

2019

## Cluster Profile

### Baking & Confectionary Units, Lahore



#### ***Turn Potential Into Profit***

Small and Medium Enterprises Development Authority (SMEDA)  
Ministry of Industries and Production (MoI&P)  
Government of Pakistan

4<sup>th</sup> Floor Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore  
[www.smeda.org.pk](http://www.smeda.org.pk)  
P: (+92 42) 111 111 456



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## 1 Description of Cluster

### 1.1 Introduction

Lahore is the capital city of the province of Punjab, and is the country's second-most populous city after Karachi. Lahore is the one of the most established cities of Pakistan in terms of Industries, education and economic activities. The population is growing and industry is seeing a boom. The food business is growing all over Pakistan especially in Lahore. The District is playing a leading role in bakery products production. Lahore is home to many of the biggest bakery and food chains.

The baking industry in Lahore has seen many changes in the last twenty-five years. It has emerged as a small-scale bakery processing industry to numerous industrial baking units across the city. The baking industry in Lahore is flourishing very quickly and baking products are gaining much popularity. Baked products have been accepted as popular substitute of rice, naan and chappati. Baked goods are substitute for roti (flatbread), which is an important part of every Pakistani meal. With the passing time, urban lifestyle has become busier than ever, bread became an important part of meals especially for breakfast. There are around 150 baking and confectionery units operating in Lahore and suburbs.

### 1.2 Defining the Products

With the rise in population the baked goods industry in Lahore has seen a considerable rise in especially in the past decade. This industry is on the rise and is expected to grow as consumers seeking better product quality and variety shift from unpackaged to packaged goods. The major bakery products produced by the baking units in Lahore are as follows:

- Bread
- Biscuits
- Dry Cakes
- Cream Cakes
- Pizzas
- Sweets
- Rusks
- Patties
- Baguettes
- Muffins

### 1.3 Core Cluster Actors

There are around 150 bakeries and confectionery units across Lahore city. Majority of which are operating at a small scale level. The breakup of manufacturing units is as follows:



**Table 1: Baking Units Cluster, Lahore**

Description	Details
Number of Units	Large Units: 12 (Bakery Chains) Medium Units: 25 Small Units: 100
Employment Generated	Around 15,000 People
Production Capacity	1,015,000
Capacity Utilization	85% to 90%

Source: SBP and IFC survey report on 'Other Food Products Baker and Other Confectionary Products'

## 1.4 Other Support Actors

The key support actors which provide support services to the baking industry mainly including but not limited to raw material suppliers, finishing and packaging service providers.

**Table 2: Other Support Actors, Baking and Confectionery Cluster, Lahore**

Description	Details
Raw Material Suppliers	There are more than 100 raw material suppliers for raw materials other than Flour and Sugar. Most of the raw material is locally available and mostly procured from traders of Shahalmi Market. Some finishing and garnishing items like Chocolates, Syrups, Flavors, Colors, Enhancers, Emulsifiers and Canned Fruits are imported.
Packaging	Around 30 packaging and 8 paper mills are providing packaging and wrapping services to Baking and Confectionery Cluster. Prominent suppliers of packaging and wrapping materials mainly comprise of Packages Group, Hussain Can, Pak Packages, Tetra Pak and Danpack etc.
Traders	Around 50 suppliers are providing imported goods such as chocolates, colorings and food flavors to the cluster.
Distributors	Generally products are available at the bakeries for sale but in some areas and suburbs of Lahore, around 30 distribution companies are involved in this service.
Meat Suppliers	Around 60 meat processing companies are involved in supplying of chicken, meat and fish for this cluster.
Machinery Suppliers	There are around 60 local machinery manufacturers who are dealing with Baking Industry in Lahore.

## 1.5 Geographical Location

Geographically the majority of baking units in Lahore are located at following areas.

