

Retail

MARKET & OPPORTUNITIES



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Indian Retail Sector on the Fast – Track

India's GDP growth of 9.4 per cent in 2006-07 is the highest posted for over 18 years, reflecting the booming economy of the country. Growing in tandem with the economy is the Indian retail sector. The sector is on a high growth trajectory and is expected to grow by more than 27 per cent over the next 5 to 6 years. Retail is one of India's largest industries, contributing to about 10 per cent of the GDP and providing employment to 8 per cent of the nation's workforce. Indian retail business promises to be one of the core sectors of the Indian economy, with organised retail sector estimated to grow by 400 per cent of its current size by 2007-08.

The growth and potential of the sector is being widely acknowledged both in the domestic as well as international forums. India topped AT Kearney's Global Retail Development Index 2007 for the third consecutive year, retaining its position in the global market as the most preferred retail destination amongst emerging markets.

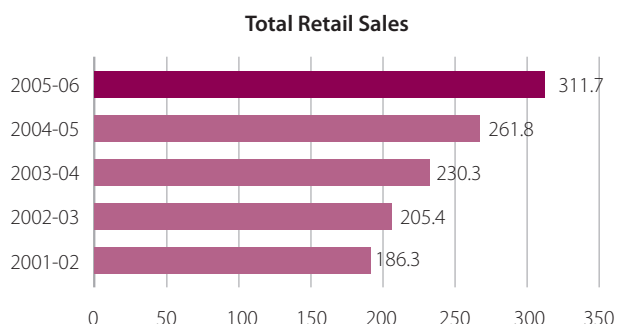
For the fifth time, India also topped the Global Consumer Confidence Index June – 2007 conducted twice a year by The Nielsen Company. Indians were judged the world's most optimistic consumers, with large sections of the population considering "now" a good time to spend. Indian consumers were also found to be bullish about their personal finances over the next 12 months.

The economics of Indian consumerism is buoyant, with India ranking as the fourth largest economy in terms of Purchasing Power Parity (PPP), next only to United States, Japan and China. India is expected to outpace Japan by the year 2010 to become world's third largest economy. With 54 per cent of the Indians aged below 25, the young Indian consumer is buying big to look good and feel good.

THE INDIAN RETAIL REVOLUTION

Retailing in India is evolving rapidly, with consumer spending growing by unprecedented rates and with increasing number of global players investing in this sector. Organised retail in India is undergoing a metamorphosis and is expected to scale up to meet global standards over the next five years.

India's retail market has experienced enormous growth over the past decade, more than doubling in size to US\$ 311.7 billion in 2005-06. The market was estimated at US\$ 1.1 trillion (in PPP terms) in 2005-06. The most significant period of growth for the sector was between years 2000 and 2006, when the sector revenues increased by about 93.5 per cent translating to an average annual growth of 13.3 per cent. The sector's growth was partly a reflection of the impressive Indian economic growth and overall rise in income levels of consumers.

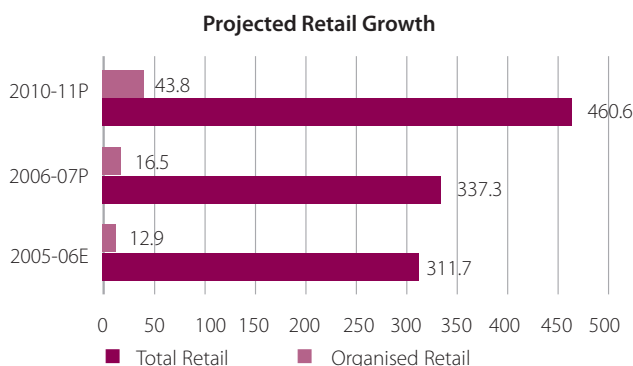


Source: Datamonitor

Exchange Rate: US\$ 1 = INR 41 (Valid through the report)

Even the introduction of Value Added Tax ("VAT") in April 2005 has not severely impacted consumer demand for retail goods. Greater exposure to western products and lifestyles has helped drive consumerism. The sector also benefited considerably by the rising popularity of satellite television since the early 1990s, which provided a highly

effective mass marketing route, reaching out to the large Indian consumer base.



Source: Crisil Research

TRADITIONAL AND MODERN RETAILING: THE INDIA STORY

Traditional retailing continues to be the backbone of the Indian retail industry, with traditional/unorganised retailing contributing to over 95 per cent of total retail revenues. The quintessential mom-and-pop retailing outlets or the corner-store formats constitute a major part of Indian retail store formats. Over 12 million small and medium retail outlets exist in India, the highest in any country. More than 80 per cent of these are run as small family businesses.

Prevalence of traditional retailing is highly pronounced in small towns and cities with primary presence of neighborhood “kirana” stores, push-cart vendors, “melas” and “mandis”. Organised formats are only in the initial stages of adoption in these regions. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly beginning to embrace the newer organised retail formats.

Modern/Organised retailing is growing at an aggressive pace in urban India, fuelled by burgeoning economic activity. Organised retail revenues are expected to increase from an estimated US\$ 12.9 billion per annum in 2005-06 to more than US\$ 43 billion by 2009-10. The sector is predicted to grow by 400 per cent, in value terms, by 2007-08. A large number of domestic and international players are setting up base and expanding their business with newer organised retail formats and intense competition driving innovation in formats.

GROWTH ACROSS SEGMENTS

Retail sector in India is primarily categorised by the type of products retailed, as opposed to the different retail formats in operation. The Food and Beverages vertical accounts for the largest share of revenues at 74 per cent of the total retail market. This category has the highest consumer demand across all income levels and various retail formats. The Indian consumer behavior of preferring proximity to retail formats is highly pronounced in this sector, with food, grocery and allied products largely sourced from the local stores or push-cart vendors.

Apparels and consumer durables are the fastest growing verticals in the retail sector. Mobile phone as a product category has witnessed the highest growth in consumer demand amongst all retail product offerings, with increasing penetration of telecommunications in towns and villages. The Telecommunications sector has been adding on an average 5 million new users every month.

The other product categories are gaining traction predominantly in the urban areas and emerging cities, with increasing average income and spending power of young urban India.

Revenue and Share of Verticals	
Food and beverages	US\$ 231,951 million: 74.41%
Clothing and Textile	US\$ 29,024 million: 9.31%
Consumers Durables	US\$ 15,171 million: 4.87%
Jewellery and Watches	US\$ 13,390 million: 4.30%
Home Decor	US\$ 9,463 million: 3.04%
Beauty Care	US\$ 6,854 million: 2.20%
Footwear	US\$ 3,268 million: 1.05%
Books, Music and Gifts	US\$ 2,610 million: 0.84%

Source: Crisil Research

ORGANISED RETAIL IN INDIA

Organised retail clocked revenues of US\$ 12,927 million, compared to total retail sales estimated at US\$ 311,731 million in 2005-06.

The apparel industry contributed to the largest share of the organised retail pie, with revenues of US\$ 4,756 million, owing to the rapidly rising number of malls and introduction of several domestic and international apparel brands in the country.

The Food and Beverages segment recorded the highest growth over 2004-05, with the proliferation of

Organised Retail: Revenue by Verticals (US\$ million)	
Footwear	32.84
Consumer Durables	17.04
Clothing and Textile	16.39
Food and Beverages	13.08
Home Decor and Furnish	8.76
Jewellery and Watches	6.19
Beauty Care	3.56
Footwear	0.98

Source: Crisil Research

supermarkets, hypermarkets and the entry of major players like Reliance Fresh (promoted by Reliance Retail Ltd). This segment is poised to gain traction, with several new players planning their entry and the existing players expanding their business in this segment at a rapid pace. The Home Décor segment followed suit growing at 18 per cent, with a boom in the real estate and housing sector.

Penetration of organised retail was at 4.15 per cent in 2005-06, an increase from the 3 per cent estimated for 2004-05, and is projected to increase to 9.52 per cent in 2009-10, with revenues from organised retail expected to touch US\$ 43,829 million in 2009-10.

Footwear segment recorded the highest penetration of 32.84 per cent, primarily due to the presence of well established players like Bata, Liberty and Paragon. These players have been in the market for over three decades, have good brand recall and a well established distribution network penetrating both rural and urban areas.

	Indian Retail (US\$ million)	Organised Retail (US\$ million)	Penetration of organised retail (%)
Food and Beverages	231,951	2,268	0.98
Clothing and Textile	29,024	4,756	16.39
Consumer Durables	15,171	2,585	17.04
Home Décor and Furnishing	9,463	829	8.76
Jewelry and Watches	13,390	829	6.19
Beauty Care	6,854	244	3.56
Footwear	3,268	1,073	32.84
Books, Music and Gifts	2,610	341	13.08
Total	311,731	12,925	4.15

Source: Crisil Research

Consumer durables segment and the books and music segment also witnessed continued growth. Entry of players like Crossword and Music world has given the segment strong impetus.

Apparel is one of the fastest growing verticals, with the highest number of domestic and foreign brands mushrooming in the market, and increasing consumer willingness to pay for brand and quality of products.

