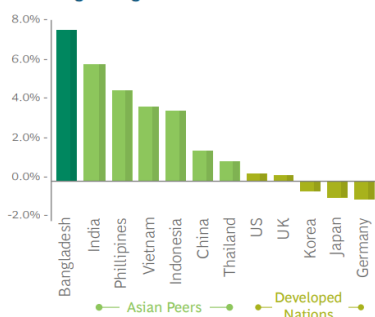


## Bangladesh Ice Cream Market: Strong Wave of Growth Riding on Multiple Tailwinds

### Market Size, Recent Growth and Trend:

The overall development in the socio-economic conditions that influenced food habits of millions helped in expanding ice cream market of Bangladesh. Ice cream industry is growing strong here, riding on urban and suburban consumers and surge in per capita income across the country.

#### Fastest-growing consumer market



#### Growth led by surging middle- and affluent-class

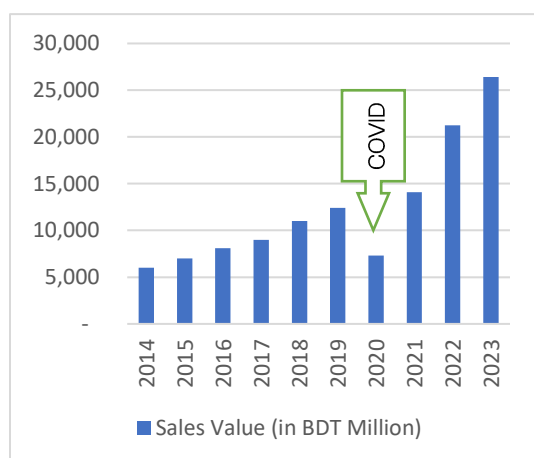


The ice cream market value in Bangladesh had a 10-Year CAGR of 16% and has been more or less growing at 15 to 20% annually since 2010. While there was a temporary setback due to the coronavirus pandemic, the market quickly rebounded. Volume estimates of domestic demand is about 60 million litres per year.

The estimated 2023 market size of ice-cream in Bangladesh was around BDT 26,400 million (~ US\$ 245 million). This equates to roughly US\$4 per litre. For reference, in 2022, the EU countries

Source: BCG report (The trillion-dollar prize local champions leading the way), Nov 2022

exported 250 million litres of ice cream to non-EU countries, worth a total of €930 million (Average €3.72 = US\$4.03 per litre).



### Factors behind Growth:

- Urbanization
- Growing middle class and increased disposable income
- Rapid electrification of the country
- Large-scale investment in the industry
- Climate change and longer summers
- Improved cold chain facility
- Availability of locally assembled refrigerators for homes
- Improved road network and industry distribution network
- Evolving tastes of the new generation
- Wide array of product offering
- Increased spending behind communication of the category

Over the last 15 years, the market saw conversion towards branded products offered by companies backed by established conglomerates elbowing out low-priced products manufactured in unhygienic, low-tech and non-compliant setups. As per estimates, now 97% of the market is cornered by the branded companies.

### Key Players:

| Conglomerate / Company | Other Key Businesses           | Year of Launch | Brand(s)              | 2023 Value Share |
|------------------------|--------------------------------|----------------|-----------------------|------------------|
| Abdul Monem            | Construction, Coke bottling    | 1983           | Igloo                 | 31%              |
| Dhaka Ice Cream        | Real estate, Foods             | 1987           | Polar                 | 29%              |
| Golden Group           | IT, Coconut oil processing     | 2014           | Savoy                 | 12%              |
| Taufika Industries     | Construction in Malaysia       | 2015           | Lovello               | 10%              |
| Sanowara Corp.         | Powdered Milk, Home care       | 1997           | Kwality               | 6%               |
| Kazi Farms             | Poultry, Feed, Frozen Food     | 2012           | Zaa n Zee, Bellissimo | 5%               |
| Golden Harvest         | Commodity trading, Frozen Food | 2014           | Bloop                 | 4%               |
| All others             |                                |                | Panda, Pingo, Milky   | 3%               |

Source: Industry

## Value Chain – Investment and Employment:

There has been considerably significant investment in this industry in the last 15 years. Most of these investments were behind setting up new plants and machineries, BMRE, freezer procurement, and logistics setting up. Majority of the plants were set up by Tetra Pak Hoyer, Technogel SpA, Alfa Laval, etc. Industry insiders point to an estimated investment of BDT 30,000 million (US\$ 278 million) over this period. Currently there are about 100,000 people are employed directly and indirectly with the industry.

