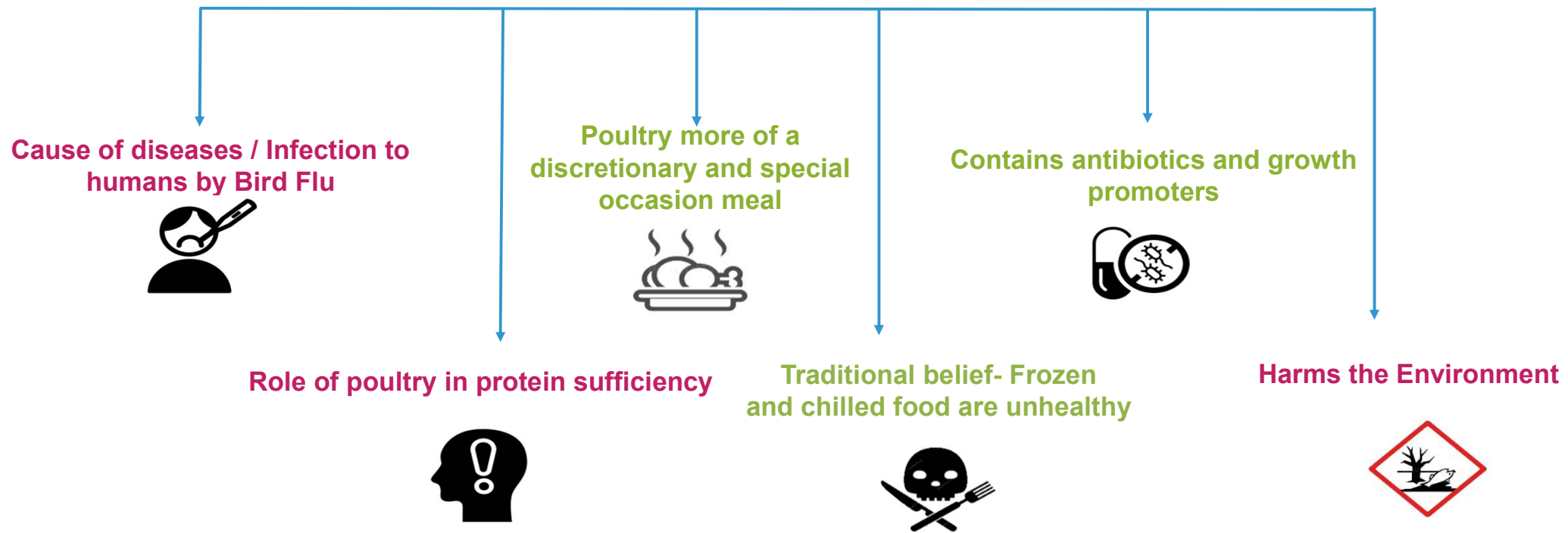
- Impossible Food Inc's new faux-chicken nuggets (plant based) go on sale at about 150 restaurants from Sept 7, with a grocery rollout set to follow later this month
- Restaurants serving the nuggets include David Chang's Fuku in New York City and Tal Ronnen's Crossroads Kitchen in Los Angeles.
- Supermarkets including Walmart, Kroger, Albertsons and Safeway will sell the nuggets.
- More than 10,000 grocery stores will offer them by the end of the year



<https://www.youtube.com/watch?v=p1NraXsYMWM>

WAY TO GO FOR INDIAN INDUSTRY

THE BATTLE FOR PUBLIC PERCEPTION



THE BATTLE FOR PUBLIC PERCEPTION CAN BE WON

SEARCH RESULTS FOR “NECC CAMPAIGN FOR EGG CONSUMPTION AWARENESS”

google.com/search?q=nec+campaign+for+egg+consumption+awareness&rlz=1C1GCEU_enIN969IN969&sxsrf=AOaemvKEzFrftZtPT0Tzzv2cm-jIR-l32Og:1632325921183&s...

Google

nec campaign for egg consumption awareness

Q All News Images Videos Maps More Tools

collections SafeSearch

sunday ho ya monday roz khao ande andhra pradesh national egg day poultry vijayawada dara singh egg coordination committee egg production egg rate

Roz khao ande: When a pro-egg campaign ...
theprint.in

NECC
e2nec.com

NECC
e2nec.com

NECC
e2nec.com

NECC holds 2K Run to promote egg ...
thehansindia.com

immunity booster, poultry farmers ...
newindianexpress.com

NECC
e2nec.com

World Egg Day celebrations o...
latestgigs.com

NECC
NATIONAL EGG CO-ORDINATION COMMITTEE

NECC egg price suggestions at 5.25 INR ...
benchmarkmonitor.com

The economics of an egg: It's all pain ...
thehindubusinessline.com

NECC (National Egg Coordination ...
creativepool.com

Global Poultry Eggs Market | Awareness ...
businesswire.com

Sunday ho ya Monday, Roz khao ande ...
freebirds.co

DELICATE OUTSIDE, STRENGTH INSIDE

The National Egg Co-Ordination Committee is the world's largest association of poultry farmers, with a membership of more than 10,000 from across the globe, representing 90% of the production of the egg industry in India.

