CONSUMER DURABLES

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MAY 2017
India is set to become the 5th largest consumer durables market in the world.

By 2025, India would rise from the 12th to the 5th largest position in the consumer durables market in the world; the market is estimated to reach USD12.5 billion in 2016.

India is one of the largest growing electronics market in the world.

By 2020, the electronics market in India is expected to increase to USD28 billion from USD100 billion in FY17. The production is expected to reach to USD104 billion by 2020.

India has the world’s 3rd largest television industry.

By 2018, the television industry in India is expected to grow to USD14.7 billion from USD8.9 billion in 2015.

Source: Makeinindia, DeitY, TechSci Research
Notes: PPP - purchasing power parity, E – Estimate
Note (¹) - Estimated
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ADVANTAGE INDIA
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Growing demand

- Demand growth is likely to accelerate with rising disposable incomes & easy access to credit
- Increasing electrification of rural areas & wide usability of online sales would also aid growth in demand
- Rise in working age population also to stimulate demand

Opportunities

- Rural markets currently contribute 33 per cent to total sales; their combined size is set to post a CAGR of 25 per cent over 2010-15
- Huge untapped rural market; currently there is only 2 per cent penetration for refrigerators & 0.5 per cent for washing machines

Increasing investments

- Sector has attracted significant investments over the years (even during the global downturn of 2009-10)
- USD1 billion worth investments in production, distribution & R&D in the next few years
- In November 2016, Britannia Industries, one of the India’s biggest brands of the country, opened an R&D centre & a manufacturing unit in Bidadi, near Bengaluru entailing an investment of USD2.98 billion.

Policy support

- 100 per cent FDI allowed in the electronics hardware-manufacturing sector under the automatic route; Approval of 51 per cent in multi-brand would further fuel the growth in this sector
- National Electronic Policy (2012) to boost investment in the sector
- Modified special incentive package scheme (M-SIPS) has been introduced for growth of consumer durable industry.

Advantage India

Source: DIPP, TechSci Research

Notes: FDI - Foreign Direct Investment, FY - Indian Financial Year (April - May), CAGR - Compound Annual Growth Rate, EPCG - Export Promotion Capital Goods Scheme, EHTP - Electronic Hardware Technology Park

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MARKET OVERVIEW AND TRENDS
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THE CONSUMER DURABLES MARKET IS SPLIT INTO TWO KEY SEGMENTS

Consumer durables

<table>
<thead>
<tr>
<th>Consumer electronics (brown goods)</th>
<th>Consumer appliances (white goods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Televisions</td>
<td>Air conditioners</td>
</tr>
<tr>
<td>CD and DVD players</td>
<td>Refrigerators</td>
</tr>
<tr>
<td>Laptops</td>
<td>Washing machines</td>
</tr>
<tr>
<td>Electronic accessories</td>
<td>Sewing machines</td>
</tr>
<tr>
<td></td>
<td>Electric fans</td>
</tr>
<tr>
<td></td>
<td>Cleaning equipment</td>
</tr>
<tr>
<td></td>
<td>Other domestic appliances</td>
</tr>
</tbody>
</table>

Source: Electronic Industries Association of India, TechSci Research
EVOLUTION OF THE INDIAN CONSUMER DURABLES SECTOR

**Pre-liberalisation**
- Closed market
- Increased product availability, increased media penetration & advertising

**Liberalisation**
- Liberalisation of markets
- Influx of global players such as LG & Samsung
- Shift in focus from promotion to product innovation

**Growth**
- Increasing availability & affordability of consumer finance provides impetus to growth
- Low penetration of high-end products such as air conditioners (<1 per cent)

**Consolidation**
- Companies look to consolidate market share
- Indian companies such as Videocon gaining global identity
- Increasing penetration of high-end products such as air conditioners (>3 per cent)
- Introduction of new aspirational products such as High Definition TVs (HDTVs)
- Companies targeting high growth in rural market, rural India’s FMCG market to go beyond USD100 billion by 2025
- As per Union Budget 2016-17, the reduction in special additional duty, basic customs duty & countervailing duty has been reduced in the range of 4 to 12.5 per cent depending on the product category

**Consolidation 2017**
- Basic custom duty rate of 10 per cent is applicable on good such as microwave ovens, air conditioners, televisions, washing machines & refrigerators. They can be now imported as completely built units from SAFTA & ASEAN countries like Japan & Thailand at concessional rates of BCD ranging from 0-6 per cent.

Source: TechSci Research
In 2015, revenue from consumer durables sector in India stood at USD9.7 billion, which further increased to USD12.5 billion in FY16.

