



The WayCool Advantage: Transforming Private Labeling and Packaging for Retailers and Food Brands

The agricultural production sector in India, with a market value of \$800 billion, presents significant opportunities for companies seeking to engage in third-party contract manufacturing, sourcing, private labeling, and packaging of food products. Yet, this sector grapples with myriad complexities and challenges, dissuading many from venturing into it. Enter WayCool, a company pioneering transformative initiatives aimed at revolutionizing agricultural supply chains and establishing fresh benchmarks within the domains of retail and food brands.

BY SANJAY KUMAR

India has a significant agri-produce market, with an estimated value of around \$800 billion. Approximately 75% of this market, valued at \$600 billion, flows through retail channels, serving as the primary avenue for households and establishments to acquire products for consumption. These products include both processed goods and items designated for HoReCa (Hotels, Restaurants, and Catering). The remaining 25-30% serves various other channels within the market.

However, within the agri-produce market, challenges loom large. Few entities are inclined to venture into the sector to tackle its inherent challenges. Despite the presence of notable players across segments such as seeds, fertilizers, pesticides, processed food products, and retail, the interest in penetrating the farm-produce market remains limited.

The sector grapples with a complex agri-supply chain characterized by 10 to 12 layers, extending from the initial harvest of the product to its ultimate delivery to the end consumer. Adding to this supply-chain complexity is the fact that different types of farm produce need handling according to their specific requirements. For instance, onions need light to grow and thrive, while potatoes require darkness. Proper ventilation and separate storage are also necessary for various products.

While the potential for adding 35-45% value exists, only a handful of enterprises dare to navigate this terrain, apprehensive of grappling with the complexities inherent in handling perishable commodities. Approximately 35-40% of the agri-products produced in India get wasted due to the inefficiencies in the supply chain.

The wastage is a result of various inefficiencies at different stages of the supply chain, including harvesting, transportation, storage, and distribution. Additionally, poor market linkages and lack of technology adoption further exacerbate the problem. Addressing these farm-to-fork supply chain issues requires a comprehensive approach that involves improving infrastructure, implementing advanced technologies, and fostering better coordination among stakeholders to create a more efficient and sustainable food supply chain in India.

Without a doubt, managing these diverse challenges is a complex task. Additionally, as essential staples and ubiquitous consumables, the profit margins in this sector remain notably slender. In the intricate balance of supply and demand, the industry's resilience is tested as it navigates through a path filled with challenges and complexities.



“WayCool was established to act as a catalyst for change in the agri-produce sector and to address the challenges within the supply chain. We are simplifying the intricate process involving multiple stages from harvesting to the end consumer.”

**– Vignesh Kumar M, Executive Vice President,
WayCool Foods and Products Private Limited**

Addressing Challenges in Agri-Supply

Consultancy firm Bain and Company had noted in a report published a few years back, “There is no turning back... Indian agriculture is ripe for disruption.” Their report projected a value pool of \$30 billion to \$35 billion in the agri-tech sector by 2025, with e-commerce of produce and inputs, alongside digitally-enabled logistics, emerging as crucial segments.

India's agriculture sector, which comprises over 140 million farmers eagerly anticipating modernization, looked ripe for technological innovation and disruption. Enter WayCool Foods and Products Private Limited, a Chennai-headquartered company that originated in 2015 as a comprehensive soil-to-sale enterprise and has since expanded its purview to encompass the consumer packaged goods sector.

WayCool operates as a technology-enabled supply chain enterprise with the primary objective of formalizing, transforming, and enhancing the efficiency of farm input and output linkages. Its operations span the entire farm value chain, commencing from the agricultural production phase and extending seamlessly to the end consumer.

“WayCool was established to act as a catalyst for change in the agri-produce sector and to address the challenges within the supply chain. The supply chain has a pivotal role to play as it contributes 40% of the value to agri-products. We are simplifying the intricate process involving multiple stages from harvesting to the end consumer,” says Vignesh Kumar M, Executive Vice President, WayCool Foods and Products Private Limited.

The challenges that WayCool has set off to solve are numerous. One is making standardized facilities applicable across the agri-food sector. “There is a lack of standardization in the agriculture industry, particularly in terms of quality. Different regions have different preferences, and the absence of standardized quality makes it challenging. The diversity in rice varieties, preferences, and the potential for adulteration or mixing pose difficulties,” points out Vignesh.



CONTRACT MANUFACTURING SOLUTIONS FOR RETAILERS & BRANDS



India has a significant agri-produce market, with an estimated value of around \$800 billion. Approximately 75% of this market flows through retail channels, serving as the primary avenue for households and establishments to acquire products for consumption.