For the Community Dr. B. V. Rao, it is based on a cooperative spirit and a single association, that right to determine their own future and to be a member of the

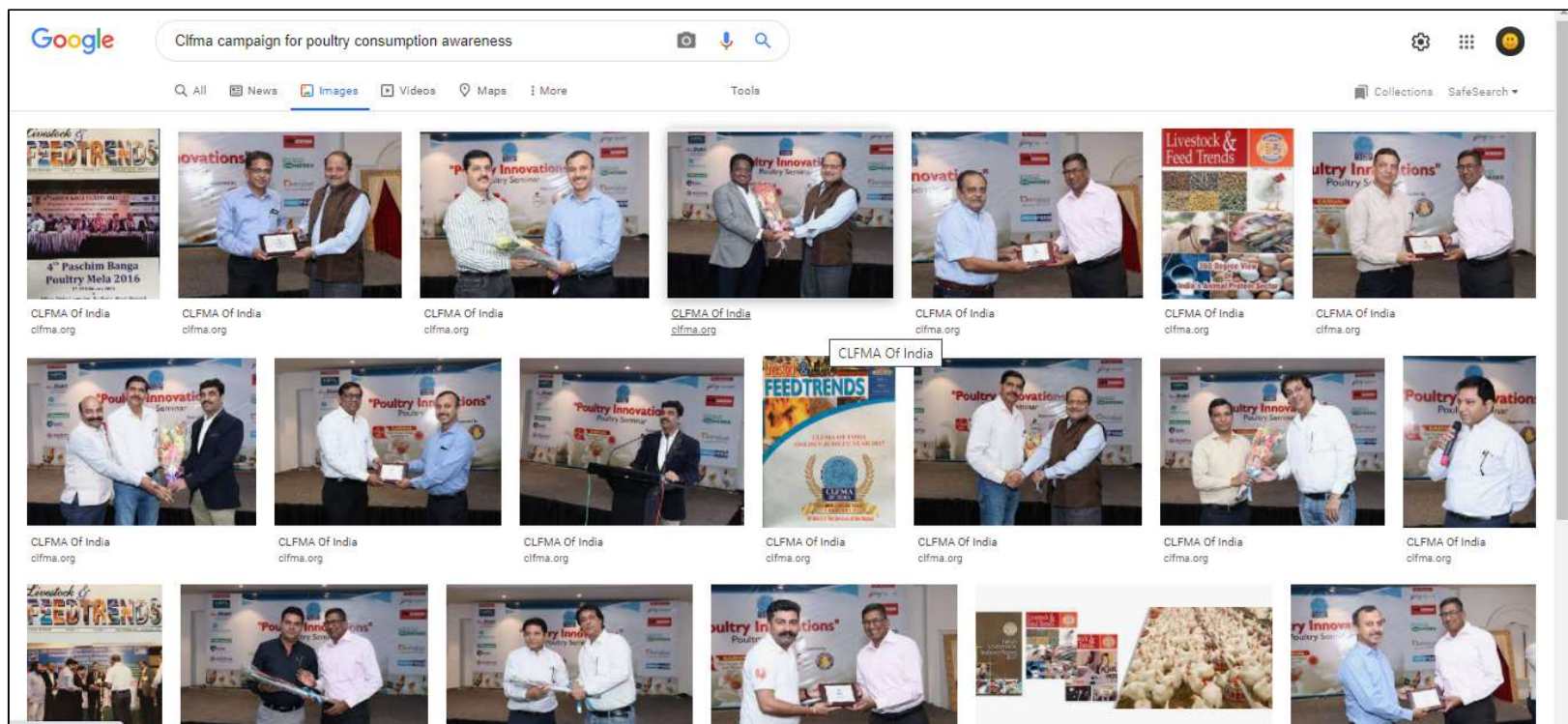
Can you get a better example than the one in your hand?

ON for every ON

THE BATTLE FOR PUBLIC PERCEPTION

Google DOESN'T LIE

SEARCH RESULTS FOR “CLFMA CAMPAIGN FOR POULTRY CONSUMPTION AWARENESS”



REINDEX THE INDUSTRY

WHERE DO PEOPLE GET THEIR INFORMATION ABOUT THE POULTRY SECTOR?



