

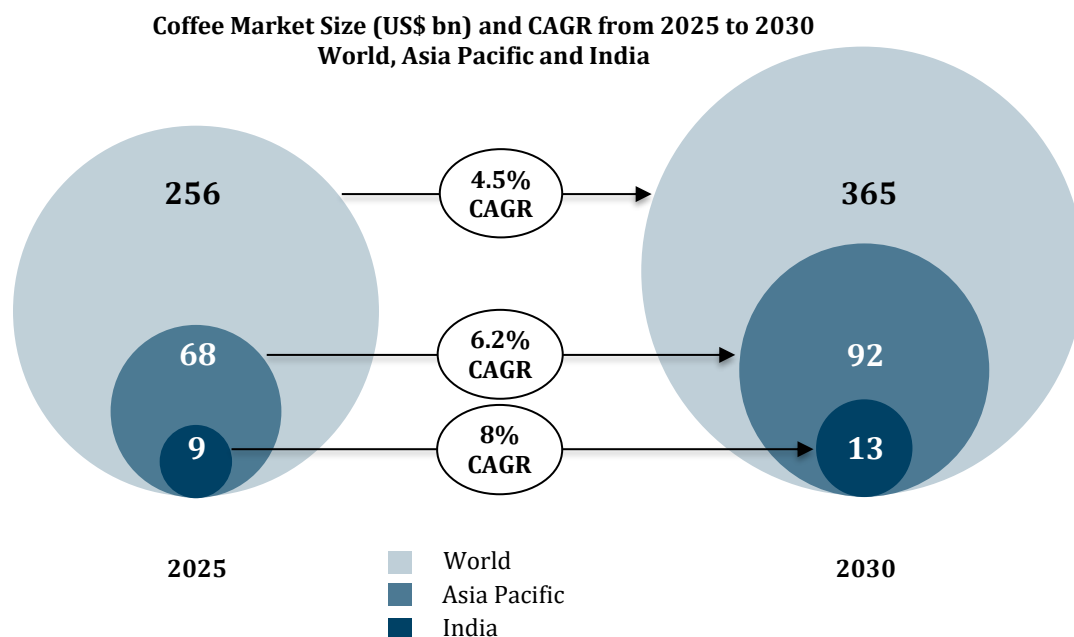
# Wake-up and Smell the Coffee: The Fast-growing India Market

April 2026



## A Late-Blooming Market with Structural Headroom (1/2)

Coffee is one of the world's most widely traded and consumed commodities, but in many of its traditional strongholds the category is already mature. The global coffee market was valued at US\$256bn in 2025 and is projected to grow at a CAGR of 4.5% through 2034 – steady expansion for an already well-established category. Asia-Pacific market valued at US\$68bn in 2025, by contrast, is expected to grow at nearly 6.2% CAGR, with India at a very different point on the adoption curve growing at 8% year-on-year.



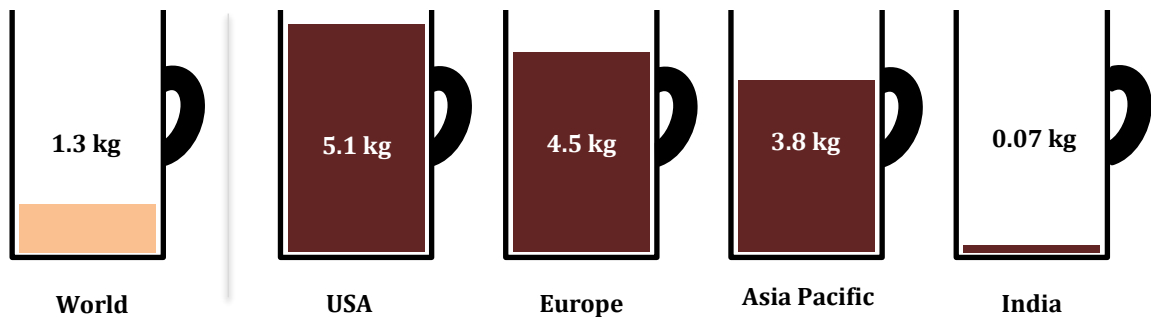
Europe, Japan and North America, which together accounted for more than half of global coffee consumption in 2023, remain well-established markets where value per cup continues to rise, driven by premiumization, sustainability-led purchasing and the rapid growth of convenience formats such as pods and ready-to-drink offerings.