Another notable challenge in the agricultural supply chain is the considerable loss of products through mortality and wastage. Mortality refers to the loss of products due to certain climatic and environmental reasons while wastage, ranging between 15% and 20%, occurs when food needs to be disposed of for various reasons.

Over one-third of the food produced globally goes to waste, with the majority of wastage occurring within the supply chain. Proper prediction of supply and demand is crucial to avoiding food mortality and wastage, especially since many products are harvested only once or twice. "At WayCool, we are plugging the gaps in the market and enhancing efficiency within the agri-products supply chain," asserts Vignesh.

Referring to mortality and wastage, Vignesh says: "If one starts with one kilogram of radish today, by tomorrow morning, it may weigh only 800 to 850 grams due to moisture loss — a 15% reduction in value. This value diminution is a consequence of moisture loss in perishable products. The same principle applies to other goods, with dry products experiencing slightly less moisture loss but facing other wastage challenges."

The agri-produce market is also beset by the challenge of relatively low individual transaction values, despite the high volume of transactions occurring within a short timeframe. This dynamic indicates that while farm-

produce trading constitutes a vast and expansive industry, its gross margins remain constrained, making profitability a formidable objective. Consequently, the sector grapples with a lack of organization, particularly evident in the intermediate stages of the supply chain.

Innovation in Agri-Supply Chain: From Harvest to Delivery

WayCool has strategically addressed challenges within the agricultural supply chain by shifting from a supply-led model to a demand-led model. This entails operating in alignment with the prevalent approach in various industries, where a forecast is generated by deploying predictive intelligence solutions, and manufacturing processes are adjusted accordingly.

To complement this strategy, on the farm side, the company operates a farmer engagement program known as 'Outgrow,' which is designed to collaborate with farmers to enhance crop yield, reduce input costs, mitigate risks, and implement yield improvement strategies.

Hari Prasad J, a farmer enrolled in WayCool's Outgrow program, shares his experience: "Previously, agriculture was not a profitable venture for me, resulting in significant losses and concerns regarding market payments. Since becoming a WayCool farmer, I receive assured payments within seven days for our produce. Their extensive support throughout the agricultural process, including access to seeds, fertilizers, agricultural consultancy, market insights, and pricing information, has been invaluable. As part of the Outgrow program, they ensure the liquidation of 100% of the produced stock."

WayCool's Outgrow initiative combines digital solutions with on-the-ground interventions. Additionally, the company's technology division focuses on developing software and mechanical solutions tailored to address challenges within the agricultural sector. To establish target prices for farms, market prices are assessed using WayCool's benchmarking app. "On average, farmers witness a 13.75% increase in income when utilizing this system, as opposed to directly engaging with the market," says Vignesh.

The company's operational process commences with the farmers responsible for harvesting, sorting, grading, and packing products according to orders generated by the company's master planning system. Each crate undergoes weighing and scanning to provide precise information to the city distribution centers regarding the volume of stock, its origin from specific farmers, and the scheduled arrival time. Upon reaching the warehouse, samples from each delivery undergo meticulous quality checks.

The company conducts thorough inspections for physical defects such as color and size, aligning with

international food safety standards that take into account criteria such as nitrate levels, pesticide residue, and the hygiene of delivery vehicles.

Upon passing these stringent checks, the products proceed to conveyors for an automatic inverting procedure, minimizing unnecessary handling and mitigating the risk of human errors in weight checking. Subsequently, the farmer receives confirmation of the weight, and payment is electronically processed within a timeframe of one to seven days. Once inverted, the stock is strategically reallocated to meet the diverse needs of WayCool's clientele, spanning General Trade, Hotels, Restaurants, Exporters, and Modern Trade Stores. The products are then arranged on customer pallets for efficient handling and sent for dispatch.

In cases where temperature control is essential, WayCool employs specialized vehicles to transport products, ensuring optimal quality throughout the delivery process. The company prides itself on achieving nearly 100% fulfillment and timely deliveries, emphasizing a commitment to fairness and freshness from the farm to the consumer's table, bridging the gap between these two realms. "The overall result is that customers benefit from stable supplies with exceptionally high fill rates. By avoiding excess inventory, the system minimizes losses, leading to fresh produce losses of only about 3%, in contrast to the industry average of 14.7%," says Vignesh.

Transition to Packaging for Value Addition and Quality Assurance

Within a couple of years of its inception, WayCool extended its supply chain from fresh produce to include staples like rice and lentils. "When we commenced our journey, the company was focused on fresh products like vegetables and fruits. However, over time, our customers expressed an interest in including staples such as rice and lentils in our offerings. Responding to this demand, we expanded our supply chain to encompass these essentials," says Vignesh, adding that the size of the retail staples market in India is worth \$200 billion.