FUTURE OUTLOOK

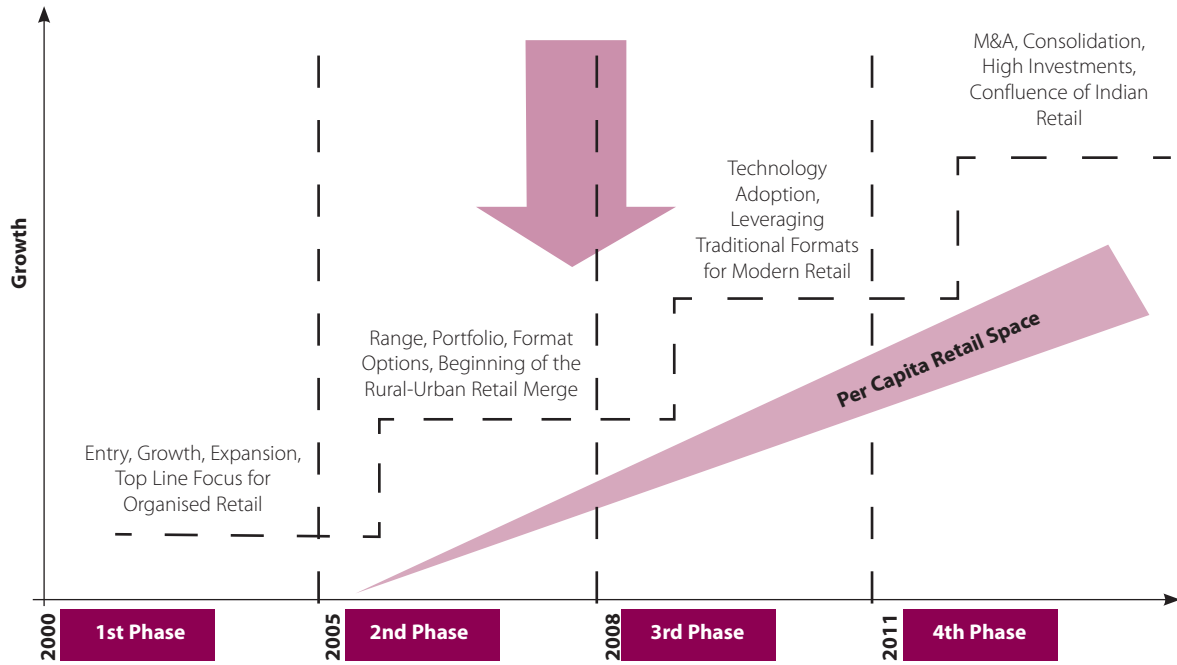
Retail sector revenues is pegged to reach US\$ 460.6 billion by 2010-11, with the organised retail sector projected to grow to US\$ 43.8 billion in the said year. It is envisaged that modern retail will adapt and absorb some of the traditional formats in the course of its expansion. Unorganised retail formats are expected to converge and combine in formats such as mushrooming village malls and rural retailing ventures.

With the rural retail revenues forming the largest share of total retail revenues, increasing number of players are in the fray to explore opportunities in the rural areas. The rural retail revenues are estimated to increase by 60 per cent by 2012, with larger share of increase in demand for consumer and household products .

Retail giants are set to embrace newer and innovative formats, by giving modern retail a traditional look in line with consumer needs and expectations. Pilot test concepts are already being rolled out by players like Indian Tobacco Company (ITC) and DCM Shriram Consolidated Ltd. (DSCL) with their rural initiatives of Choupal Saagar and Hariyali Kisan Bazaar, and are exploring options to increase their customer outreach. Established players like Unilever, Dabur and Godrej have strengthened their distribution channels and are increasing their penetration to leverage the higher consumer demand in these markets. Reliance Retail Ltd, a wholly owned subsidiary of Reliance Industries Ltd, is set to embark on the establishment of 1,600-odd rural retail hubs by 2010, with the aim to make these hubs the nodal institutions for retailing activity, ushering in a new era of organised-rural retail.

With modest store formats being pursued to attract the average rural customer, as opposed to the plush and vibrant formats adopted for the urban retailing, rural retailing is set to provide a new dimension to the Indian retail scenario.

Changing Paradigm: The Confidence of Modern and Traditional Retail

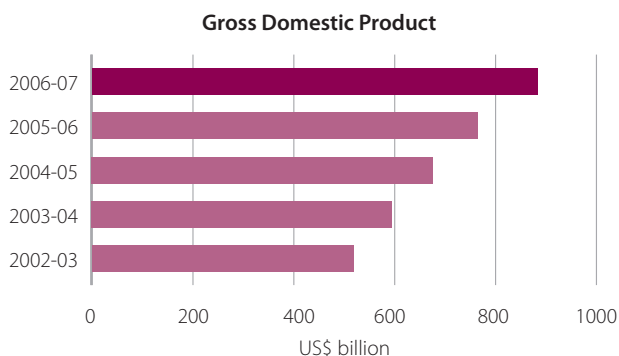


Advantage India

Against the backdrop of an accelerating modern retail revolution, India offers to be an attractive destination for global corporations and leading retailers seeking emerging markets overseas. India presents a significant market, with its young population just beginning to embrace significant lifestyle changes.

RAPID ECONOMIC GROWTH

The fast and furious pace of growth of the Indian economy is the driving force for Indian consumerism; with the Indian consumers confident about their earnings and are

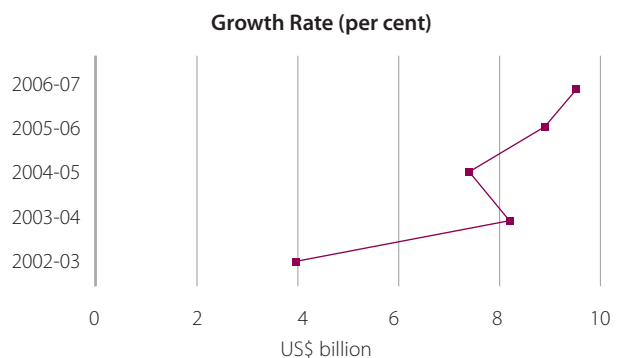


Source: Reserve Bank of India

spending a large portion of their high disposable incomes. Projections by analysts suggest that India has the potential to be labeled the fastest-growing economy and outpace the developed economies by 2050. Analysts predict India to sustain an average GDP growth rate of 5 per cent till the mid of this century, with India projected to outpace the other developed economy markets by 2050.

The average annual growth rate for 1994-2004 was pegged at 6.1 per cent, second only to China. The more recent growth rates of over 9 per cent posted for India, promise a continued robust growth story. Private

consumption accounted for 62 per cent of India's GDP in 2004-05, comparable to most of the leading economies around the world.



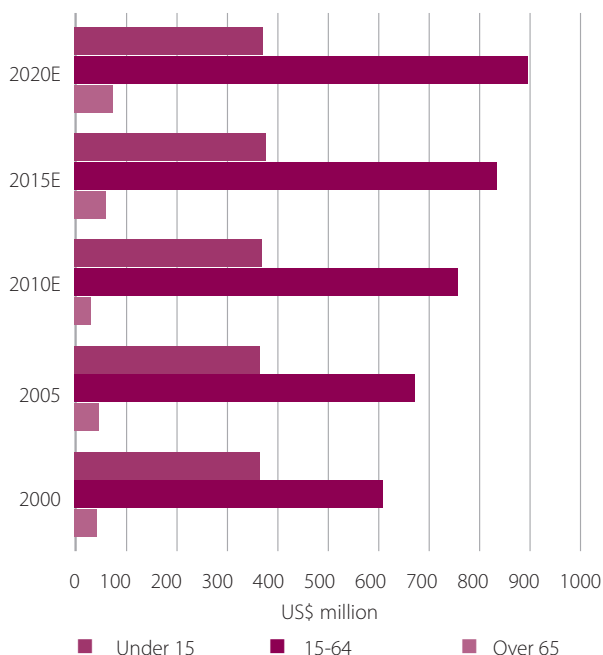
Source: Reserve Bank of India

THE YOUNG INDIA

Against the backdrop of an ageing world, India possesses the advantage of having a largely young population. 35 per cent of India's population is under 14 years of age and more than 60 per cent of the population is estimated to constitute the working age group (15-60) till 2050. Two-thirds of Indian population is under 35, with the median age of 23 years, as opposed to the world median age of 33. India is home to 20 per cent of the global population under 25 years of age.

This trend is projected to continue for the next decade, with the share set to reach its maximum in 2010. The large proportion of the working-age population translates to a lucrative consumer base vis-à-vis other economies of the world, placing India on the radar as one of the most promising retail destinations of the world.

