

News monitored for: Pepsi - Corporate

Fruit is flavour of season as cola players seek fizz in biz

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NEW DELHI: PepsiCo India, the fully-owned subsidiary of New York-based multinational, which sells food, snack and beverage, will soon have more carbonated drinks with fruit juices in it. So far it only has Nimbuzz, with 5% lemon extracts in it.

"There is a lot of work going on in that space," said D Shivakumar, chairman and CEO of PepsiCo India. "The government has been very helpful with carbonated fruits drinks, which will have 10% to 15% fruits."

PepsiCo's move to introduce fruit juices partially comes from Prime Minister Narendra Modi's request to cola makers in 2014 to increase sourcing from Indian farmers. "Millions of people buy Pepsi and Coke. I have asked these companies if they can put 5% natural juice in their drinks," Modi had said.

To put that in context, 49% of India's population depends directly or indirectly on farming. PepsiCo works with 24,000 farmers sourcing potato, corn and fruits. It sources 65% of its fruits locally.

Apart from Modi's request, PepsiCo's global agenda is to drive health drinks into the ecosystem.

"Due to increasing health consciousness, the soft drinks category is being demonised" said Pinakiranjan Mishra, head of retail and consumer products, EY. "Cola makers are hunting for solutions - fizzy fruit juices being one of them, which potential of eating up into the market share of other sugary, artificial and carbonated drinks".

According to research firm Euromonitor International, the fruit juice market grew 20.06% in volume and 25.78% in value in 2015, over the previous year. Carbonated drinks grew at a much lower 8.42% in volume and 10.82% in value.

However, PepsiCo is not the only company, trying its hand in the fruity-fizzy drinks. Coca-Cola and Dabur are also putting their weight behind fruit-based



Cola is passé, fruit is in

TAKING A BIG SIP

The Indian beverages market offers huge opportunity for global players as customer preferences change



Source: Protein Foods & Nutrition Development Association of India

drinks. Coca-Cola launched Fanta Green Mango, a carbonated drink with 10.4% fruit in it.

Then Dabur followed. "We have been witnessing an increase in consumer demand



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D SHIVAKUMAR, CEO, PepsiCo India

for ready-to-drink beverages, which are aerated but not unhealthy," said Mayank Kumar, head of fruit juices and beverages, Dabur India. The Réal VOLO range contains 20% to 25% fruit juice.

However, PepsiCo and other manufacturers will have to source all the ingredients locally, which means higher amount of test and validation, locally. Company sources said that the process of doing so is on.

The government, meanwhile, has also increased excise on aerated drinks, resulting in an increase in prices. Also, there is a proposal to have an additional tax levy of 40% once the Goods and Services Tax (GST) is put in place, so, cola makers are likely to shift to water-based drinks. "The salience of each of these segments will come down, whether it is the cola or juices, because water is growing fast," said Shivakumar.

The size of the Indian food industry was \$300 billion in 2015, according to estimates.