While expanding its supply chain, the company recognized an additional requirement: the need for greater value addition. Leveraging its existing capabilities, WayCool recognized the significance of elevating the product beyond its role as a mere conduit for connecting with customers. It also realized that quality is subjective, especially when products are predominantly sold in loose form. This awareness led to a transition to packaging, establishing a basis for informed discussions with

WayCool operates as a technology-enabled supply chain enterprise with the primary objective of formalizing, transforming, and enhancing the efficiency of the agricultural product supply chain.

customers on the strength of its ability to trace product quality.

Vignesh notes that the comprehensive assessment and traceability of product quality became feasible only upon the company's transition to packaging. "Packaging becomes a crucial point in applying known standards and practices to ensure quality and integrity in the sector." He adds that their entry into the packaging domain commenced modestly in Coimbatore, primarily focusing on spice packaging.

Shift Toward a Diversified Product Portfolio

By now, WayCool had solidified its reputation as a contract manufacturing company. "As I mentioned earlier, contract manufacturing for us initially began with a focus on fresh products, specifically fruits and vegetables, without venturing into dry products. As our customer base expanded, demands shifted, with clients expressing a need for a broader product range. Customers wanted



staples, which constitutes 33% of our product basket today, while we were earlier providing only 20% in the form of fruits. To meet this demand, we expanded into rice production, introducing our own brand called Madhuram, which has since grown significantly to include other staples as well," informs Vignesh.

With a well-established supply chain facilitating the efficient distribution of fresh produce and staples to both retail and HoReCa sectors, coupled with its acquisition of packaging capabilities, WayCool strategically pivoted towards introducing

CONTRACT MANUFACTURING SOLUTIONS FOR RETAILERS & BRANDS



Approximately 35-40% of the agri-products produced in India get wasted due to the inefficiencies in the supply chain. The wastage is a result of various inefficiencies at different stages of the supply chain, including harvesting, transportation, storage, and distribution.

more proprietary brands. From starting as a market-linkage startup, WayCool took a conscious decision of moving away from the trading of farm produce – a low margin business – to focusing on consumer facing brands as path to profitability.

Apart from Madhuram, it has also introduced Kitchenji for retail packs and Freshies for slightly processed items such as batter, paneer, and bread. “Having developed extensive capabilities in sourcing, sorting, grading, packing, and delivery, among other aspects, we realized the potential to leverage this capacity beyond internal use. Given the vast scope of the food market, we saw the imperative to launch our own brands,” explains Vignesh.

Going forward, WayCool has plans to diversify into more complex processed foods, such as ketchups or similar products, and move up the value chain. The aim is to enhance the value addition in the sourcing process with an emphasis on more specialized procedures. For instance, a recent addition to WayCool’s operations is a vacuum packing unit. Vacuum packing has the potential to double the shelf life of products, extending it from three to six months. This improvement in shelf life directly contributes to reducing food wastage, despite a slight associated cost. “We are open to exploring various packaging technologies in the future,” says Vignesh.

Acknowledging an unmet market need and a dearth of professional service providers within the

sector, WayCool has diversified its offerings to address a wider clientele. This proactive approach has enabled the company to leverage the growing demand for its products effectively. Consequently, the initiative has gained traction organically, fueled by the recognized market gap and the company’s goal of serving a broader audience.

Advanced Processing and Packaging Capabilities

The annual production of staples in the country is approximately 300 million tons, with rice and wheat each contributing 100 million tons. These staples play a central role in WayCool’s business, as consumers purchase around 100 different products for their homes within this category. “The core aspect of our staples business involves various variants, which require processing. Major components within this category include pulses, spices, dry fruits, and some flours. Rice and wheat, particularly wheat used for atta, are the primary contributors to this segment, standing out in terms of scale compared to other staples,” says **Harish K.N.**, *Deputy General Manager – Contract Manufacturing, WayCool Foods and Products Private Limited.*

The company sources raw materials from various suppliers. These materials undergo cleaning, grading, packing, and labeling processes at WayCool’s processing facilities, and the final product bears the brand of its clients. Similar to the “Intel inside” concept in computers, the company aims to be the trusted source in the food packaging industry. Customers can rely on the origin and quality of the product by checking the information on the back of the package, such as the packing details and the processes it has undergone.

“We source products from various suppliers, and depending on logistics costs, we directly source from millers and traders to ensure optimal service levels and to meet minimum order quantities,” reveals Harish. The decision of selecting vendors can occur in two ways — either initiated by the company or as a result of client discussions. If the focus is on sourcing and packing, WayCool takes charge to maintain control over product quality. For pure packing services, clients often provide the items themselves.