Growing Young Population

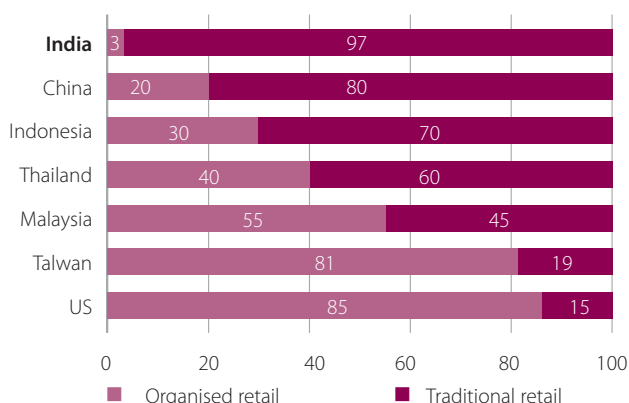


Source: India Census

POTENTIAL UNTAPPED MARKET

India ranks first, ahead of Russia, in terms of emerging market potential and is deemed a “Priority 1” market for international retail. Organised retail penetration is on the rise and offers an attractive proposition for entry of new players as well as scope for expansion for existing players.

Share of Organised and Traditional Retail



* 2004-05 figures.

Source: Ernst & Young Retail Report

India is home to a large base of consumers with annual incomes ranging from US\$ 1,000 – US\$ 4,700, comprising of over 75 million households. A steadily rising percentage of rich and super rich population and impressive disposable incomes offers a spectrum of opportunities, spanning

from rural retailing to luxury retailing. The impressive retail space availability and growing trend of consumerism in the emerging cities and small towns add to the market attractiveness.

Pantaloon Retail India Limited, one of India’s retail giants captures a mere 0.3 per cent of total market; compared to Tesco Plc, which captures 14.3per cent of England’s market and Walmart which captures 20 per cent of USA’s market; giving an insight into the large untapped market potential.

ABUNDANT AVAILABILITY OF SKILLED LABOUR

India has a vast resource base of talent and skilled labour. Over 37,000,000 students were enrolled in about 150,000 pre-college institutes and over 11,700,000 in 14,000 higher education institutions in 2005-06 .

With English being the language for business in India, the language skills of the Indian workforce score higher than that of emerging economies. Retail Management is a sought after education stream amongst students, with over 15 premier institutes offering specialised courses in Retail Management.

Post-graduate institutes offering specialised courses in Retail Management

- Birla Institute of Management Technology, New Delhi
- Ebony Retail Academy, New Delhi
- Foreign Trade Development Centre – Centre for Retail Management, Delhi & Jaipur
- Global Retail School, Multiple centres across India
- Indian School of Business, Hyderabad
- Indian Institute of Jewelry, Mumbai
- Indian Institute of Retail, New Delhi
- Indian Retail School, New Delhi
- Institute of Management Studies, Mumbai
- Institute of Technology and Management, Mumbai
- International Institute of Retail Management, New Delhi
- K J Somaiya Institute of Management Studies & Research, Mumbai
- Mudra Institute of Communications, Ahmedabad
- National Institute of Fashion Technology (NIFT), New Delhi
- Pearl Academy of Fashion, New Delhi
- Retail Academy of India, Distance Learning programmes offered

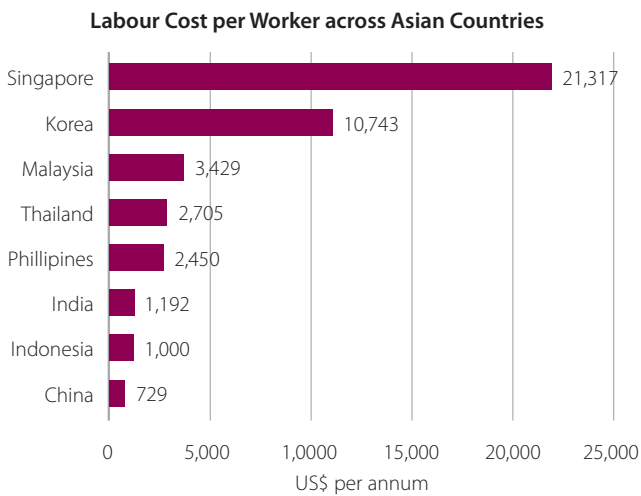
- PG Institute of Retail Management, Mumbai & Chennai
- SP Jain Institute of Management and Research, Mumbai
- The Retail Academy, Ahmedabad
- Welingkar Institute of Management, Mumbai

Source: Ernst & Young Research

LOW COST OF OPERATIONS

The most attractive component of India's value proposition is its cost attractiveness. Existing players are increasingly turning to Tier II and Tier III cities for retail establishments and for manpower sourcing.

These cities offer significant cost advantage in the form of availability of low-cost skilled human resources. With well-educated small town graduates turning to the urban cities for employment, these graduates are ideal candidates for sales and marketing executive roles in modern organised retail formats.



Source: Department of Industrial Policy & Promotion

Policy and Regulatory Environment

The Government is progressively undertaking reforms and liberalising the retail sector; thereby attracting significant foreign investments. The regulatory and supervisory policies are being reshaped and reoriented to meet the new challenges and opportunities in this sector.

To facilitate easier flow of Foreign Direct Investments ("FDI") inflow, instead of having to seek Foreign Investment Promotion Board ("FIPB") approval, FDI up to 100 per cent is allowed under the automatic route for cash and carry wholesale trading and export trading.

FDI up to 51 per cent is allowed, with prior Government approval for retail trade in 'Single Brand' products with the objective of attracting investment, technology and global best practices and catering to the demand for such branded goods in India. This implies that foreign companies can now sell goods sold globally under a single brand, such as in the case of Reebok, Nokia and Adidas. However, retailing of multiple brands, even if the goods are produced by the same manufacturer, is presently not allowed.

Relaxation of FDI restrictions are being vigorously pursued by the business and trade coalitions and are expected to fall in place over the next 3-5 years.

The most common channels for entry of foreign retailers are the strategic licence agreements, franchising, distribution, manufacturing, joint ventures and cash and carry wholesale trading.

STRATEGIC LICENCE AGREEMENTS

This route involves the foreign company entering into a licencing agreement with a domestic retailer or partnering with Indian promoter owned companies in the Middle East (UAE) or South East Asian countries (Singapore, Malaysia, Thailand, Indonesia).

FRANCHISING

This is a widely taken entry route, with many international brands setting up shop via this provision. The franchising routes operable in India are:

- Unit franchisee: Franchisee is granted rights to operate a single business unit
- Multiple franchisee: Individual unit franchises are given to multiple outlets, a route primarily used by domestic brands
- Master franchisee: Rights are granted for an entire territory to the master franchisee and the master franchisee can in turn grant unit and multiple franchisees in that territory
- Regional franchisee: This route is similar to that of the master franchisee, but applicable on a larger scale

The master and regional franchisee routes are the most preferred and the oft-adopted routes of entry into India by the international retailers.

CASH-AND-CARRY WHOLESALE TRADING

100 per cent FDI is allowed in wholesale trading which involves building a large distribution infrastructure to assist local retailers and manufacturers.

JOINT VENTURES

International firms can enter into agreements with domestic players, and set up base in India. The share of the multinational is restricted to 49 per cent in this route.

MANUFACTURING

International retailers can set-up manufacturing units for their products in India. Entry through this route entails the company the rights to retail the products in India through individual retailing outlets.

Indicative list of foreign players' entry path to India

Franchisee	<ul style="list-style-type: none"> • Pizza Hut • Domino's Pizza • Marks & Spencer • Nike, Tommy Hilfiger • Subway
Cash & Carry wholesale trading	<ul style="list-style-type: none"> • Metro • ShopRite
Joint Ventures	<ul style="list-style-type: none"> • Mc Donald's • Reebok
Manufacturing	<ul style="list-style-type: none"> • Bata • United Colors of Benetton
Distribution	<ul style="list-style-type: none"> • Hugo Boss, Mango swarovski

DISTRIBUTION

An international company can set up distribution offices in India and supply products to the local retailers. franchisee outlets can also be set up in this route.

The labour laws in India are under the scanner for higher liberalisation, with the Government permitting flexibilities in the rules in emerging retail hubs like Bangalore and Hyderabad. Instituted laws like restriction on working hours, mandatory closure of the store once a week are being modified to suit the modern retailing demands and necessities, without adversely impacting the labour benefits.

Efforts are also being undertaken by the Government to remove impediments being posed by licensing and clearance mechanisms in India; with the aim of introducing a single-window clearance mechanism. This would reduce the entry and establishment timelines for new players in the market and facilitate easy procedures in issuance of necessary approvals.

The Government is expected to take a calibrated approach in land and rent reforms to improve the real estate regulatory environment and facilitate easy access to retail space for international investors. The Government is releasing large tracts of unused land for retail development in the Mumbai and NCR regions. This is soon to be followed by other state governments, with the Governments benefiting from the access to impressive revenues from land

sales and tax collection from retail developments. Solutions to problems related to the lease rentals and pro-tenancy laws, which significantly deter international investors, are being pursued by the Government, with initiatives like Special Economic Zones (SEZs), allotment of Government controlled land etc.

Value Added Tax (VAT) has been introduced and implemented in most states and territories, and many industry verticals to resolve the multiple taxation issue and maintain uniform prices across regions.