- Sundar Industrial Estate
- Raiwind Road
- Kot Lakhpat Industrial Estate
- Multan Road

## 1.6 Major Players

**Table 3: Major Industry Players**

Sr. No	Name of Company	Approximate Daily Production (Production / Day)
1	<b>Gourmet Foods</b> Raiwind Road, Lahore.	100,000
2	<b>Cakes &amp; Bakes</b> 18 Km Multan Road, Lahore.	80,000
3	<b>Doce Pvt Ltd.</b> Quaid e Azam Industrial Estate, Kot Lakhpat, Lahore.	60,000
4	<b>Shezan Bakers</b> Multan Road, Lahore	60,000
5	<b>Malmo Foods</b> Thokar Niaz Baig, Multan Road, Lahore.	40,000

## 1.7 Current Cluster Scenario

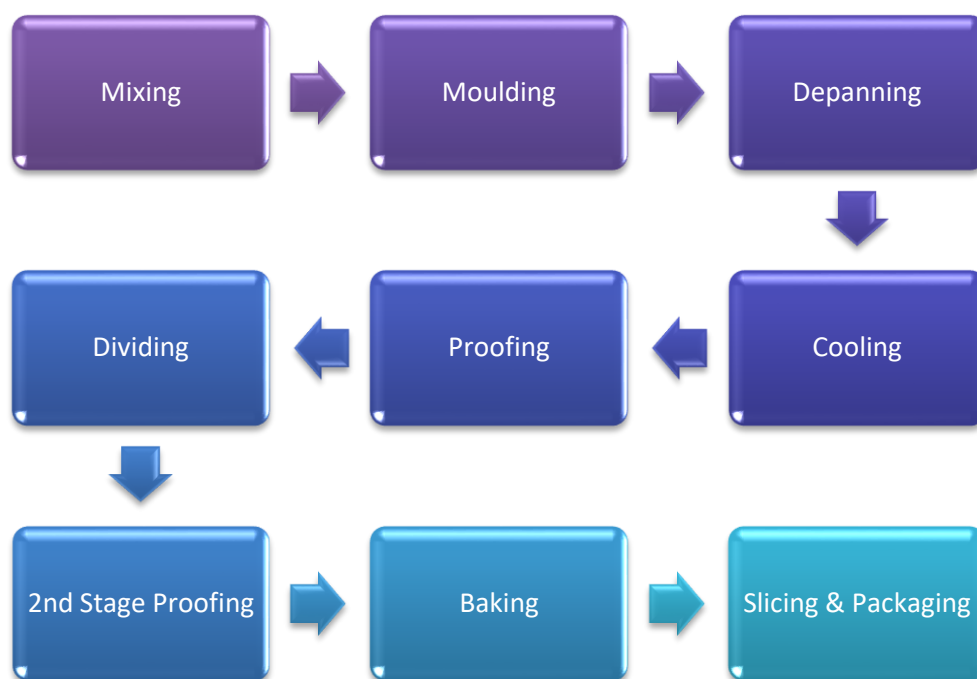
Baking and Confectionery cluster of Lahore has a huge potential to grow further. The industry faces numerous problems particularly with raw material, power outages and compliance with local and International Food Standards. At present, this sector in Lahore is relatively less organized with sales primarily generated via shops/premises with limited financial and banking history. However, demand for this segment is expected to increase substantially, given increase in population and high demand of baked food.

## 2 Analysis of Business Operation

### 2.1 Production Process Flow

Production in all baking units is done in two shifts of 12 hours each. The products with longer shelf life are made at day and the products having less shelf life (i.e. perishable items) are made at night and all the supplies to the retail stores start in the morning.

**Figure 1: Production Process Flow Diagram**



### 2.2 Raw Materials

The primary raw materials used for manufacturing of bakery and confectionery products are Flour, Sugar and Oil. Around 90 percent of the raw material used in this segment is locally produced and easily available in the markets for procurement. Flour, Sugar and Oil are directly procured through respective mills and readily available through the year without any hurdles.

Some raw materials used for garnishing of the end products such as Chocolates, Syrups, Flavors, Enhancers, Emulsifiers and some Canned foods are imported and demand is met by the help of importers / traders present in Lahore. Also almost all of the imported items are readily available in supermarkets such as Carrefour and Metro Stores all over Pakistan.