Among late-blooming coffee markets, China's adoption story has been well documented, with domestic consumption growing by more than 150% over the past decade (2015–2025). Yet it has also proven to be a more guarded market than many international operators initially anticipated.

If China has been the most closely watched “new coffee” market of the last decade, India is increasingly emerging as the next one to watch. It is younger, fast-urbanising, English-comfortable and culturally receptive to global café formats, yet still materially underpenetrated on consumption.

## A Late-Blooming Market with Structural Headroom (2/2)

At present, India's coffee market is maturing with per capita coffee consumption at just 0.07 kg in 2023 versus a global average of 1.3 kg.



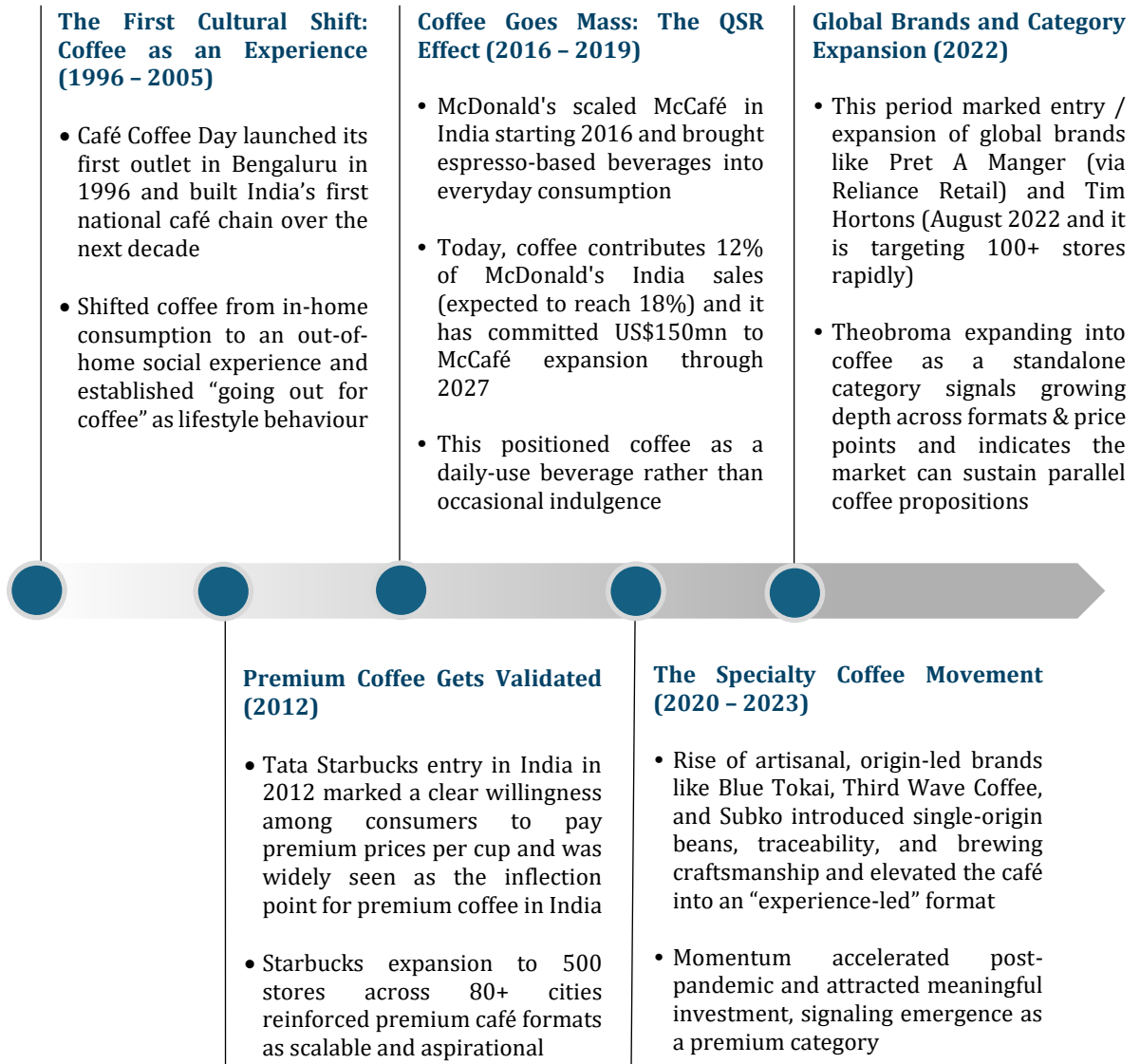
Over the past decade, urban Indians have increasingly come to view coffee not merely as a functional caffeine source, but as a ritual and an everyday indulgence. The analogy to South Korea or Japan in the early 2000s is imperfect but instructive: both were tea-dominant markets that underwent coffee adoption over roughly a decade, driven by youth culture, café expansion and rising disposable incomes. India's trajectory appears directionally similar, even if the local context is distinct.