The Agricultural Produce Marketing Committee Act (APMC), which curtails direct sourcing of agriculture produce (grocery, food grains) is proposed to be amended soon, with a Draft Model Act being legislated by the government. The new act promotes direct marketing to corporate investors, setting up of farmers/consumers market and contract farming. Contract farming is already being pursued in certain states with players like Reliance and Pepsi Co. forging alliances with local farmers for direct procurement of raw materials.

The Government is encouraging the contract farming practice, as it benefits both the farmers and the corporate retailers, with the former gaining access to better prices and the latter to a steady supply source. The Government is currently considering modernising and developing eight strategically located "Mandis" with cold storage, sorting and grading facilities made available as a part of the infrastructure services.

Key Trends and Drivers

MATURING METROS

National Capital Region (NCR)

NCR comprises of National Capital Territory (NCT), Faridabad and Gurgaon of Haryana and Noida and Ghaziabad of Uttar Pradesh. NCR contributed to US\$ 16,342 million of retail revenues in 2005-06, and is projected to open doors to markets worth US\$ 19,522 million by 2010-11. Delhi, the fashion capital of India and home to the highest number of rich and super-rich households, contributes US\$ 12,683 million to the retail revenues.

The total number of households in Delhi stood at 2.8 million in 2005-06, with more than 7,000 households belonging to the rich and super-rich category, with incomes higher than US\$ 243,902 per annum. This is the highest for any city across the country.

Mumbai

A potpourri of consumers, this city contributes to US\$ 10,195 million of total retail revenue. The hub of Indian cinema and home to diverse income categories; the middle class and the rich account for 47 per cent and 30 per cent of retail revenues of the city.

Each category of population has a significant share in the retail pie, with the city offering opportunities for a spectrum of retail formats, from value segment to the lifestyle segment. Mumbai is home to a large percentage of the rich and super-rich households, with businessmen, politicians and bollywood personalities, having their base in the city. This city is projected to offer a retail potential of US\$ 14,927 million by 2010-11.

The regions of NCR and Mumbai dominate the organised retail scenario in India. The combined contribution of these metros is estimated to reach 40 per cent by 2007-08. These

cities which are also referred to as the "Maturing Metros", have been projected to achieve world's 2nd and 3rd largest city status by 2015 and have the highest number of malls and modern retail format stores in operation and many more in the pipeline. Most pan-India retailers have multiple retail outlets present in these cities. These cities also act as launch pads for the new entrants. Lastly, these maturing metros are the hub of the 'luxury-retailing' in India.

Metros on the Growth Path

Metros of Bangalore, Hyderabad, Chennai and Kolkatta are growing at an exceptional rate, with the retail buzz in these cities becoming more pronounced by the day. These cities contributed to US\$ 15,511 million worth retail revenues in 2005-06, projected to touch US\$ 25,610 million by 2010-11.

With the growth in the IT/ITeS sector and other sunrise sectors like biotechnology, hospitality etc. concentrated in these cities, the metros have experienced exponential growth over the past few years, and are expected to demonstrate robust economic performance in the coming years.

Bangalore and Hyderabad have low penetration of underprivileged households, with the consuming middle class forming the largest share of population. Luxury retailing has found entry and tremendous response in these markets, with increasing number of rich and super rich households in these cities.

The middle class households contribute to almost half the retail activity in these metros, with lifestyle formats beginning to mushroom. These cities are expected to witness a radical transition in the migration of households belonging to the lower income strata to the higher income category, owing to the success of the technology sector and other sunrise sectors such as biotechnology and hospitality

industries. These cities have considerable latent demand for branded products and offer suitable opportunities for a variety of retail offerings.

Most of the retail sector giants have a footprint in these cities, with aggressive future plans for expansion.

Metros-in-the-making

The emerging cities of Ahmedabad, Pune, Kanpur, Nagpur, Surat, Ludhiana, Coimbatore, Chandigarh, Lucknow, Kochi, Jaipur, Vadodara, Vizag, Indore, Vijayawada, Trivandrum, Bhopal, Nashik and Madurai contribute to US\$ 15,619 million worth total retail activity. Organised retail penetration is lower than in any of the metros, with traditional retail ruling the market across these geographies.

These cities are less saturated than the metros, but have greater spending power. Middle class and lower middle class form majority of the households, with more than half the population falling in this category. The combined retail potential of these cities is expected to increase to US\$ 23,563 million. Underprivileged population is expected to decrease by more than 30 per cent in cities of Pune and Ahmedabad by 2010-11, with the other smaller cities also following a similar trend.

Pune and Ahmedabad are the fastest growing cities with thriving industry activity. Investors from the IT/ITeS sector and the other emerging sectors are eyeing these cities for expansion. These two cities contributed to US\$ 3,854 million worth retail revenues in 2005-06, projected to increase to US\$ 5,976 million by 2010-11. Pune has witnessed an explosive increase in the mall space availability in the recent years, with the organised retail penetration substantially increasing.

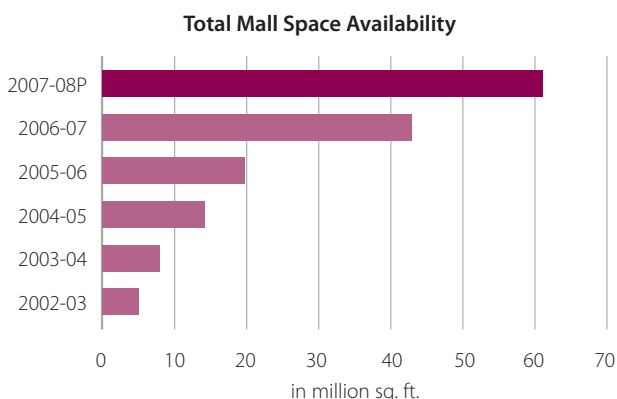
The cities, along with the other potential cities as listed below, are set to take centre stage as the future

retailing hotspots, with significant improvement in their infrastructure and purchasing power.

THE MALL PHENOMENON

From the setting up of India's first mall in 1999, there has been a steady proliferation of malls, a trend specially pronounced in the urban cities. Total number of malls was estimated at 200 for 2005-06, projected to increase to 600 by 2010-11.

With increasing number of malls, there is increasing retailing space availability for players, with malls further providing incentives like lower rentals for anchor tenants and greater consumer exposure. The activity in the retail sector is further being supported by the allowance of FDI in real estate by the Government.



Source: Jones Lang LaSalle Meghraj Retail Report

The total mall space across seven cities (NCR, Mumbai, Bangalore, Kolkatta Hyderabad, Pune and Chennai), was spread over 40 million square feet in 2006-07. Mall space is projected to increase to over 60 million square feet in 2007-08.

Indicative List of Emerging Destinations for Retail Activity

High Growth Cities							
Pune	Ahmedabad	Chandigarh	Ludhiana	Kochi	Vadodara	Jaipur	Lucknow
Emerging Cities							
Indore	Amritsar	Jalandhar	Mangalore	Nashik	Bhubaneshwar	Agra	Vishakhapatnam
Coimbatore	Kanpur	Nagpur	Goa	Surat	Mysore	Jamshedpur	Thiruvananthpuram
Potential Cities							
Jodhpur	Patna	Varanasi	Meerut	Rajkot	Aurangabad	Bhopal	Sonepat
Vijayawada	Madurai	Ranchi	Guwahati	Jamnagar	Srinagar	Allahabad	

Mail Space Distribution in Top 7 Cities (in million sq. ft.)

NCR	19.25
Mumbai	9.94
Pune	4.1
Kolkatta	3.5
Hyderabad	1.07
Bengaluru	1.8
Chennai	1

Source: Jones Lang LaSalle Meghraj Retail Report

With impressive ratio of transactions to customer footfalls ratio (conversion ratio) across malls, the market trend promises a positive outlook for the future. Mall development activity is being pursued aggressively across all the metros and the high-growth cities, with significant investments in the pipeline. The evolving cosmopolitan population with rising aspirations and growing incomes across the country is the driving force increasing domestic and international investments.

CHANGING FACE OF INDIAN CONSUMERISM

Favorable demographics, combined with increasing disposable incomes, are progressively changing the face of Indian consumerism. With the economy opening new vistas of employment and with employers offering attractive compensation packages and perks, the pool of Indian skilled professionals are boasting of higher disposable incomes. From frugal spending to frenzied shopping, India's swelling middle class is redefining lifestyle patterns with adoption of western values and growing brand consciousness. The average household disposable income has doubled since 1985, with analysts predicting a similar trend for the next two decades.

The thriving services sector growth has handed young India a bulging wallet and a penchant for luxury products. The new found freedom to shop at plush malls and stores for expensive gadgets like mobile phones and laptops has fuelled the growth of organised retail in India.