Consumer durable market expected to grow at CAGR of 13 per cent from FY05 to FY20.

Around two third of the total revenue is generated from urban population & rest is generated from rural population.

Godrej group, Onida Electronics, Blue Star & Videocon Industries are few of the major domestic players operating in India consumer durable market.

CONSUMER DURABLES REVENUES HAVE BEEN GROWING AT A HEALTHY PACE

Source: Electronic Industries Association of India, CAGR – Compound Annual Growth Rate, Note: (F) Forecast
Urban markets accounted for the major share (67 per cent) of total revenues in the consumer durables sector in India in FY15.

Demand in urban markets is likely to increase for non-essential products such as LED TVs, laptops, split ACs, beauty & wellness products.

In rural markets, durables like refrigerators as well as consumer electronic goods are likely to witness growing demand in the coming years as the government plans to invest significantly in rural electrification.

Rural & semi-urban markets are likely to contribute majorly to consumer sales. The rural consumer durables market is growing at a CAGR of 25 per cent.

India stands at 4th position in the top 10 global smart phones market.

During festival season, Maharashtra witnessed increase in consumer durables loan at a robust rate of 58.28 per cent, due to more purchases of TVs & washing machines.

According to EY research report published in March 2017, country’s top 50 biggest cities experienced growth in consumption pattern corresponding to high gross domestic product of the country.

Source: Ministry of Urban Development, Ministry of External Affairs
CONSUMER DURABLES

CONSUMER ELECTRONICS – KEY PRODUCTS

Colour TVs (CTVs)
- CTVs are the largest contributors to this segment
- Television category is expected to grow at 20 per cent from 2014 to 2020
- India television industry stood at USD8.28 billion in 2015, exhibiting a y-o-y growth of 14.2 per cent in 2015 over USD7.78 billion in 2014
- Introduction of HDTVs is set to drive demand growth from affluent consumers

Liquid Crystal Displays (LCDs)
- The price decline due to relatively low import duty on LCD panels, higher penetration levels & the introduction of small entry-size models are key growth drivers in the segment
- In 2015, total market for Flat Panel Display TV is expected to reach USD6.40 billion while 14.38 million units are expected to be bought in the same year

Digital Video Discs (DVDs)
- The organised market has a share of 80 per cent in the total market

Direct-To-Home (DTH)
- The Set-Top Box (STB) market is growing rapidly, due to the expansion of DTH & introduction of the Conditional Access System (CAS) in metros
- In 2015, set top box category reached 39.4 million
- DTH subscriber base in India reached 88.40 million in FY16 & is expected to reach 200 million by 2018, thereby making India one of the world’s largest DTH market
- Penetration to increase from 7 per cent currently to 20 per cent by 2020

Source: CEAMA, Electronic Industries Association of India, TechSci Research
Notes: LCD – Liquid Crystal Display, LED – Light Emitting Diode
Refrigerators

- This segment makes up 31 per cent of the consumer appliances market
- The market share of direct cool & frost free segment is 75 per cent & 25 per cent respectively
- The estimated market size for refrigerators in India is estimated to be USD1.45 billion in 2015
- Refrigerator segment is expected to grow at 10 per cent from 2014 to 2020

Air Conditioners (ACs)

- The Indian ACs market size by volume accounted for sales of 10 million units in 2015
- The size of the residential segment of room ACs expanded to USD1.47 billion in 2015
- ACs are perceived as high-end products; & expected to grow at 6.7 per cent during 2014 to 2020
- The segment had a 13.0 per cent share in 2013 in the consumer appliances market
- High income growth & rising demand for split ACs are the key growth drivers

Washing appliances

- Segment size is estimated to be USD727 million in 2015
- Washing machine is expected to exhibit 8-9 per cent year on year growth
- Fully automatic washing machines are garnering an increasing share of the market due to reduction in prices and higher disposable incomes

Electric fans

- The branded fan market in India is estimated to be USD0.83 billion in 2015
- This is a highly penetrated market
- The Bureau of Energy Efficiency to offer USD64 million to the manufacturers for promoting energy efficient fans

Source: CEAMA, Electronic Industries Association of India, TechSci Research
### KEY PLAYERS\(^{(1)}\) IN THE CONSUMER DURABLES SECTOR … (1/2)