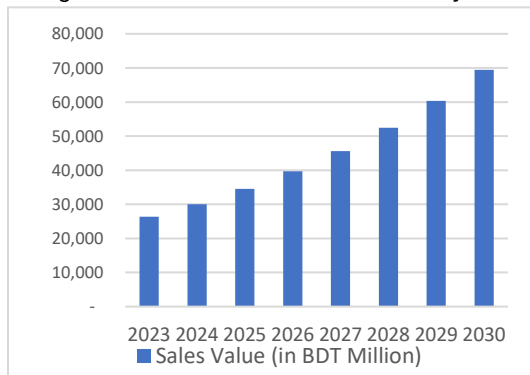
All the top seven operators import key raw materials like milk, skimmed milk, vegetable fat, flavours, chocolate, emulsifiers, packaging materials, etc. from Europe and ANZ markets. Key suppliers include Louis Dreyfus, Fonterra, Callebaut, etc. The customs duty is quite high and impacts the landed value by 37% to 127%. They have deployed the best of the machineries from renowned global brands of Denmark and Italy. Storage refrigerators are very essential for the industry that also draws high import duties. Here, the market is dependent of Turkey (UGUR) and Malaysia (Liebherr) even after local production of such freezer units have started.

The industry draws a VAT of 15% and distribution chain (distributors plus retailers) takes about 25% to 30% Trade and other promotional margins. Industry Gross Margin levels of the industry is around 40% as import duties suppress the same. Post-LDC duty re-structuring may bring in substantial positive push in the margin levels.

The model of distribution is very similar to other FMCG / CPG products. One key factor here is that the manufacturer and marketer company is expected to place a freezer in the outlet through an industry-norm contract. It is estimated that there are about 100,000 freezers that have been placed by the manufacturers across the country. In addition, some 30,000 freezers are placed by the outlets and/or eateries by themselves.

## Future Outlook

The global ice cream market is driven by increasing population, economic development, and rising purchasing power of



consumers. According to a report published in August 2021 by market research company Research and Markets, the global ice cream market was valued at \$111.58 billion in 2020 and was expected to grow at a CAGR of over 5.71 per cent during the forecast period.

Impulse goods sales are on the rise in Bangladesh as the lifestyle and food habits are changing gradually. It is making a positive impact on the ice cream business as well. Per capita ice cream consumption in Bangladesh is still low compared to more affluent economies. There is still untapped potential and scope of investment as currently freezers are reaching only up to Sub-District levels and not Union or Village levels. Considering the current rising trend, the industry's market value could reach up to BDT 30,000 million (US\$ 278 million) by 2025 and BDT 70,000 million (US\$650 million) by 2030.

It is surprising that compared with overall GDP, Bangladesh's ice-cream industry is at par with Europe and overall global market. The contribution of the ice cream industry to Bangladesh GDP is 0.064%, which was double than that of neighbouring India's 0.031% and versus a Global average of 0.053%. Potential remains high as similar-sized, export dependent economies like Vietnam has a GDP contribution of 0.094% to the economy from the ice cream industry.

Experts expect that the current 7-way race is leading to some players bleeding financially and the industry is getting ripe for some kind of consolidation or fresh investment infusion through JV and / or M&A. There are indications that out of the three players with single-digit share of market, two can be up for sale pretty quickly.

## Glossary

Local currency – Bangladesh Taka (BDT)

2023 Rate of Exchange: BDT 107.09 BDT per USD has been used for the past and future