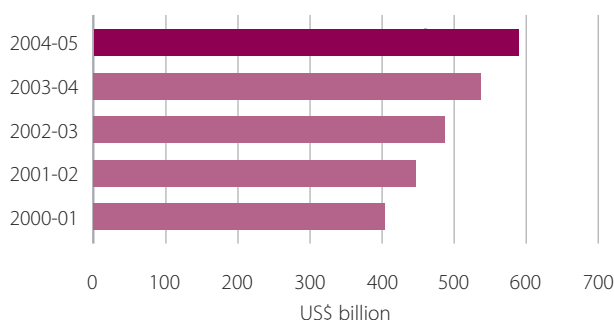
The Indian consumer is gradually moving from the local "kirana" shopping to "Mall Hopping". With a number of domestic and international brands available in stores in metros and smaller cities and with a wide range of product offerings from food and grocery to furniture and fixtures, the Indian consumer is fast embracing modern retail.

With the country's income pyramid changing dramatically, there has been a definite shift from the "saving" tendency to the "spending" attitude. Increased consumer exposure to the latest trends and brands driven by the mass media is contributing to the soaring retail revenues. There has been a marked increase in the number of new entrants in the retail sector with player revenues increasing across all the retail segments.

HIGHER DISPOSABLE INCOMES

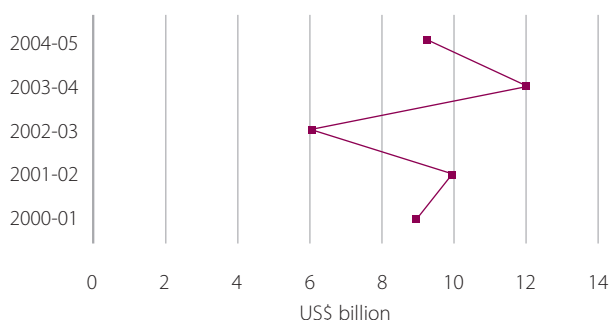
Disposable incomes are on the rise with the economy providing new avenues of employment in IT/ITeS and other sunrise sectors like biotechnology. The increase of per capita income has been more pronounced in the metros and the emerging cities, with a progressive growth in the standard of living with employers offering attractive compensation packages and perquisites to the pool of skilled Indian professionals.

Personal Disposable Income



Source: Reserve Bank of India

Y-o-Y Percentage Growth

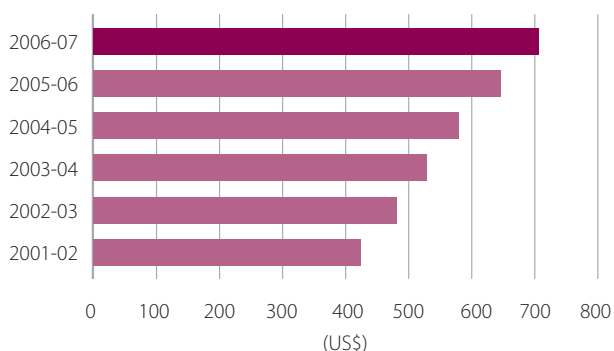


Source: Reserve Bank of India

National per capita income (NNP at factor cost) stood at US\$ 717 in 2006-07, an increase of 11 per cent over 2005-06. Delhi, the seat of Indian Government and the centre of thriving economic activity has the highest per capita income, mirroring the higher standard of living.

Urban India's disposable incomes are ricocheting with favorable and conducive economy and employment trends.

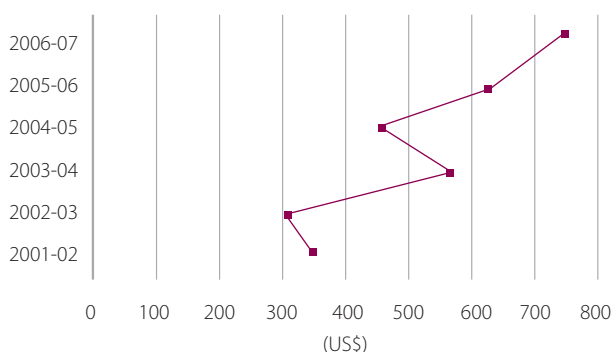
Increase of Per Capita Income



* Advance Estimates for 2006-07

Source: Reserve Bank of India

Y-o-Y Percentage Growth



* Advance Estimates for 2006-07

Source: Reserve Bank of India

INCREASING URBANISATION

India's urban population is estimated at 286 million, constituting 27.8 per cent of the total population of 1,029 million as on 2001. The urban population is projected to increase to 468 million, constituting 33.4 per cent of the total projected population of 1,400 million by 2010. With over 34 cities having a population of over 1 million, this number is projected to grow rapidly. Urban population has grown over five times over the past five decades, with India's urban population being second largest in the world, in numerical terms, next only to China.

	1981	1991	2001
Urban population (per cent to total)	23.3%	25.7%	27.8%
Urban population in Class I cities (%)	60.4%	65.2%	73.7%

Source: Census India

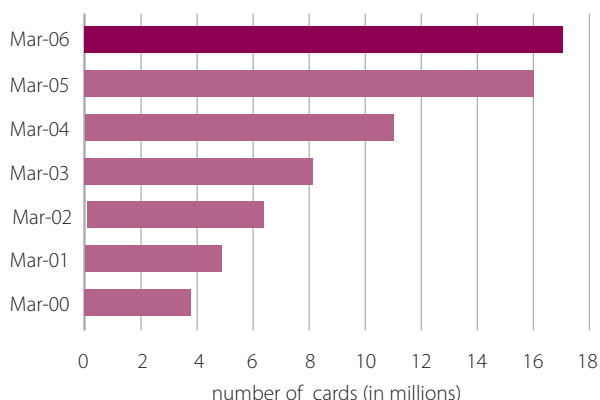
Delhi is the most urbanised city in India, with about 93 per cent of the population concentrated in urban areas. Class I cities (cities with population greater than 1,00,000) have an average concentration of 73.7 per cent urban population, with the share increasing rapidly.

An increase in the number of young employed executives and the increasing population of working women is stimulating growth of modern retailing in urban areas.

EASY AVAILABILITY OF CREDIT

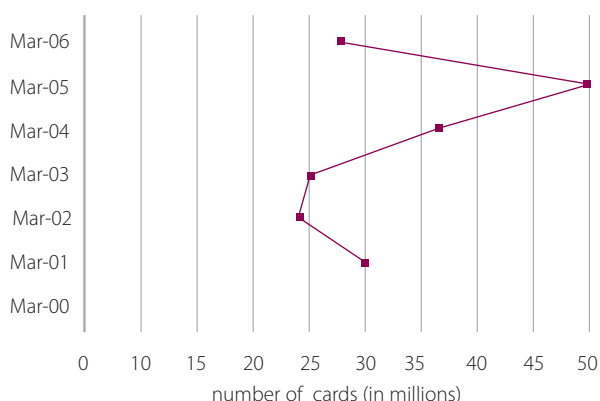
Higher penetration and availability of credit facilities and increasing credit card and debit card subscriptions have further fuelled the growth of retail sector. Most of the banks and financial institutions have increased their range and amount of retail credit and loans service offerings. The average exposure of banks to retail loans was at 25.5 per cent of total loans in 2005-06.

Credit Card Growth



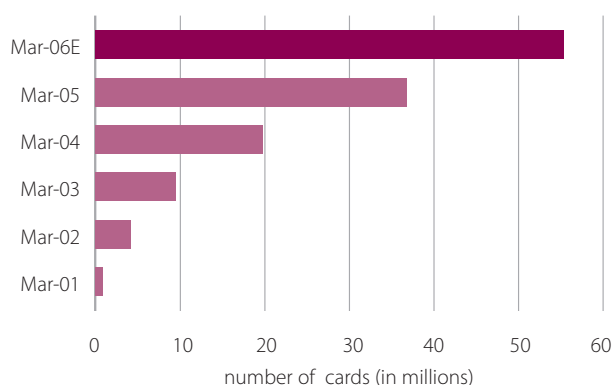
Source: Crisil Research

Y-o-Y Percentage Growth



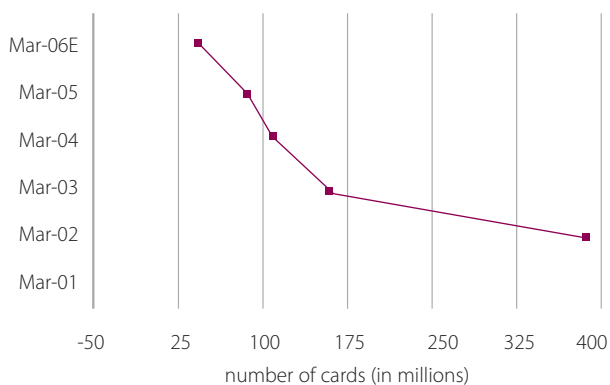
Source: Crisil Research

Debit Card Growth



Source: Crisil Research

Y-o-Y Percentage Growth



Source: Crisil Research

Increased subscription of credit cards in the last 3-4 years indicates a definitive change in the consumer habits of the Indian population. The number of credit cards issued was at 16.6 million in 2005-06, growing at a compound annual growth rate of 28 per cent in the last 6 years. The number of debit cards have increased manifold and touched 53.7 million by 2005-06. The growing acceptance of plastic money across small and medium sized stores and retail outlets has stimulated the rapid growth in issuance of credit cards.