<table>
<thead>
<tr>
<th>Company</th>
<th>Product category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BLUE STAR</strong></td>
<td>ACs, refrigerators, specialty cooling products including mortuary chambers &amp; cold storage</td>
</tr>
<tr>
<td><strong>DAIKIN</strong></td>
<td>ACs &amp; cooling equipment</td>
</tr>
<tr>
<td><strong>Godrej</strong></td>
<td>Refrigerators, ACs, washing machines, microwave ovens, DVD players, digital-imaging products &amp; audio-visual products</td>
</tr>
<tr>
<td><strong>HITACHI</strong></td>
<td>ACs and refrigerators</td>
</tr>
<tr>
<td><strong>LG</strong></td>
<td>TVs, audio-visual solutions, computers, mobile phones, refrigerators, washing machines, microwave ovens, vacuum cleaners &amp; ACs</td>
</tr>
<tr>
<td><strong>ONIDA</strong></td>
<td>LCDs, washing machines, DVD players, ACs, microwave ovens, mobile phones, projectors &amp; display products</td>
</tr>
</tbody>
</table>

\(^{(1)}\)This list is indicative
**CONSUMER DURABLES**

**KEY PLAYERS(1) IN THE CONSUMER DURABLES SECTOR … (2/2)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Product category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHILIPS</strong></td>
<td>TVs, home theatre systems, DVD players, audio products, personal care products, household products, computers &amp; phones</td>
</tr>
<tr>
<td><strong>SAMSUNG</strong></td>
<td>TVs, home theatre systems, DVD players, mobile phones, digital cameras, camcorders, refrigerators, ACs, washing machines, microwave ovens &amp; computers</td>
</tr>
<tr>
<td><strong>SONY</strong></td>
<td>TVs, projectors, DVD players, audio systems, home theatre systems, digital cameras, camcorders, computers, video-gaming products &amp; recording media</td>
</tr>
<tr>
<td><strong>VIDEOCON</strong></td>
<td>TVs, DVD players, microwave ovens, refrigerators, washing machines, ACs &amp; power backup solutions</td>
</tr>
<tr>
<td><strong>Whirlpool</strong></td>
<td>Refrigerators, washing machines, microwave ovens, water purifiers &amp; power backup solutions</td>
</tr>
</tbody>
</table>

(1) This list is indicative
Increasing presence of organised retail

- India holds 5th position in global retail industry.
- In 2015, Indian retail industry was valued at USD600 billion & is estimated to reach USD702.02 billion in FY17 & USD950 billion by 2018. Retail e-commerce sector is expected to reach USD17.5 billion in 2018
- The penetration of modern retail is 12 per cent in consumer durables segment in 2015
- The sector is witnessing the emergence of modern durable retail chains & e-retailers like Tata Croma, Reliance Digital, E zone
- Within the organised retail sector, apparel accounted for the largest segment during FY16, while the unorganised sector made a contribution of 13 per cent to the GDP, in the same year.
- Online retail marketing to grow at a CAGR of 40-45 per cent during 2014-2018

Indian retail industry (2016)

- 98% Organized
- 2% Unorganized

Shares in the organised retail sector (2015)

- Food, Grocery & General Merchandise: 42%
- Clothes, Textile & Fashion Acc: 10%
- Durables & Mobiles: 16%
- Food Service: 7%
- Home Improvement: 12%
- Jewellery & Watches: 3%
- Footwear: 3%
- Books, Music, Toys & Gifts: 6%
- Others: 3%

Source: India Retail Report, TechSci Research
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NOTABLE TRENDS IN THE CONSUMER DURABLES SECTOR … (2/2)

Expansion into new segments

• Spencer’s Retail stores chain plans to enter the consumables sector by launching packaged snacks in Delhi, Pune and Kolkata. The firm plans to invest USD 1.49 billion in the next 5-7 years as the company seeks to build brands and distribution channels across the country.

• In April 2017, Kodak has started selling HD LED televisions in 400 retail stores. The product is already available on online channels since 2016.

• As of March 2017, Micromax plans to invest USD 89.25 million in the next 3 years for transforming itself into a consumer electronics company.

Increased affordability of products

• Advancement in technology & higher competition are driving price reductions across various consumer durable product segments such as computers, mobile phones, refrigerators & TVs. With the initiative of “Make in India” campaign, many domestic & Chinese manufactures are investing in India to set up their manufacturing plants which would produce more affordable products.

Focus on energy-efficient and environment-friendly products

• Companies also plan to increase the use of environment-friendly components & reduce e-waste by promoting product recycling.

• India has made it mandatory for manufacturing companies to control emissions from climate-damaging refrigerants.

• In January 2016, LG electronics announced that the company will focus on premium inverter split air-conditioners that are more energy efficient & would discontinue its regular split air-conditioners, which account for almost 80 per cent of the Indian market.

• In February 2017, Panasonic launched Sky Series air conditioners with the radiant technology.

Growing luxury market

• Growing number of HNI’s & women in workforce is boosting demand for luxury products.