India's coffee market reaches consumers through a widening array of formats - high-street cafés and QSR counters, packaged and instant retail, direct-to-consumer roastery subscriptions, ready-to-drink cans, institutional vending networks with machines and increasingly, bakeries and patisseries where coffee has become a standalone offering. Each channel serves a distinct consumer need and price point and collectively they signal that coffee in India is no longer a single-occasion purchase, but a category woven into daily life across multiple touchpoints.

The consumption pattern in India, however, carries a distinct fingerprint. Unlike most Western markets where black coffee or espresso is the default, India drinks its coffee with milk. Hot milk coffee, cold coffee blended with ice cream, chicory-blended south Indian filter coffee - these are the widely consumed formats. Pure black coffee and espresso-based formats are growing, but they remain an urban, aspirational segment rather than the mass market.



# Coffee Moves Beyond Luxury (1/2)



The milestones indicate that two structural forces are converging at this point.

- The first is **premiumisation**: Indian consumers, particularly the urban upper-middle class are willing to pay more per cup now. The willingness to spend on a specialty latte at a Blue Tokai or Subko is a relatively recent phenomenon, and it is accelerating.
- The second is the **emergence of the affordable segment**: abCoffee and a range of D2C brands are democratising the coffee experience across income classes.

Therefore, the market is stratifying. Coffee in India has evolved into a distinct asset class, attracting capital across formats and offerings.

## Coffee Moves Beyond Luxury (2/2)

### Recent Transactions in Indian Coffee Market

Date	Target	Investor / Buyer	Number of Stores	Deal Value (US\$m)
June 2024	Third Wave Coffee	WestBridge Capital	200+	36
June 2025	Blue Tokai Coffee Roasters	DSP Investment, Verlinvest, Anicut Capital, 12 Flags, A91 Partners	180+	29
April 2025	Sweet Karam Coffee	Peak XV Partners, Fireside Ventures	NA	9
June 2023	Rage Coffee	Sixth Sense Ventures	NA	8
March 2024	abCoffee	Tanglin Venture Partners	80+	3
March 2023	Subko Specialty Coffee	Blume Ventures India Trust IV, Gauri Khan Family Trust	17	3

Sources: Press reports, Company websites



## From South Indian Staple to National Habit

Coffee consumption in India is not monolithic. Regional heritage, climate and cultural history create a consumption map that is uneven and the regions behind on the curve represent the incremental growth opportunity.

For decades, coffee consumption in India was deeply regional, with southern states dominating both production and consumption and penetration levels reaching 70–75% (as of 2023) in parts of South India. Consumption was largely at home and filter coffee-led, creating a strong but geographically concentrated base for the category.

In Western India, Maharashtra and Gujarat stand out as two of the country's wealthiest consumer markets, with Mumbai serving as the commercial anchor of the region. Maharashtra has historically hosted the largest number of Café Coffee Day (CCD) outlets in the country. CCD is a domestic café chain that pioneered outdoor coffee consumption in India during the second wave which ushered in the rise of outdoor coffee culture. The west is second only to the south in market maturity (with penetration levels reaching up to 48% as of 2023) and is a primary market for premium and international brands.

In the North, Delhi and its satellite cities have historically been tea consumers, but the demographic tide is shifting. Young professionals in Delhi, Gurugram, and Noida are adopting coffee as a lifestyle marker at an accelerating rate.

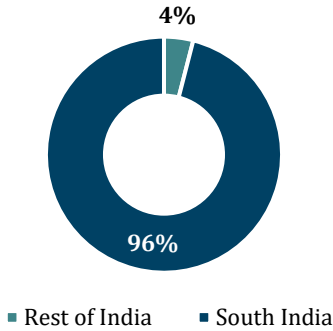
In East India, Kolkata, Bhubaneswar and the north-east remain firmly in early-adoption territory. Tea culture, specifically the Darjeeling and Assam traditions runs deep and coffee penetration is thin. However, Kolkata is beginning to exhibit the early markers of café culture adoption: Blue Tokai opened its 100th store there in March 2024. Therefore, the east is a long-cycle opportunity.