INCREASING INVESTMENT ACTIVITY

International retail giants are increasingly choosing India as the target market, with most of the global retail power-houses exploring entry options into the country's retail market.

Breakup of VC/PE investments in 2006(Volume)

IT-BPO	28%
BFSI	18%
Manufacturing	10%
Engg. and Construction	10%
Healthcare & Life Sciences	8%
F&B and Retail	6%
Real Estate	5%
Media	4%
Others	11%

Source: NASSCOM

Breakup of VC/PE investments in 2006(Volume)

IT-BPO	20%
BFSI	13%
Manufacturing	13%
F&B and Retail	9%
Healthcare & Life Sciences	8%
Engg. & Construction	7%
Real Estate	3%
Media	2%
Others	25%

Source: NASSCOM

Wal-Mart has entered into a 50:50 Joint Venture and Franchisee agreement with Bharti Retail Ltd. and plans to set up its first cash-n-carry outlet by 2007-08. It is anticipated that the Starbucks – Pepsi Co. joint venture would provide Indian market access to the world's largest coffee chain. Carrefour, France's retail major is set to finalize its entry route to Indian retail sector.

Recent VC/PE Deals (January - March 2007)

Target	Acquirer/Investor	Value in US\$ million
Provogue (India)	Fidelity, New Vernon, Blackstone, Genesis Capital, Artis Capital and Liberty International	33.24
Mudra Lifestyle	SIDBI Venture Capital and State Bank	3.27
Flemingo Duty Free Shops	Citygroup Venture Capital	22.73
Home Solutions Retail India	Kotak Private Equity	12.00
S Kumars Nationwide	ADM Capital	82.00
Brandhouse Retail	ADM Capital	25.00

Source: Ernst & Young Research

INCREASING TECHNOLOGY ADOPTION

With modern retail store formats growing players are increasingly deploying advanced Information Technology tools for managing their supply chain, warehousing and logistics requirements.

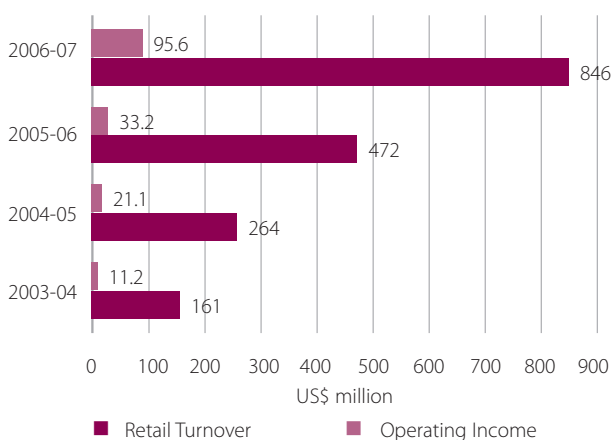
Retail sector constituted 8 per cent of the IT export revenues in 2005-06. Apart from the industry giants, the small scale retailers are also embracing IT solutions to optimise their operational efficiencies. Big league IT firms like IBM India, Oracle and SAP are developing solutions for smaller retailers' requirements.

Key Players

PANTALOON RETAIL (INDIA) LIMITED

Pantaloon Retail, a Future Group venture started its operations with Pantaloon Shoppe in 1993 and has since emerged the retailing giant of India with over 5 million square feet of retail space spread over 450 stores across 40 cities in India. Pantaloon Retail operates in over twenty diverse store formats, with a spectrum of offerings ranging from food and grocery to carpentry services. It operates some of the immensely popular retail outlets of India, including the Central chain of malls, Big Bazaar and Brand Factory. The aggressive expansion rate, combined with the aim of capturing both the value segment and the lifestyle segment of the market has resulted in Pantaloons capturing a large part of the organised retail pie.

The company clocked revenues worth US\$ 869 million in 2006-07, an 84 per cent increase over 2005-06. The operating income stood at US\$ 43.9 million, 5 per cent of total revenues.



Source: Pantaloon Retail (India) Ltd.

It employed over 13,000 people in 2005-06 in its various retail activities. The attrition rate stood at 8.36 per cent as against a sector average of 20-25 per cent, attracting and

retaining skilled workforce through various management and academic initiatives. The company offers post-graduate programme in Retail Management in association with premier institutes across the country.

- Navaras
- Food Bazaar
- Central
- All
- Big Bazaar
- Pantaloons
- Depot
- Top 10
- Blue Sky
- Star Sitara
- Fashion Station
- Tulsi
- BF

Pantaloon Retail has many firsts to its name in the Indian market, with discounted store formats like Brand Factory setting benchmarks for new players entering the market. Innovative store formats like Hometown- a one stop shop for all the home requirements; Sports Bar- a sports theme restaurant complete with game courts and screens for match viewing; Health City - a value segment targeted spa and beauty care venture, etc., are hitting the market, consolidating the market position of PRIL.

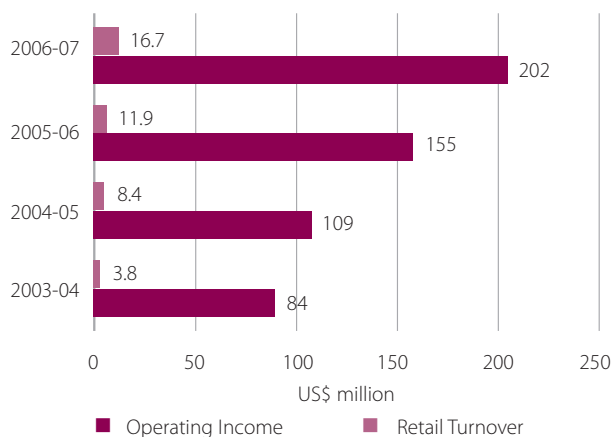
The unique selling proposition of Pantaloon Retail is the dual approach to tap both the "Value" segment and "Lifestyle and Luxury" segment consumers, by establishing retail formats in each segment like Big Bazaar, Fashion Station etc. aimed at value retailing while Central, Pantaloons captures the lifestyle segment consumers.

SHOPPER'S STOP LIMITED

Shoppers Stop, established in 1991 with its flagship store- Shoppers Stop by the K. Raheja Group, has now expanded to

over 100 retail outlets spread across 1.1 million square feet of built-up area, spanning a spectrum of retailing verticals and formats. The group offers formats in the lifestyle and luxury segment, with the growing affluent middle class population as their target consumer base.

The company clocked revenues of US\$ 202 million in 2006-07, a 30 per cent increase from revenues of US\$ 155 million in 2005-06. The operating income stood at US\$ 16.7 million for 2006-07, 8 per cent of total revenues. Private labels account for more than 21 per cent of their retail revenues, with Shoppers Stop clocking impressive total number of transactions to customer footfalls ratio (conversion ratio) of 27 per cent. The firm employed 3,157 customer care associates in 2006-07.



Source: Shopper's Stop

Strategic partnerships with international retailing players like Mothercare Plc of Britain and Leisure & Allied Industries of Australia, are aiding Shoppers Stop in catering to the niche markets.

Aggressive expansion plans are being developed for formats like Timezone, a leisure and entertainment format venture and Brio the coffee bar located strategically in their Crossword bookstores. The Company signed the Memorandum of Understanding and Shareholders Agreement with The Nuance Group AG of Switzerland. The 50:50 joint venture has been incorporated as the Nuance Group (India) Pvt. Ltd. for undertaking the operation and management of retail shops & food and beverage outlets in the duty free zones of Indian airports.

- Home Stop
- Mothercare
- Brio
- Desicaffe
- Shoppers Stop
- Crossword

Shoppers Stop and Hypercity Retail (India) Ltd. have jointly entered into an agreement with Home Retail Group Plc, United Kingdom, to develop the format of catalogue retailing in India under an exclusive franchise. The firm has forayed into the entertainment industry by acquiring 45 per cent stake in Timezone Entertainment Private Ltd. which has 5 outlets spread across 35,606 square feet at Mumbai, Ahmedabad, Kolkata and Hyderabad.

OTHER KEY PLAYERS

Tata Trent Ltd.