• Luxury brands like Porsche, Jimmy Choo are increasing their store presence.

• Luxury brands are launching their own websites to cater to Indian luxury brand market.

Source: CEAMA, India Retail Report, TechSci Research
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PORTERS FIVE FORCES ANALYSIS
# CONSUMER DURABLES

## PORTERS FIVE FORCES ANALYSIS

### Competitive Rivalry
- Continuous innovation leads to intense rivalry
- Homogeneity in product and low switching cost

### Threat of New Entrants
- Highly capital intensive
- Major players have developed brand equity
- Brand loyalty is moderate

### Substitute Products
- Technology advancements
- Buyers have huge propensity to substitute

### Bargaining Power of Suppliers
- Product differentiation is very low
- By changing the input, firms cannot drastically differentiate on price

### Bargaining Power of Customers
- Use of Internet to get all the information enables customers to be powerful
- Buyer’s switching cost is very less

Source: TechSci Research

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STRATEGIES ADOPTED

**Powerful competitive strategy**

- To reduce the price of their products, Xiaomi followed a totally different approach. Rather than using traditional advertising it has used inexpensive social media campaigns which helped the company in producing mobile phones at competitive prices in the market.
- Samsung has acquired JBL & Harman Kardon for USD8 billion, other brands to come under Samsung are Mark Levinson, AKG, Lexicon, Infinity & Revel, Bowers & Wilkins & Bang & Olufsen brands.
- As of March 2017, P&G Overseas India is planning to acquire a stake of 3.35 per cent in P&G Hygiene & Healthcare division, from Rosemount LLC, the parent group company The stake’s value is US$ 113.49 million.

**Marketing strategies**

- The firms are now partnering with e-retailers to promote sales & increase penetration in the Indian market.
- One plus Chinese mobile manufacturing company has tied up with Amazon to sell its mobile phones in India.
- In February 2017, Microsoft Corp announced a strategic partnership with Flipkart, by virtue of which, Flipkart will adopt Microsoft Azure as its exclusive public cloud computing platform & help customers in shopping online.
- Birla Cellulose, a part of Aditya Birla Group’s Grasim Industries, is taking its Liva brand of viscose fabric abroad. The company has already established a Liva Accredited Partners’ Forum (LAPF) in Bangladesh and Indonesia, and is looking to set up a similar forum in China as well.

**Occasion based marketing**

- India is the land of occasions & festivals, therefore, customers are offered great deals.
- For instance the prices of products during Diwali, New Year, etc go down & customers are offered with great deals. Such strategies are adopted so as to enhance revenues plus to maintain the goodwill amongst buyers.
- Consumer durable manufacturing companies like LG, Samsung are expecting around 20-30 per cent growth in sales during festive season (September-October) in 2016.

**Focus on energy efficiency**

- Companies are focusing on energy efficiency in their range, pushing the low cost of ownership.
- Syska LED launched its advertising campaign in Mumbai, it aimed to promote energy efficient LED tube lights & bulbs which could save up to 20 per cent of electricity.
- In January 2016, LG electronics announced that the company will focus on premium inverter split air-conditioners that are more energy efficient & would discontinue its regular split air-conditioners, which account for almost 80 per cent of the Indian market.
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STRONG DEMAND AND POLICY SUPPORT DRIVING INVESTMENTS

Growing demand
- Higher real disposable incomes
- Easy consumer credit
- Growing working population

Policy support
- Setting up of EHTPs
- Increasing liberalisation, favourable FDI climate
- Policies like National Electronics Mission and Digitisation of television
- Reforms like simplified labor laws & Technology Upgradation Fund Scheme

Increasing investments
- Expanding production and distribution facilities in India
- Increased R&D activity
- Govt to spend Rs 60,000 cr more on rural jobs
- Providing support to global projects from India

Source: TechSci Research

Notes: EHTP - Electronic Hardware Technology Park, R&D - Research and Development
Demand for consumer durables in India has been growing on the back of rising incomes; this trend is set to continue even as other factors like rising rural incomes, increasing urbanisation, a growing middle class & changing lifestyles aid demand growth in the sector.

Significant increase in discretionary income & easy financing schemes have led to shortened product replacement cycles & evolving life styles where consumer durables, like ACs & LCD TVs, are perceived as utility items rather than luxury possessions.

Growth in demand from rural & semi-urban markets to outpace demand from urban markets

Growth in online retailing is a key factor to reach out as a newer channel for buyers, with increase in demand.

Per capita income is expected to expand at a CAGR of 8.6 per cent for the period 2015-19.