SOCIAL MEDIA



RARELY FROM INDUSTRY PRESS RELEASE



RARELY FROM THE TV



RARELY FROM THE INDUSTRY



1

COMMUNICATION STRATEGY TO CREATE POSITIVE IMAGE

2

CONSUMER STRATEGY TO INCREASE THE PENETRATION AND CONSUMPTION

WHAT WE NEED TO DO?



BUT DO WE HAVE THE INTENT AND SKILLS?

UNDERSTAND THE CONSUMER AND CONSUMPTION PATTERN- LIMIT THE SUDDEN DEMAND SLUMPS

1



**“STILL A
DISCRETIONARY
SPEND”**



**TREATED AS A
“SPECIAL OCCASION”
MEAL**

1 in 6
Meal is
Non-Veg

2



**“DURING DISEASE OUTBREAK WHY TAKE
CHANCE BY EATING CHICKEN”**

Rs.5 per kg.
Lowest Price of live
bird in
March 2020

3



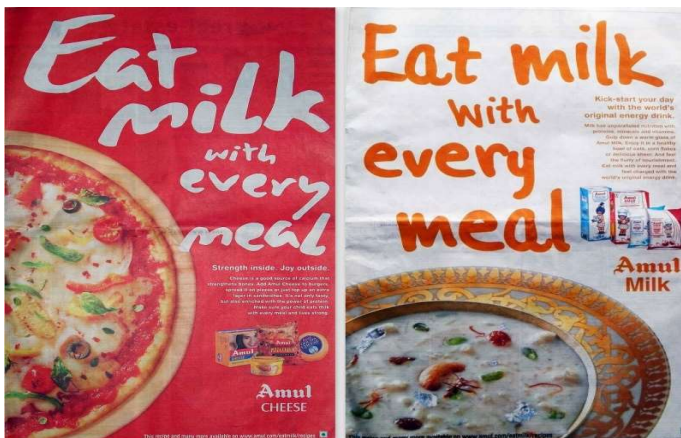
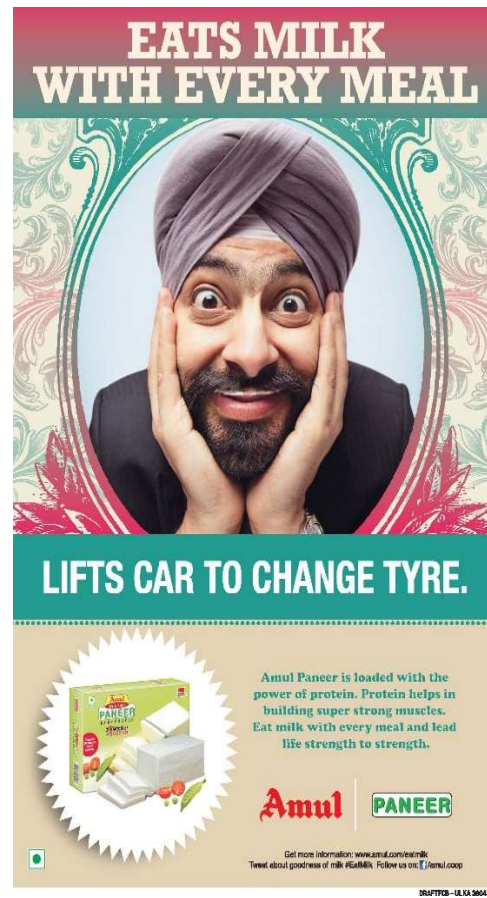
**LACK OF AWARENESS ABOUT HEALTH BENEFITS
OF CHICKEN**