- Established in 1998
- Revenues: US\$ 53 million
- Retail sector activity: Apparel, Specialty – books and music
- Current store format: Hypermarket, Supermarkets
- Future plan: New venture-Infiniti Retail Ltd.
- Manufacture private labels in apparels
- Principal fascia: Westside, Landmark, Star India Bazaar

RPG Enterprises

- Established retail in 1996
- Revenues: US\$ 182 million
- Retail sector activity: Food & grocery, Beauty products, Specialty- music
- Current store format: Convenience stores, supermarkets, hypermarkets
- Current outlets: 279 outlets
- Music world has tie ups with 350 affiliates across the country.
- Future plan: by 2009 set-up 2000 stores in India
- Principal fascia: Spencer's, Music World

Landmark Group

- Present in India since 1999
- Retail sector activity: Apparel, Home décor & Furnishing
- Current store format: Department stores, Hypermarkets
- Current outlets: Lifestyle-10 outlets, Max Retail-4 outlets
- Future plan: Presence in mini metros and Tier-II cities
- Principal fascia: Lifestyle, Home Centre, Max Retail

Madura Garments

- Established in 1988
- Part of the Aditya Birla Nuvo Group
- Retail sector activity: Apparel
- Principal fascia: Louis Philippe, Van Heusen, Allen Solly, SF jeans, Peter England
- Joint Venture with international brands: Esprit
- Current outlets: Planet Fashion-50 outlets, Trouser town-9 outlets
- Future plan: Projected to increase to 300 outlets by 2009 and diversify into the women's wear segment

Vivek Group

- Established in 1965
- Revenues: US\$ 91.5 million
- Retail sector activity: Food & Grocery, Beauty, Specialty-Electronics & Home appliances
- Current store format: Supermarkets, Hypermarkets
- Current outlets: Vivek-23 outlets, Jaisons-26 outlets, Premier-3 outlets
- Future plan: Set up 60 stores in South India
- Principal fascia: Viveks, Jaisons, Premier

Globus

- Established in 1998
- Retail sector activity: Apparel
- Current store format: Stand alone stores
- Current outlets: 21
- Future plan: To set up 100 stores by 2008
- Manufacture private labels under Globus and F21
- Principal fascia: Globus

Subhiksha Trading Services

- Established in 1997
- Turn over of US\$ 75.6 million
- Retail sector activity: Food, Medicines
- Current store format: Supermarkets
- Current outlets: 150 outlets
- Future plan: To set up 600 stores with 145 stores in NCR region
- Principal fascia: Subhiksha

Nilgiris Ltd.

- Established in 1904
- Revenues: US\$ 30.5 million
- Retail sector activity: Food & grocery, Specialty- Bakery products
- Current store format: Supermarkets
- Future plan: To increase stores to 100
- Principal fascia: Nilgiris

Trinethra Super Retail Ltd.

- Established in 1986 (Taken over by Aditya Birla Nuvo Group in 2006)
- Revenues: US\$ 58.5 million
- Retail sector activity: Food & Grocery, Beauty products
- Current store format: Convenience stores, Supermarkets, Hypermarkets
- Current outlets: 150 outlets
- Future plan: To enter into Pharmacies, Apparel, Footwear
- Principal fascia: Trinethra Super Retail LTD., Trinethra Quick Shop

Provogue Ltd.

- Established in 1997
- Revenues: US\$ 38.1 million
- Retail sector activity: Apparel, Footwear
- Current store format: Stand alone stores
- Current outlets: 139 outlets
- Future plan: To manage and develop malls
- Principal fascia: Provogue, Prozone

Bata India Ltd.

- Present since 1931
- Revenues: US\$ 179.8 million
- Retail sector activity: Footwear and Accessories
- Current store format: stand alone stores
- Current outlets: 1100 outlets
- Future plan: To remodel 150 stores and open 40 more stores
- Principal fascia: Bata

Archies Ltd

- Present since 1979
- Revenues: US\$ 20.8 million
- Retail sector activity: Specialty-cards & gifts
- Current store format: Stand alone stores
- Future plan: To increase from 73 stores to 200 by 2008
- Principal fascia: Archies, Stupid Cupid

PLAYERS ACROSS VERTICALS

Food and Grocery

- Hindustan Unilever Limited
- BSN Group
- Magna
- Café Coffee Day
- Barista
- Apna Bazaar
- Spar
- ITC
- Aditya Birla Group
- NF
- FabMall
- Godrej
- Mc Donald's

Clothing and Textiles

- FabIndia
- Biba
- Pyramid
- Lee
- Levi's
- Ebony
- Pepe Jeans
- Raymonds
- Kappa
- Mango
- Lee Cooper
- Nalli
- Peter England

Jewellery and Watches

- Tissot
- Gili
- Tanishq
- Kiah
- Carbon
- JBL

Footwear

- Reebok
- Liberty
- New Balance
- UMBRO
- Adidas
- Woodland
- Paragon

Home Decor and Furnishings

- Raymond
- Lifestyle
- Durian
- Bombay Dyeing
- Nilkamal
- Gautier
- Pantaloon
- Carmichael house

Electronics

- Croma
- Onida
- Videocon
- Whirlpool
- LG
- BPL
- Philips
- Next
- Samsung Electronics
- Godrej

Beauty Care

- L'oreal
- Amway
- Revlon
- Health Glow
- Biotiue
- Maybelline
- Lakme
- Himalaya

Books and Music

- Depot
- Music World
- Crossword
- Hallmark
- Planet M

- Marrybrown
- Movenopick
- Giordan
- Levi's
- Arrow
- Lacoste
- Subway
- Ruby Tuesday
- Pepe Jeans
- Tissot
- Wrangler
- Marks & Spencer
- Landmark Group
- Metro
- Debenhams
- Planet Sports
- Royal Sporting House
- Shoprite
- Dollarstore

INTERNATIONAL RETAILERS

International retailers are fast expanding their business in India to tap the large consumer base. Reebok has set up its largest store in the world in Hyderabad, Tommy Hilfiger and Levis have over 20,000 square feet of retail space and stand-alone stores across major metros. The fast-food giants like Pizza Hut, McDonalds, Subway etc. are expanding at a fast pace, with these emerging Tier II and Tier III cities

International retailing brands in India

- Nine West
- United Colors of Benetton
- Adidas
- Mango
- Pizza
- Marcoricci Italy
- Red Earth
- Nike
- TGI Friday's
- Mc Donalds
- Samsonite
- Promod
- Lasenza
- KFC
- Reebok

Key Opportunities

OPPORTUNITIES ACROSS GEOGRAPHIES

Maturing Metros

Delhi and Mumbai offer an attractive market for luxury and lifestyle retailing with these cities being home to the highest number of households belonging to the affluent category (with income greater than US\$ 24,000 per annum). Retail revenues contributed by the affluent category accounted for over 30 per cent of total revenues in 2005-06. The number of affluent households is expected to double by 2010-11, projected to trigger high growth in the luxury retailing segment. The luxury-retail segment is presently concentrated in the five-star hotels and is slowly drifting into the specialty malls and one-stop outlets.

With the steady rise predicted in the percentage of middle class households and their affordability, the scope for the neighborhood malls and hypermarkets will be pronounced in the residential suburbs. However, the lack of space and the strict bringing down of law on illegal constructions will reinforce the migration towards organised retailing.

Metros on the growth lane

The growing disposable incomes, the consuming class and the increasing standard of living across these cities translate to opportunities across all the retailing formats and verticals. The mushrooming lifestyle formats in these cities is stimulated by the increasing exposure of consumer base to international brands and willingness to spend for quality. These cities most often also serve as the test beds for any innovative store formats.

Metros-in-the-making

Many metro retailers are expected to open outlets in these cities to benefit from the "First-Mover" advantage, and gain a foothold in these cities. These cities provide ample opportunities, especially for the food and grocery formats, with lower lease rentals and high availability of retail space, access to farms and agricultural produce. Consuming class accounts for over 60 per cent of the total households, offering potential in the food and grocery, consumer goods and apparel verticals.

THE 'FIRST-MOVER' ADVANTAGE

More than 72 per cent of India's population resides in small towns and rural areas with agri-produce retailing forming the largest share of total retail pie in these regions, offering immense potential for the food and grocery vertical with customer preference tuned towards value retailing.

Players like Reliance Retail, Aditya Birla Nuvo Group's Trinethra Supermarket etc. have aggressive plans to tap opportunities in these emerging cities in suitable formats.

Players who have already established their presence in the top metros of the nation are already planning their establishments in these emerging cities and regions to gain the first-mover advantage over other entrants.

INNOVATIVE FORMATS

Formats like "Wedding Malls", which are unheard of in the far west are found to be very successful in the Indian market. The Wedding Malls for instance, stock the complete range

of wedding product offerings from apparel to jewellery. The retail industry players are successfully blending knowledge from the experiences of the global retail industry with the unique requirements and preferences of the Indian consumer. Such customisation to the latent needs of the Indian consumer has brought about a great deal of innovation in the product offerings as well the retail formats in which they are being sold.

Khadi & Village Industries Commission is set to roll out a string of swanky “Khadi Plazas”, which would showcase the traditional handloom textiles in a completely new form. Over 7,000 existing outlets are to be beefed up to cater to the changing tastes of the young Indian consumer and thereby provide a boost to the presently stagnant sales of the khadi textiles.

The latest addition to the list of diverse retail formats are the “Village Malls”, with the fair price shops being revamped to cater to larger needs of local populations. The Government of Gujarat has spearheaded one such initiative with 512 “Village malls” launched in the state with further plans for 508 such malls.

EMERGENCE OF INDIA AS THE RETAIL SOURCING HUB

Riding on the back of a strong manufacturing industry, India is fast emerging as an important global sourcing hub for top international brands

India has had a continued presence in the global scenario as one of the leading exporters of apparels and textiles. The expiry of the Multi Fiber Arrangement has further widened the global markets for apparel. Many international brands have identified India as one of the important supply centres for procurement of textiles and apparels.