Non metro markets namely Vishakhapatnam, Bhopal, Vadodara, Chandigarh etc. have grown rapidly in regard to consumption, becoming the main target markets, posing a huge potential transforming themselves into new business centers as compared to metro cities.

Source: IMF, World Bank, TechSci Research
Note: E – Estimated
F: Forecast
### POLICY SUPPORT AIDING GROWTH IN THE SECTOR

#### Customs duty relaxation
- Reduced custom duty on certain inputs like metals, wires, cables, refrigerators compressor parts will promote the production of consumer electronics in India. Custom duty on LCD/LED TV reduced to nil from 10 per cent

#### Reduced central excise
- A reduction (12 per cent to 10 per cent) in Central Excise duty was definitely the way forward to support demand & fuel growth in consumer durable sector. Industry seeks relaxation in excise duty
- Excise duty is being reduced to 6 per cent on LED lamps & LEDs required for manufacture of such lamps. Reduction in SAD from 4 per cent to nil, in import would also help LED manufacturers

#### Encouragement to FDI
- 100 per cent FDI is permitted in electronics hardware-manufacturing under the automatic route
- FDI into single brand retail has been increased from 51 per cent to 100 per cent; the government is planning to hike FDI limit in multi-brand retail to 51 per cent

#### EPCG, EHTP schemes
- EPCG allows import of capital goods on paying 3.0 per cent customs duty
- EHTP provides benefits, such as duty waivers & tax incentives, to companies which replace certain imports with local manufacturing

#### National Electronics Policy 2012 & Government Initiatives
- Aims to create an ecosystem for a globally competitive electronic manufacturing sector & to achieve a turnover of about USD400 billion by 2020, including investments of about USD100 billion, as well as to provide employment to around 28 million people
- As of March 2017, the government is planning to release an amount of US$3.57 billion allocated for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for FY2017-18, for executing infrastructure plans in rural areas of the country.

Source: DIPP, Make in India, TechSci Research

Notes: EPCG - Export Promotion Capital Goods scheme, EHTP - Electronic Hardware Technology Park Scheme, SAD- Single Administrative Document ITA-1 - Information Technology Agreement, Ministry of External Affairs
RECENT INVESTMENTS BY KEY PLAYERS

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**2015-2016**

- Oct 15: Videocon planned an investment of USD 76.38 million to set up mobile handset assembly plant in Punjab
- June 16: Godrej announced its plans to invest USD 29.87 million to enhance production at its Punjab & Pune’s home appliances manufacturing facilities
- Jan 16: Samsung India Electronics expanded its Smart Class Initiative across the West-Bengal
- Feb 16: Whirlpool Corporation announced investment of USD 40.6 million in its dishwasher manufacturing facility, at Ohio
- In December 2016, Amazon India received an investment of USD 307 million, making it the single largest capital infusion from Amazon.

**2017-2018**

- Amway India announced its entry into the consumer durables sector with the launch of a premium cookware range by the brand name-Amway Queen
- AkzoNobel opened a specialty coatings production facility & color laboratory in Noida (UP) with an investment of USD 0.44 million

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*Source: Company websites, TechSci Research*

*Notes: R&D - Research and Development, MSIPS - Modified Special Incentive Package Scheme, Ministry of External Affairs*

*For updated information, please visit [www.ibef.org](http://www.ibef.org)*
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**HIGHLIGHTS OF BUDGET 2015-2016**

<table>
<thead>
<tr>
<th>Reduction in Royalty</th>
<th>• Income tax rate on royalty &amp; fees for technical services reduced from 25 per cent to 10 per cent, this will boost manufacturing &amp; technology sector</th>
</tr>
</thead>
</table>
| Vision for future    | • Manufacturing sector should be the base for India’s development. There should be a minimum tariff protection to motivate domestic manufacturing  
• To make India, manufacturing hub of the world through Make in India programme  
• Centre and states to partner in development so as to focus on telecommunication  
• Government, corporate and educational bodies are working towards skill enhancement |
| Funding scientific research | • It is proposed to set up a Research Funding Organisation that will fund the research projects selected. Contribution to the organisation will be eligible for tax benefits |
| Changes in tax rates¹ | • To encourage conducive environment in the sector, Government of India announced the implementation of uniform Goods & Service Tax (GST) (applicable from 1st April 2016)  
• As per Union Budget 2016-2017, on the purchase of luxury cars exceeding value of USD15,276.5 & purchase of goods and services in cash exceeding USD3,055.3 a tax at the rate of 1 per cent has to be deducted at source  
• Excise duty of 1 per cent without input tax credit or 12.5 per cent with input tax credit on articles of jewellery excluding silver jewellery other than studded with diamonds, with a higher exemption & eligibility limits of USD0.92 million & USD1.82 million respectively, is imposed  
• As per Budget 2017-18, the government has reduced income tax in 2.5 to 5 lacs bracket to 5 per cent to 10 per cent, people earning income between USD3718 to USD7436. |