Moreover, packaging material including food grade plastic bags and corrugated boxes are also locally produced and available for procurement in Lahore.

## 2.3 Technology Status

Majority of the machinery is locally produced and locally available. The main machines used are Ovens, Refrigerators, Stoves, Fryers, Mixers, Cutters and Packaging Machines. Some of the big units are also using the imported machinery but their number is very less and majority are using custom designed locally manufactured machinery.

## 2.4 Quality Standards and Assurance

Majorly of the food safety management systems and certifications are adopted by large units. Small and medium units lack in quality control and assurance. The Punjab Food Authority (PFA) is playing major role in monitoring of these units relating to Food Safety and also provide training and licensing for enforcement of certain standards.

Major private organizations involved in certifications are:

- Bureau Veritas
- Moody International
- SGS Pakistan
- Pakistan Systems Registrar

The government institutions for prescribing and enforcement of local quality standards are:

- Punjab Food Authority (PFA)
- Pakistan Standards and Quality Control Authority (PSQCA)
- Pakistan National Accreditation Council (PNAC)

The international standards associated with baking industry are:

- Food Safety Management Systems (FSMS)
- Quality Management Systems (QMS)
- Food Safety System Certification (FSSC)
- Hazard Analysis and Critical Control Point (HACCP)
- HALAL Food Standards

## 2.5 Sales and Marketing Analysis

### 2.5.1 Local Market Trade

Independent retailers and wholesalers are still the largest contributors to the segment. Larger units have their own retail outlets. Small and micro units are mostly involved in the direct sales. Advertisement is mostly done by TV commercials by the larger units and Billboards along with their sales and marketing field teams. The smaller units have no mechanism for formal advertisement.



The businesses operate in both rural and urban areas of Pakistan with significant presence in commercial and residential vicinity. It is done through conventional methods of branches and direct sales agents without involving any intermediary channel.

The perishable items e.g. Bread placed on the counter of shops are replaced after expiry with the fresh ones. Mostly the goods are provided on credited terms on 30 days to shopkeepers and distributors.

Distributors are registered with the units through a security deposit which varies for different units. Since the smaller units are producing in very less quantity so they sell all what they produce on their own retail shops.

### **2.5.2 International Market**

The traditional sweets manufactured have a potential in export to the countries like Gulf, USA and UK, rest and only two of the big units are exporting these items but on a very small scale. Demand is very high and according to Pakistan Biscuit & Confectionery Manufacturers Association, Pakistan's Bakery and Confectionary Industry has grown with an average annual rate of 6.5% to 7.5%.

## **2.6 Business Cycle**

The segment experiences cyclical trends due to seasonal sales, traditional occasions such as religious and wedding occasions give significant rise to sales. The segment is also affected by fluctuation in raw materials prices for producing bakery and confectionary items. Businesses suffer from general increase in prices which in turn causes decrease in sales.

## **2.7 Financing**

Funds are mostly managed by the owners themselves, mainly required for business assets and working capital which are mostly fulfilled by their own personal savings or cash flows from the business. Among the fixed assets, finance need is mainly centered on machinery and equipment for the business.

A large number of owners have well stocked raw materials for carrying out smooth business operations in case of material shortage or unusual hike in prices which leads to the problem of tied up working capital. This issue pertains throughout the year as a minimum level of inventory has to be maintained for uninterrupted business operations. The segment has generally limited exposure with respect to financing and banking products.

## **2.8 Human Resource Management**

Due to the labor intensive and manual nature of work, education is not considered as a major factor for business owners. However, they require skilled workers who have the knowledge of baking and confectionary production for business operations.

The Larger and Medium production units have proper hierarchy system and possess qualified Production Managers having degree in Food Science & Technology and Production Supervisors





having diploma in Food Technology but smaller and micro units are supervised by the owners or the family members.