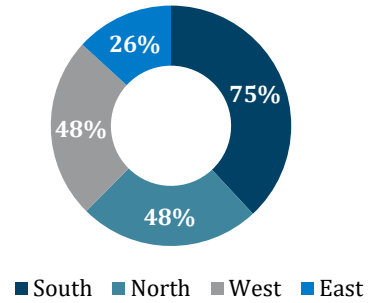
# India Produces for the World, but is Learning to Drink its Own Coffee

India is the world's seventh-largest coffee producer, generating 3.6 lakh tons in FY25. Within India, coffee production and coffee consumption is heavily skewed towards South India.

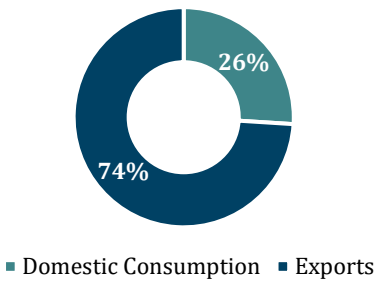
Coffee Production across India (2025)



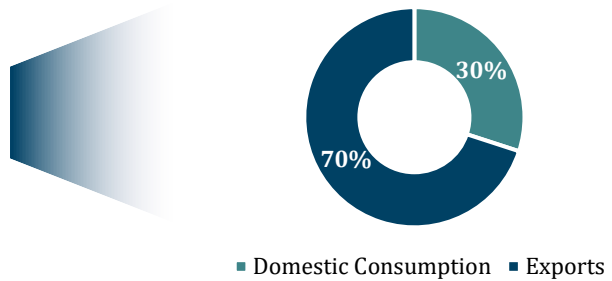
Coffee Penetration Pattern across India (2025)



India Coffee Production: Domestic Consumption vs. Exports Split FY23



India Coffee Production: Domestic Consumption vs. Exports Split FY25



As per FY25 data, around 70% of India's coffee output is exported. India has long been a producer for the world but is only now beginning to build a domestic value pool around the crop, shifting from export-led to branded, consumption-driven growth.



# Where the Real Opportunity Lies

1

## Infrastructure Play

- Roastery capacity and cold-chain logistics in India are nascent relative to the café boom. Infrastructure play captures growth without fighting the brand war.
- Logistics players and contract roasteries with B2B supply agreements are structurally guaranteed volume regardless of which consumer brand wins.

2

## B2B is the Silent Winner

- Institutional vending such as Lavazza's Fresh and Honest and CCD's 55,000+ machines generate locked-in, recurring corporate revenue at lower operational costs.
- BDA Partners advised Lavazza on its Fresh and Honest divestment, a transaction that exemplifies how vending platforms can outperform retail on margins and revenue visibility.

3

## Home Brewing – Untapped Opportunity

- India's HNI consumer is building a ritual around bean, equipment, and brew. The espresso machine is becoming as aspirational as a wine cellar.
- The opportunity is no longer metro-only. Even emerging cities such as Surat and Hyderabad offer high purchasing power with meaningfully lower competition for wallet share.

4

## Gen Z is Changing What Coffee Means

- For Gen Z, the cup is content, format, aesthetics, and origin story matter as much as what is inside it.
- RTD formats are structurally aligned with Gen Z's grab-and-go behaviour, positioning retail coffee to grow well beyond the café channel.

5

## Tier 2 and Tier 3 Expansion

- 40% of new branded café openings are now outside the metros, where real estate costs make unit economics materially more attractive.
- Optimised franchise models in Tier 2 and 3 cities are reporting margins of 25–30% indicating compelling near-term plays in the sector.

6

## The Middle-Tier is Under Pressure

- Jubilant FoodWorks' exit from Dunkin' is evidence that the middle tier, i.e., neither premium nor truly affordable can be an exposed position in Indian coffee.
- The brands winning the race are those with an identity at one end of the spectrum. Clarity on income-class positioning becomes a scale driver.

## BDA Team Expertise

BDA is actively tracking investment opportunities across Asia's consumer landscape. With dedicated teams in Mumbai, Tokyo, Singapore, Hong Kong, and Ho Chi Minh City, we bring on-the-ground market knowledge to mandates. Our track record spans buy-side and sell-side advisories across consumer sub-sectors throughout Asia. If you are evaluating opportunities in this market, we would welcome the conversation.

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