Source: Union Budget 2015-2016, Ministry of External Affairs  
¹ Data updated as per Union Budget 2016-2017
KEY MANUFACTURING PLANTS OF CONSUMER DURABLES ACROSS INDIA

NORTH: Delhi & Uttarkhand are the key consumer durables manufacturing hubs in North India. Panasonic has set up its plant in Jhajjar. In 2015, the Taiwan Electrical & Electronic Manufacturers’ Association (TEEMA) has announced to invest USD200 million in electronics manufacturing sector in UP.

WEST: Maharashtra and Gujarat host units for LG, Videocon & Samsung. In 2015, Videocon announced that it has been planning to invest USD328 million in Gujarat for manufacturing facilities. In 2016, Godrej announced to invest USD29.87 million to boost production at its Punjab & Pune facilities.

EAST: West Bengal is a major hub for Videocon & Phillips. In 2015, Whirlpool announced to invest USD3.28 million to set up exclusive showrooms.

SOUTH: Tamil Nadu hosts manufacturing facilities for a number of leading firms. In 2015, Thomson announced to invest USD49.13 million in manufacturing facilities in Telangana.

Source: TechSci Research

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OPPORTUNITIES IN RURAL AREAS

- Consumer durables market is valued at USD 9.7 billion in FY15 & is expected to reach USD 20.6 billion by 2020. India is expected to have the 5th largest consumer durable market by 2025.
- Rural market contributes 33 per cent of the total revenue generated which represents 69 per cent of the rural population.
- Indian consumer durable market has witnessed growth at a CAGR of 10 per cent during 2012 -2015.
- Under the upcoming Budget Scheme 2017-18, the government is likely to retain its focus on rural economy by continuing the pro-poor & pro-farmer schemes.

Source: TechSci Research

MAY 2017

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CONSUMER DURABLES FIRMS TO AUGMENT INVESTMENTS IN COMING YEARS

* Cumulative FDI in electronics sector till December 2016 stood at USD1636.03 million & that in telecommunication stood at USD23,921 million

* In June 2016, Godrej announced an investment of USD29.87 million in order to boost production at its Punjab & Pune plants

* As on September 2016, RBI has allowed up to 100 per cent investment in Crompton Greaves Consumer Electricals Ltd., under the Portfolio Investment Scheme.

* In September 2016, United Spirits Ltd. to relaunch their top selling whiskey brands with innovation to increase their growth in the market, with flavours like honey & espresso flavoured whiskeys.

* In October 2016, Holitech, Chinese manufacturer of LCD & touchscreen panels, used in mobile phones, is planning to invest USD1 billion in 2017.

* As of November 2016, Zefo, a marketplace to sell & buy used goods raised USD 6 million worth of funds. As of now, the company is serving 2 product categories – furniture & appliances.

* In November 2016, consumer electronic brand Akai, has re-entered the Indian market & is targeting a revenue of USD223.11 million to 297.53 million, in next 4 years

* In November 2016, Dyson Ltd, the UK based manufacturer of innovative vacuum cleaners & air purifiers, plans to invest USD 190.96 million in India by 2021. The company intends to setup retail store in the country by mid-2017.

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ERA OF DIGITISATION OPENS NEW OPPORTUNITIES

Households with TVs in India

- Around 170 million TV households in India
- Approx. 30 million are digital cable households, 70 million are analogue subscribers
- As of March 2016, DTH subscriber base in India stood at 88.64 million users

DTH subscribers (million units)

- Around 191 million television households by 2017
- About 200 million DTH subscribers by 2018

- The government announced digitisation in 4 phases, deadline for phase 3 is December, 2015 & deadline for phase 4 is December, 2016
- As per the rating agency ICRA, DTH players are expected to get largest share in phase IV area of digitization market
- Digitisation may lead to complete switchover from analogue cable to Digital Addressable Systems in a phased manner
- The number of DTH subscribers in India is expected to increase from 88.64 million in FY16 to 200 million by 2018

Source: TRAI Annual Report 2015-16, ICRA
Department of Information Technology; Make in India, TechSci Research
E:Estimated

FY16
2018E
88.64
200

CAGR: 50.21%
APPENDIX: BENEFITS TO CONSUMER DURABLES AND WIDER RETAIL SECTOR FROM FDI POLICY

Benefits of FDI in Indian retail

Increase in employment
Infrastructure investment
Removing middlemen
Benefiting Indian manufacturers

Sector
Whole sale cash and carry trading
Single brand product retailing
Multi brand, front end retail

Entry route
Automatic
Foreign Investment and Promotion Board

FDI limit
100%
100%
51%

Source: DIPP, TechSci Research
CONSUMER DURABLES

APPENDIX: TWO KEY RETAIL RELATED FDI POLICIES THAT WILL IMPACT CONSUMER DURABLES

• According to the Department of Industrial Policy & Promotion, during April 2000 – December 2016, FDI inflows into the sector stood at USD935.74 million. Cumulative inflows from overseas investor’s stood at USD288.634 billion, during the same time period.