### 3 Institutional Setup

#### 3.1 Entrepreneurship Associations

##### **Pakistan Biscuits and Confectionery Manufacturers Association (PBCMA)**

Tel: (+92) 300 9209719

Email: [apmctassociation@gmail.com](mailto:apmctassociation@gmail.com)

##### **Lahore Chamber of Commerce & Industry (LCCI)**

Address: 11-Shahrah-e-Aiwan-e-Sanat-O Tijarat, Lahore

Tel: (+92) 42 111 222 499

Web: [www.lcci.com.pk](http://www.lcci.com.pk)

#### 3.2 Support Institutions

##### **Punjab Food Authority (PFA)**

Address: 83-C, New Muslim Town near Naqsha Stop, Lahore

Web: [www.pfa.gop.pk](http://www.pfa.gop.pk)

Tel: 0800-805500

##### **Small & Medium Enterprises Development Authority (SMEDA)**

Address: 4<sup>th</sup> Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore

Tel: (+92) 111111 456

Web: [www.smeda.org.pk](http://www.smeda.org.pk)

Email: [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

##### **College of Tourism and Hospitality Management (COTHM)**

Address: Efu House, 5-C Main Gulberg II, Ayesha Saddiqa Road, Lahore

Tel: (+92) +92-42-35870012-13 / +92-42-35875851

Web: [www.cothm.edu.pk](http://www.cothm.edu.pk)

Email: [info@cothm.edu.pk](mailto:info@cothm.edu.pk)

##### **Pakistan Standards & Quality Control Authority (PSQCA)**

Address: 125-A, Quaid-E-Azam Boulevard, Quaid e Azam Industrial Estate, Lahore

Tel: (+92) 42 99230617

Web: <http://www.psqca.com.pk>



## **4 Major Issues and Problems**

### **4.1 Financial**

The smaller units of baking sector, do face issues of access to finance. On the other hand, the medium and larger units manage their finances. Also business owners' reluctance and non-availability of proper accounting records presents an issue for calculation of segments benchmark financial ratios.

### **4.2 Marketing**

There exists new and unexplored market at local and international level. Lack of modern marketing and branding techniques is an issue restricting the growth and development of this cluster, as there is not any specialized marketing department. Further, absence of websites, branding and product advertisement, non-participation in national or international Exhibitions, lack of educated, certified and professionally trained / skilled workforce make things more difficult.

### **4.3 Technological**

Small and medium units continue to operate using an outdated manual and labor intensive model with limited or no use of technology. The main reason for lack of automation in this segment is due to non-availability of funds to Bakery and Confectionary producers / owners for purchase and installation of such equipment. There is a lack of innovation in technology at both ends as the modern technology base equipment is unavailable in the market; also there are no local manufacturers of these equipment/machinery.

### **4.4 Human Resource**

Smaller and medium units mostly depend upon single persons for multiple positions to save cost. There is a lack of knowledge about the importance of technical HR like Food Technologist etc. for adding the value in the production process. Lack of availability of skilled workforce is a constant issue faced by this segment.

## **5 Investment Opportunities in Cluster**

The need for following potential investment opportunities pertains in the Baking & Confectionery Units Cluster Lahore identified on the basis of the key strengths of this cluster:

- Technology Innovation
- Local Machinery Manufacturing
- Research and Development Labs
- Franchising
- Training Institutes
- Trading (Raw Materials Local / Imported)



Following Pre-feasibility studies on Baking and Confectionary are available on SMEDA's website and can be downloaded for further information. These documents can be downloaded from [www.smeda.org.pk](http://www.smeda.org.pk).

- Bakery and Confectionary
- Bread Manufacturing
- Homemade Food Products (Pizza and Cakes)

## References

- <http://www.sbp.org.pk/departments/ihfd/Sub-Segment%20Booklets/Other%20Food%20Product-Baker%20and%20Other%20Confectionary%20Products.pdf>
- <https://foodntechnology.com/>
- <https://www.scribd.com/document/293979593/136867105-Gourmet-Pakistan-pdf>
- <http://www.euromonitor.com/bakery-in-pakistan/report>