16-25gm
Under consumption
protein in India
Vs. prescribed 48gm

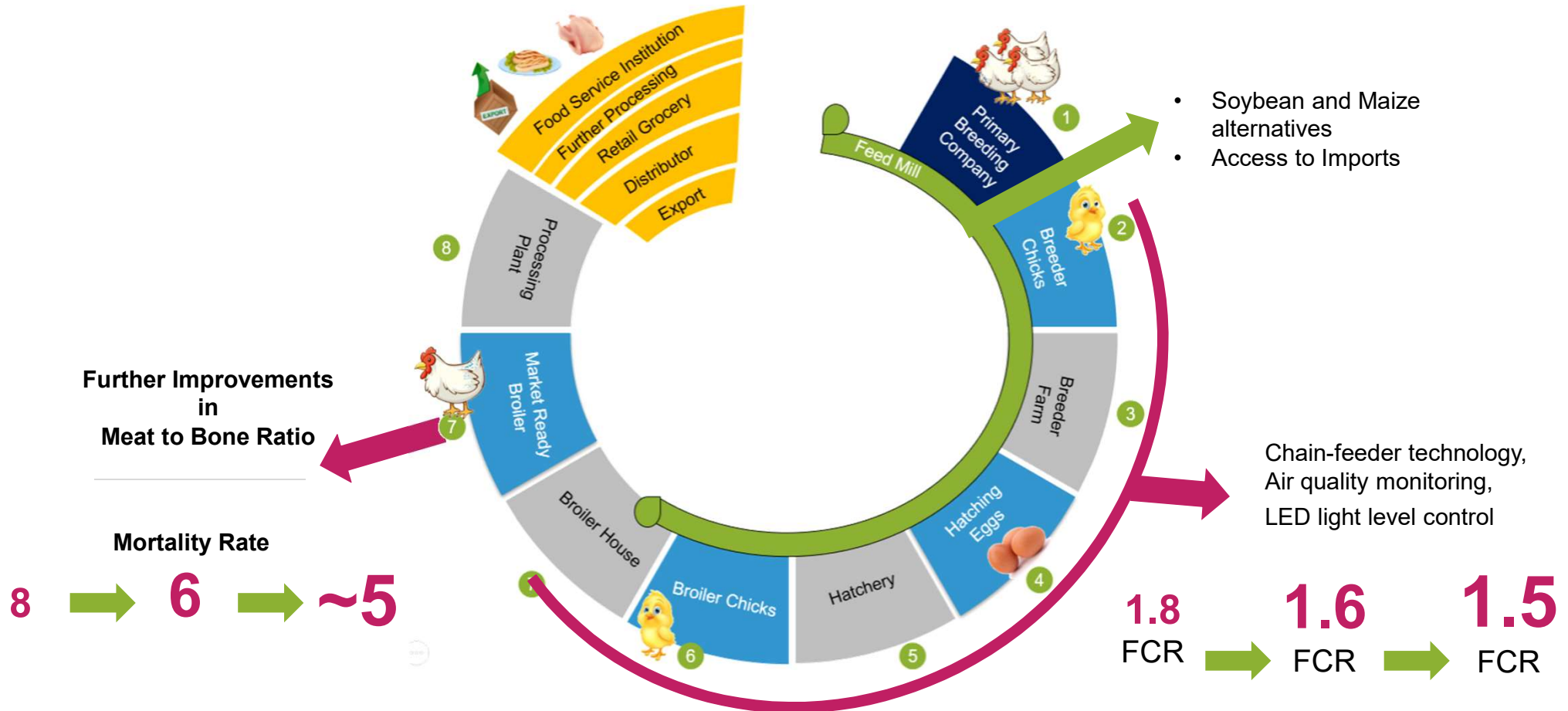
“INDUSTRY DID NOT FOCUS ON THE CONSUMER AWARENESS AND CONSUMPTION PATTERNS ”

* According to a survey conducted by RedSeer consulting (N ~800); Source: Red Seer Consulting, GAVL internal estimates,

DEDICATED EFFORTS TO CREATE DEMAND FOR SOME INDUSTRIES

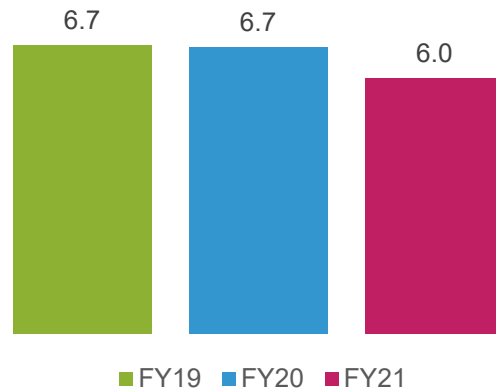


COST EFFICIENCY AND SCALE REMAINS THE KEY FOR FUTURE



REPLICATE THE SUCCESS STORY OF SHRIMP EXPORTS

Shrimp Exports From India (USD bn)



1

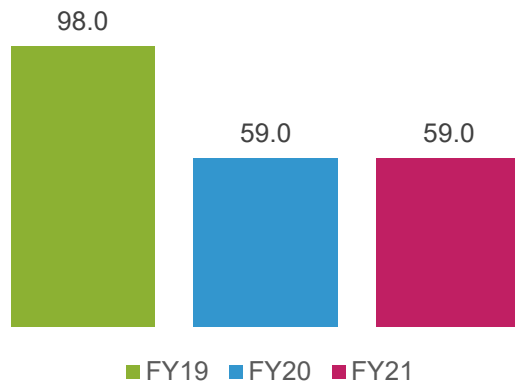
Export Authority for Poultry
Establish MPEDA equivalent organization for poultry industry in India