Wal-Mart’s sourcing operations was estimated at US\$ 1 billion, Tesco’s around US\$ 100 million and Marks & Spencer around US\$ 145 million from India for the year 2005-06. Unilever sources major portion of their fast moving consumer goods from its wholly owned Indian subsidiary, Hindustan Unilever Limited. Adidas, Next and Calvin Klein are expected to follow suit, with Adidas opening its first office in Bangalore.

ONLINE RETAILING

The ‘Click-to-buy’ phenomenon is fast catching up in India, with increase in number of broadband and dial-up internet connections, limited personal time for shopping, increased use of plastic money and large base of young population that spends a considerable time online.

The stated factors are facilitating rapid growth of online shopping with the industry players scaling up to meet the consumer requirements. Most retailers are developing and maintaining their own online sale portals for easy consumer access, facilitating online purchase of merchandise. Tata Indicom’s i-choose.in and G&B’s godrejlifespace.com are good examples of this trend.

Players like Rediff.com, eBay.in, Indiatimes.com were some of the early entrants in the Indian online retail space, clocking impressive revenues through online transactions. Some of the more recent players to enter this niche market include Pantaloons Retail India Ltd., through its Futurebazaar.com venture.

Many smaller retail portals are also thriving on the internet, meeting the niche Indian consumer requirements such as ethnic apparel, handicrafts and jewellery. Demand for these portals, which has been primarily driven by the non-resident Indians, is gaining popularity on the Indian soil as well, with the young urban Indian consumer’s increasing exposure to the virtual world of internet.

With value-added services like cash-on-delivery to facilitate online transactions by consumers without credit/debit card, unique bidding schemes etc, e-commerce is fast gaining acceptance in India.

- Rediff.com
- Ebay.in
- Indiatimes
- Futurebazaar.com
- Lifespace
- i-choose

RURAL RETAILING

Rural retailing constitutes more than 95 per cent of total retail revenues, with more than 70 per cent of India’s population concentrated in the rural areas. Rural hypermarkets are growing at a blistering pace meeting the unique requirements of the rural consumer. The range of services provided by the rural retailers extends from creating a platform to buy and sell

farm produce, to banking services, to restaurants etc.

One of the key players in the rural retail segment is ITC with its Choupal Saagar initiative. ITC has 14 outlets in operation presently and plans to increase the number to 700 over the next 7-10 years. ITC's Choupal Saagar retails products and also acts as a procurement hub for ITC's e-choupals where farmers are offered better rates for their agriculture produce, compared with the prevalent market rates for the same.

Other examples of players and their services in the rural retail segment are DSCL's Hariyali Kisan Bazaar and Indian Oil Corporation's Kisan Seva Kendra.

DSCL's Hariyali Kisan Bazaar has over 70 outlets presently and the company proposes to operate a total of 200 outlets over the next 12 months. The outlets provide a spectrum of offerings including agronomist-consultations, agri-inputs, and financial services, apart from the conventional retailing services.

Indian Oil Corporation's Kisan Seva Kendra offerings extend over fuel, agri-produce, fast moving consumer goods and other value added services. The company has a network of over 1400 outlets presently. Reliance Retail and Pantaloon Retail India Ltd. are expected to undertake more ventures to capture the vast untapped potential in the rural

- Kisan Seva Kendra
- E-Chaupal
- Hariyali

retail segment.

THE RESPLENDENT LUXURY MARKET

Affluent households in India account for just about 4.5 per cent of the national population. However, the affluent households segment contributes to more than 22 per cent of the total retail sales, translating to US\$ 62,340 million of retail revenues.

The number of affluent households is estimated to increase by 8.5 per cent by 2010-11. The contribution of affluent households to retail revenues is also estimated to increase to 33 per cent by the said year. Thereby in 2010-11, affluent households are expected to generate retail revenues worth US\$ 152,000 million.

The luxury retail segment is hence a substantial opportunity for retail industry players. Many international

investors are actively pursuing an entry route into India for opportunities in the luxury segment.

Delhi and Mumbai are the prime contributors to the luxury retail revenues and have the highest density of luxury brand outlets in the country. However, currently the location of these outlets is primarily limited to five-star hotel mall spaces, with limited footfalls and consumer exposure. Industry players have aggressive expansion plans in the pipeline, with investor confidence reinforced by the booming sales in the luxury segment. The two Louis Vuitton stores in Mumbai and Delhi averaged monthly sales of US\$ 13 million in 2005-06. Hugo Boss is expanding to other metros in the country, encouraged by 30 per cent increase in its India sales in the past year.

INTERNATIONAL LUXURY RETAILING BRANDS IN INDIA

- BVLGARI
- UBL
- GUCCI
- Cerruti
- Swarovski
- Omega
- Mont Blanc
- Hugo Boss
- Chanel
- Vacheron Constantin
- SA
- Dior
- Vertu
- harman kardon
- Florsheim
- John Balliano
- Versace
- Rado
- Louis Vuitton
- Dolce & Gabbana
- Denon
- Do Daks
- Donna Karan
- Morgan
- Longines
- Tiffany & Co.
- Canali
- Bose

- Cartier
- Fendi
- Tommy Hilfiger
- Prada
- Chopard
- The Samile Row
- Er Manegildo Zegna

LEISURE AND ENTERTAINMENT MARKET

Entertainment retail is redefining Indian lifestyles with the rate of growth in the number of multiplexes and gaming zones matching the growth story of malls and retail space. The immense potential in the entertainment and leisure segment is reflected by fact that there exist 10 screens per million of population in India as compared to 40 screens in the European market and 117 in the US.

The total leisure and entertainment revenues were pegged at US\$ 8 billion in 2005-06, a 14 per cent increase over 2004-05. The organised entertainment retail revenues grew at an average rate of 30 per cent over 2004-05, and are expected to maintain the same pace in the coming years, with Indian players investing heavily in this market.

Reliance Infotech's Adlabs, Shopper's Stop's Timezone have aggressive expansion plans in the pipeline, with retailers exploring the joint venture option with international giants in the sector having a global presence.

Leading Players in Multiplexes Market			
Operator	Multiplexes	Screens in 2005-06	Screens projected for 2010-11
Adlabs Cinemas	22	80	225
Cinemax	11	36	141
DT Cinema	3	6	NA
E-City Ventures	25	95	1500
Inox Leisure Ltd	15	54	165
M2K Cinemas	2	5	NA
PVR Ltd	21	82	208
Prasad IMAX	2	5	NA
Pyramid Saimira	290	325	2000
Shringar	7	30	235
Waves Cinemas	3	13	200

Source: CB Richard Ellis

CASHING IN ON THE TRANSIT CHANNELS

Infrastructure sector in India is booming with several capacity building measures being undertaken aggressively by the central and state governments. Construction of new airports and development of metro rail systems equaling premium global standards is opening a new realm of retailing opportunities in these transit points. Airports Authority of India has commenced the upgradation of 9 metro airports and 15 non-metro airports, with emphasis also on development of retail space in the airports.

The joint venture between Shopper's Stop and The Nuance Group AG has won the contract for setting up duty-free and duty-paid retailing outlets at the upcoming Bangalore and Hyderabad International Airports. The Mass Rapid Transit System, currently in operation in Delhi, and under construction at other metro cities like Bangalore and Hyderabad is also expected to offer immense retail potential.

With the Delhi Metro Rail Corporation (DMRC) inviting tenders for retail development in the 53 metro stations in operation and 79 stations proposed to come up by 2010 in Delhi, retailers are in the fray to exploit the commercial potential of the retail space.

SEZ SYNERGIES

Special Economic Zones are government driven initiatives attracting higher investment into India, with about 154 Special Economic Zones notified as on Oct 3, 2007 spread over states and union territories of India .

SEZs offer ample retail opportunities, with a percentage of the SEZ area earmarked for retailing in the non-processing zone. The size of the area in the retailing space is calculated considering various parameters like the type of SEZ, projected size of the residential population in SEZ, and population in the catchment area.

IT/ITeS based SEZs offer impressive retailing opportunities; the target segment for such SEZs would be the urban population with high-disposable incomes.

TOURISM RELATED OPPORTUNITIES

With tourists' inflow increasing impressively with each passing year, tourism holds the key to a large retailing

opportunity. In 2005-06, approximately 4.45 million foreign tourists arrived in India, registering a growth of 13.5 per cent over 2004-05.

Retailing of regional handicrafts and artifacts holds an opportunity to capture the interest of foreign tourists, given the rich and diverse cultural heritage of India.

The Indian Tourism Board's initiatives like Dilli Haat (a crafts bazaar located in Delhi) retails the regional crafts of various states, attracting a large number of tourist footfalls. The concept is fast gaining traction in other destinations in India such as Jaipur, Mumbai and Hyderabad.

Exchange Rate of US\$ 1 = INR 41 has been used throughout this report.

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