For example, in the procurement process for chili powder, WayCool procures directly from reputable sources or collaborate with traders. Another example is coriander, primarily grown in Rajasthan, Madhya Pradesh, and Gujarat. In this case, WayCool purchases from large aggregators, mainly obtaining cleaned products. This product is sorted for retail clients or provided as-is for those making spice powders.

For products like sugar, WayCool sources directly from mills, bypassing the cane procurement process. Bengal gram, on the other hand, is sourced from Mandis

or large farmers, with WayCool's team conducting thorough inspections. The cleaning process occurs at WayCool's Bagalkot unit, ensuring a direct and efficient supply chain from the farm to the consumer, and maintaining quality control throughout the process. The company aspires to establish an ideal supply chain for each product, emphasizing direct sourcing, cleaning, packing, and branding.

The company maintains a robust quality assurance team with a steadfast focus on continual enhancement and advancement of its quality standards and certifications. One such globally recognized certification that WayCool has under its belt is FSSC 22000, which is comparable to BRC standards. "We have recently renewed it for the second year with a higher score," informs Harish.

WayCool's facilities are equipped with cutting-edge machinery tailored for high-quality operations in agri-processing and packaging. This advanced equipment includes a range of devices such as form-fill-and-seal machines, inline weight checkers for accuracy, and inline metal detectors to detect foreign objects prior to product distribution. Additionally, grading machines are utilized for cleaning and sorting products based on size and external attributes. The company offers various



WayCool's "packaging as a service" solution is crucial for startups and SMEs aiming to showcase their products effectively. Having professional packaging done promptly plays a significant role in capturing customers' attention. This service is particularly vital for startups and SMEs, given their limited capital.



packaging options, ranging from standard machine packs to semi-automated packs and vacuum sealing, which enhances product shelf life.

The company's dedication to quality and service aligns with its objective to support customer success. "Our priorities include activities such as sourcing, grading, packaging, and labeling. We employ various methods like machine packing, large packing, small packing, vacuum packing, manual packing, and semi-automatic packing," points out Harish. These four core activities form the foundation of WayCool's operations, which cover a range of eight product categories, encompassing machine-packed, large-packed, small-packed, and vacuum-packed items.

Currently, WayCool manages a diverse portfolio of more than 250 products, achieving an impressive 98% fill rate consistently. The monthly production volume ranges from 1.5-2 million packs, with packaging options spanning from small 20-gram packs to 50-kilogram bulk packaging.

The company operates across five strategically located processing facilities spanning Chennai, Hosur, Bangalore, Hyderabad, and Bagalkot, covering an area of 45,000 square feet. These facilities boast a handling capacity of 2,000 tons of products per month.

Market Reach and Growth Trajectory

Recognizing the value of services offered by WayCool – Sourcing, Grading, Packaging, and Labeling – its customer base has grown steadily over the years and comprises retailers, food processors, and consumer brands. "We work with offline retailers, online retailers, stand-alone supermarkets and also international retailers. In addition to working with retailers, we collaborate with food brands, food processors, and consumer brands. This includes both online and

CONTRACT MANUFACTURING SOLUTIONS FOR RETAILERS & BRANDS

offline consumer brands. For example, we partner with a major sugar brand in South India and a New Delhi-based company that is currently an online-only player for whom we handle their backend operations. Alongside offering private labeling and packaging services, we also provide packaging accessories," says Vignesh.

The company also supplies ingredients to numerous food processors that prioritize quality consistency. Whether it's a snacks manufacturer, a spice manufacturer, a cloud kitchen, or a college kitchen aiming to provide high-quality food to their consumers, WayCool is their preferred supplier for obtaining reliable ingredients throughout the year.

When asked about the company's core market, Vignesh says it is South India. "South India accounts for a significant portion of our business, around 35% of the volume scale, but we are also looking at Pan-India expansion. Additionally, there is a contemplation of international expansion as many products from India have a global market demand."



Over the years, WayCool has experienced substantial growth both in terms of business expansion and revenue generation. "In the initial months, our revenue stood at approximately Rs. 50,00,000. Currently, we have experienced a substantial growth, ranging between 12 to 15 times the initial figures and we anticipate achieving monthly revenue of Rs. 7-8 crore. It is worth noting that the value of products handled is considerably higher due to our involvement in packaging as a service. To elaborate, in this service, the product itself is not accounted for in our revenue; rather, only the value addition is considered," shares Vignesh, adding that the company is clocking a 60% growth rate on an annual basis and is looking to exceed that growth every year.