3

Limited use of chemical and drugs

Control antimicrobial resistance

Poultry Exports From India (USD Mn)



2

New Markets
Target Middle East for poultry exports

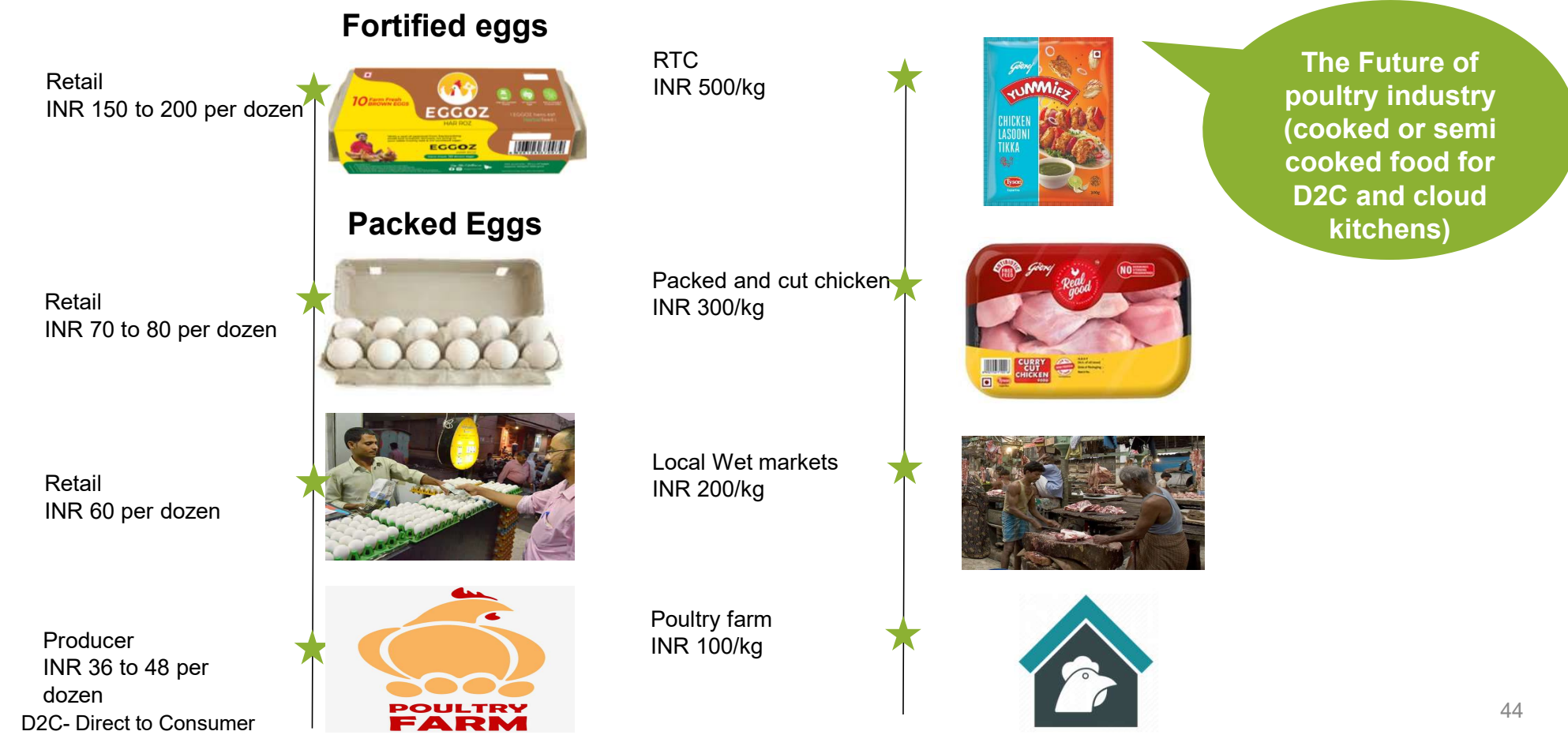
4

Control on diseases

Allow vaccines in India

INCREASE THE MARGIN VALUE ADDITION AND CUSTOMER PLAY– **BECOME AN EFFICIENT SUPPLIER TO NEW AGE FOOD SERVICES**

THE STARTUP ECOSYSTEM IS CREATING CUSTOMER AWARENESS AND GENERATING CONSUMER DEMAND TOWARDS DIFFERENT TYPES OF PROCESSED FOOD INCLUDING RTE AND RTC



Thank You