51 per cent FDI in multi brand retail Status: Approved

• Minimum investment cap is USD100 million
• 30 per cent procurement of manufactured or processed products must be from SMEs
• Minimum 50 per cent of the first minimum tranche of USD100 million must be invested in back-end infrastructure (logistics, cold storage, soil testing labs, seed farming & agro-processing units)
• Removes the middlemen & provides a better price to farmers
• 50 per cent of the jobs in the retail outlet could be reserved for rural youth & a certain amount of farm produce could be required to be procured from poor farmers
• To ensure the Public Distribution System (PDS) and Food Security System (FSS), government reserves the right to procure a certain amount of food grains
• Consumers will receive higher quality products at lower prices & better service

100 per cent FDI in single brand retail Status: Policy passed

• Products to be sold under the same brand internationally
• In 2015, according to revised FDI regulations single brand retail companies if desire to sell on ecommerce platform would be allowed only if they have licence for setting up physical outlets
• Sale of multi brand goods is not allowed, even if produced by the same manufacturer
• For FDI above 51 per cent, 30 per cent sourcing must be from SMEs
• Any additional product categories to be sold under single brand retail must first receive additional government approval
• “Make in India” initiative to further strengthen the investments coming to India

Source: TechSci Research, DIPP

For updated information, please visit www.ibef.org
SUCCESS STORIES

CONSUMER DURABLES
VIDEOCON: THE INDIAN BEHEMOTH … (1/2)

* One of the largest Colour Picture Tube (CPT) manufacturers globally and is currently in 2nd position (after LG) in the colour TV segment

* In 2015, the company generated revenue of USD2028.67 million & net profit of USD9.14 million

* In FY16⁽⁴⁾, the company generated revenue worth USD422.86 million & net profit of USD1.6 million (January 2016 – March 2016)

Source: Company website, TechSci Research
Notes: FY13⁽²⁾ - Data for 18 months (Jan 2012 – June 2013)
FY14⁽³⁾: 18 months
CONSUMER DURABLES

VIDEOCON: THE INDIAN BEHEMOTH … (2/2)

Revenue base of USD422.86 million, with net profit of USD1.6 million during 2016⁽¹⁾

In 2015, Videocon and Coolpad announced their partnership to manufacture smartphones in India

In 2015, Videocon announced to sell spectrum to Idea cellular in 2 circles worth USD542 million

Strong presence in the consumer electronics market

Focuses primarily on consumer electronics products 1985–95

Forays into compressors and motors manufacturing and crude oil business 1995–05

Grows aggressively via acquisitions and enters the telecom, DTH, and mobile handset manufacturing sectors 2005–2015

Forays into telecom services and handset manufacturing

Builds strong brand presence in Tier 2 and Tier 3 cities

Focuses on R&D

Acquires Thomson, Philips, and Electrolux plants

Launches LCD TV bundled with DTH and Internet chip

Plans to set up a SEZ in Pune and Aurangabad in Maharashtra

Plans to expand D2h portfolio and new set up box plant

To issue 15.7 million GDR’s for USD45.2 million

Planning to launch 4G services in 3 circles

In 2016, Videocon launched a Krypton3 V50JG mobile, enabled with 4G VoLTE

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Source: Company website, TechSci Research
Note:⁽¹⁾- Data as of quarter ending on 31st March, 2016

For updated information, please visit www.ibef.org
Whirlpool accounts for over 25 per cent of the consumer durables market in India

India is currently the fifth largest market for Whirlpool

Whirlpool entered the Indian market in late 1980s through a joint venture with TVS group

Whirlpool acquired Kelvinator India Limited in 1995 & marked an entry into Indian refrigerator market as well

Whirlpool brand stretches from the mass to premium segments; the company plans to launch a new brand, KitchenAid, which would operate in the super-premium appliances segment

In 2015, Whirlpool announced its plans to invest more than USD156.3 million in India, with majority of it earmarked for innovation

Net revenues generated from sales in FY16 is USD532.86 million

Source: Company website, TechSci Research
### WHIRLPOOL: EYEING MARKET LEADERSHIP … (2/2)