WayCool has strategically addressed challenges within the agricultural supply chain by shifting from a supply-led model to a demand-led model. This entails operating in alignment with the prevalent approach in various industries, where a forecast is generated, and manufacturing processes are adjusted accordingly.

WayCool currently provides services to 3,500 retailers located in cities across southern India. Its diversified ventures comprising agri-produce trading, packaging, private labeling, and consumer brands, collectively generate annual revenues of Rs. 1,800 crore. The introduction of each brand has resulted in an enhancement of WayCool's margin profile, offering the company valuable insights. While initially prioritizing supply chain optimization for efficiency, the company has shifted its focus towards customizing offerings to align with consumer preferences.

To date, WayCool has secured over \$340 million in funding, with its latest valuation reaching \$675 million during the most recent fundraising round in June 2022.

Why Should Someone Choose to Work with WayCool?

The company offers rapid onboarding and scalable solutions, sparing partners from the complexities of building operations from the ground up. Acknowledging the significant learning curve and financial investments required for setting up operations independently, WayCool seeks to mitigate these challenges. For brands aiming to enter the Staples market swiftly, collaborating with the company can lead to a substantial reduction in time to market.

"We have the capability to launch or scale any dry staples brand, and also convert their existing bulk products into retail-ready formats. This includes providing solutions for converting bulk packs into retail packs. We offer comprehensive packaging services, private labeling, and support for various retailers, including online, modern retail, and international retail. We extend these services even to standalone supermarkets operated by individual entrepreneurs. The complete solution encompasses everything from package design and beyond," says Harish.

WayCool's "packaging as a service" solution is crucial for startups and SMEs aiming to showcase their products effectively. Having professional packaging done promptly plays a significant role in capturing customers' attention. This service is particularly vital for startups and SMEs, given their limited capital. This model operates on a pay-per-use basis, akin to a food park, offering clients access to high-end facilities as needed. In addition to startups and SMEs, WayCool also serves food processors, cloud



With a well-established supply chain facilitating the efficient distribution of fresh produce and staples to both retail and HoReCa sectors, coupled with its acquisition of packaging capabilities, WayCool strategically pivoted towards introducing more proprietary brands.

kitchens, college kitchens, snack manufacturers, and spice manufacturers, ensuring consistent quality products.

Another benefit is the ability to variabilize costs. Considering the premium on capital, brands have the opportunity to allocate their resources more effectively by directing funds towards branding and marketing, while entrusting WayCool with backend operations. The company establishes a reliable partnership, enabling brands to shift and variabilize costs. With continuous upgrades and operational efficiency enhancements, the company provides expertise and support in various aspects, including brand positioning, product selection, and packaging strategies, serving as a growth enabler for its partners. "The key advantage lies in streamlining the complexity of backend operations, such as sourcing and packing. By collaborating with us, brands can focus on understanding and serving their consumers better," says Vignesh.

In certain instances, businesses may opt for a hybrid approach. For instance, smaller brands can begin by sourcing and packing with WayCool's support. Over time, as they grow in volume, they might consider establishing their own facilities. Similarly, larger brands may commence operations with a smaller volume, expanding either to new geographies or within the same location as confidence builds. "We extend a highly flexible approach, offering the option to source and pack, source-only, or pack-only

based on the specific needs of the business. This strategic framework provides adaptability to the diverse requirements of different brands," shares Vignesh.

Vision and Road Ahead

Over the past 8 years, WayCool has undergone several transformations in its business model, encompassing both product and demand aspects. In the past four years, the company has effectively utilized its robust sourcing capabilities to establish brands across various food categories, including dals, pulses, dairy, ready-to-cook products, and fresh fruits. These categories now contribute over one-third of its total revenues. In its forward-looking strategy, WayCool envisions establishing a platform capable of managing 1% of the world's food production. This transcends mere transactions, targeting an impact on 1% of the global food market, estimated at approximately \$10 trillion. The company aims to realize this ambitious objective by scaling up all its operations and delivering increasingly relevant, technology-driven solutions to its clientele.

Going forward, WayCool anticipates becoming a strong contender for listing on public markets in the coming years. This achievement would validate their initial proposition of creating value within one of the most unorganized sectors of the economy through innovative business practices.



Over the next two years, the company will focus on building a well-governed, profitable, and publicly listed organization, marking the culmination of an eight-year journey. "We aim to bring our IPO in FY25-26, with a focus on listing targeted revenues in the range of Rs. 5,000-5,500 crore. Our strategic objective is to achieve a substantial EBITDA, showcasing the company's significant value during the IPO process," signs of Vignesh. **PG**