<table>
<thead>
<tr>
<th>Product</th>
<th>Contribution to Net Sales of the Company (FY16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerators and Freezers</td>
<td>63%</td>
</tr>
<tr>
<td>Laundry appliances</td>
<td>21%</td>
</tr>
<tr>
<td>Air Conditioners</td>
<td>9%</td>
</tr>
<tr>
<td>Others (cooking appliances)</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: TechSci Research
CONSUMER DURABLES

GODREJ APPLIANCES: CHANGING LIFESTYLE

Godrej Appliances generated USD735.03 million revenue in FY16

Voted Most Trusted Brand, Gold Award (Reader’s Digest Consumer Survey) for 4 years in a row

In 2015, Godrej was ranked 6th for India’s best companies to work

Strong brand presence in the consumer electronics market.

Launches a new premium product range under EON brand to target high-end segment

Godrej Appliances to implement Internet of Things Technology (IoT) to create Smart Homes in 2015

Targets rural market by lower pricing and innovation like “Chotokool”

In 2016, Godrej Appliances launched NXW AC, a 5 star inverter AC having an ISEER of 5.2

In 2015, Godrej Consumer Products Ltd acquired South Africa based company Frika Hair (Pty) Ltd

In 2016, Godrej Appliances invested US$30.55 million on expanding production capacities

The company is planning to enter into air purifiers by 2018

Launches the very first refrigerator in India and dominates the Indian consumer durable space for decades

Focuses primarily on consumer electronics products

Focuses on innovation and high-end products to lure premium customer base. Launches TVs and water purifier, a new segment for the company

Before 2005

2005-2012

2012 onwards

Source: Company website, TechSci Research

For updated information, please visit www.ibef.org
CONSUMER DURABLES

INDUSTRY ASSOCIATIONS … (1/2)

Consumer Guidance Society of India
Block 'J' Mahapalika Marg, Mumbai–400 001
Tele fax: 91-22 22621612/2265 9715
E-mail: cgsibom@mtnl.net.in
Website: www.cgsiindia.org

Retailers Association of India
111/112, Ascot Centre, Next to Hotel Le Royal Meridien, Sahar Road, Sahar, Andheri (E), Mumbai–400099.
Tel: 91-22-28269527—28
Fax: 91-22-28269536
Website: www.rai.net.in

Consumers Association of India
3/242, Rajendra Gardens, Vettuvankeni, Chennai,
Tamil Nadu–600 041
Tel: 91-44-2449 4576/4578
Fax: 91-44-2449 4577
E-mail: consumersassnofindia@vsnl.net
Consumer Electronics and Appliances Manufacturers Association
5th Floor, PHD House
4/2, Siri Institutional Area, August Kranti Marg
New Delhi-10 016
Telefax: 91- 11- 46070335, 46070336
e-mail: ceama@airtelmail.in
Website: www.ceama.in

ELCINA Electronic Industries Association of India
(Formerly Electronic Component Industries Association)
ELCINA House, 422 Okhla Industrial Estate, Phase III
New Delhi -110020
Tel: 91- 11- 26924597, 26928053
Fax: 91- 11- 26923440
e-mail: elicina@vsnl.com
Website: www.elcina.com

For updated information, please visit www.ibef.org
GLOSSARY

* CAGR: Compound Annual Growth Rate
* Capex: Capital Expenditure
* CENVAT: Central Value Added Tax
* EHTP: Electronic Hardware Technology Park
* EPCG: Export Promotion Capital Goods Scheme
* FDI: Foreign Direct Investment
* FY: Indian Financial Year (April to March)
  * So FY10 implies April 2009 to March 2010
* LCD: Liquid Crystal Display
* R&D: Research and Development
* USD: US Dollar
* Wherever applicable, numbers have been rounded off to the nearest whole number
<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
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<td>2007–08</td>
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<td>2008–09</td>
<td>46.14</td>
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<td>2009–10</td>
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<td>2010–11</td>
<td>45.62</td>
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<td>2011–12</td>
<td>46.88</td>
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<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016-2017E</td>
<td>66.95</td>
</tr>
</tbody>
</table>

**Exchange rates (Calendar Year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
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<td>2008</td>
<td>43.62</td>
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<tr>
<td>2009</td>
<td>48.42</td>
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<tr>
<td>2010</td>
<td>45.72</td>
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<tr>
<td>2011</td>
<td>46.85</td>
</tr>
<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015</td>
<td>64.15</td>
</tr>
<tr>
<td>2016 (Expected)</td>
<td>67.22</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year
CONSUMER DURABLES

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