CONSUMER DURABLES

EXECUTIVE SUMMARY

By 2025, India would rise from the twelfth to the fifth largest position in the consumer durables market in the world; the market is expected to reach USD12.5 billion in 2015.

By 2020, the electronics market in India is expected to increase to USD400 billion from USD121.48 billion in 2014. The production is expected to reach to USD104 billion by 2020.

By 2018, the television industry in India is expected to expand to USD14.7 billion from USD8.0 billion in 2014.

Source: MakeinIndia, DeitY, TechSci Research
Notes: PPP - purchasing power parity, E – Estimate
Note* - Estimated

India is set to become the fifth largest consumer durables market in the world.

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

India has the world’s third largest television industry.

AUGUST 2015

For updated information, please visit www.ibef.org

Notes:

- PPP - purchasing power parity
- E – Estimate
- Note* - Estimated

<table>
<thead>
<tr>
<th>Year</th>
<th>USD Billion</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14E</td>
<td>8.0</td>
<td>16.6%</td>
</tr>
<tr>
<td>FY18E</td>
<td>14.7</td>
<td></td>
</tr>
<tr>
<td>FY20*</td>
<td>20.6</td>
<td>10.51%</td>
</tr>
<tr>
<td>FY20F</td>
<td>400</td>
<td>21.97%</td>
</tr>
</tbody>
</table>
CONSUMER DURABLES

ADVANTAGE INDIA

AUGUST 2015
Growing demand

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

Opportunities

- Rural and semi-urban markets currently contribute 35 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 and 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 of investments in production, distribution and R&D in the next few years
- Japanese giants LG, Samsung, Panasonic to invest in India to have a greater share in the market

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
- The government plans to increase the skilled labors among Indian industries and by the year 2022 would train 500 million people

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

Market size: USD12.5 billion (FY15)
Market size: USD20.6 billion (FY20E)
CONSUMER DURABLES

MARKET OVERVIEW AND TRENDS

AUGUST 2015
THE CONSUMER DURABLES MARKET IS SPLIT INTO TWO KEY SEGMENTS

Consumer durables

Consumer electronics (brown goods)
- Televisions
- CD and DVD players
- Laptops
- Electronic accessories

Consumer appliances (white goods)
- Audio and video systems
- Personal computers
- Digital cameras
- Camcorders

- Air conditioners
- Refrigerators
- Washing machines
- Sewing machines
- Electric fans
- Cleaning equipment
- Microwave ovens
- Other domestic appliances

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 and advertising

### 1980s and early 1990s
- Liberalisation of markets
- Influx of global players such as LG and Samsung
- Shift in focus from promotion to product innovation

### Mid and late 1990s
- Increasing availability and affordability of consumer finance provides impetus to growth
- Low penetration of high-end products such as air conditioners (<1 per cent)

### Early 2000s
- 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

### Late 2000s

<table>
<thead>
<tr>
<th>Period</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980s and early 1990s</td>
<td>Closed market, increased product availability, increased media penetration and advertising</td>
</tr>
<tr>
<td>Mid and late 1990s</td>
<td>Liberalisation of markets, influx of global players such as LG and Samsung, shift in focus from promotion to product innovation</td>
</tr>
<tr>
<td>Early 2000s</td>
<td>Increasing availability and affordability of consumer finance provides impetus to growth, low penetration of high-end products such as air conditioners (&lt;1 per cent)</td>
</tr>
<tr>
<td>Late 2000s</td>
<td>Companies consolidate market share, Indian companies gain global identity, high-end penetration, introduction of aspirational products, rural market growth to USD100 billion by 2025</td>
</tr>
</tbody>
</table>
The consumer durables sector revenues are expected to be worth USD12.5 billion in FY15.

This sector was expected to post a CAGR of 13 per cent over 2003-15 to reach USD12.5 billion in FY15. Growth estimated to be 20 per cent in FY14.

Consumer durables market was expected to double at 14.7 per cent CAGR to USD12.5 billion in FY15 from USD6.3 billion in FY10.

Further, demand from rural and semi-urban areas is expected to expand at a CAGR of 25 per cent to USD6.4 billion in FY15 from USD2.1 billion in FY10.

Samsung has emerged as the market leader in the consumer durable segment followed by Indian giant Videocon.

Size of the consumer durables market (USD billion)

Source: Electronic Industries Association of India, CAGR – Compound Annual Growth Rate, * Estimates

For updated information, please visit www.ibef.org
Urban markets account for the major share (65 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 and beauty and 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 market is expected to grow from USD2.1 billion in FY10 to USD6.4 billion in FY15.

Rural and semi-urban markets are likely to contribute a majority of consumer sales. The rural consumer durables market is growing at the annual growth (CAGR) of 25 per cent.

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

**Sharing in the consumer durables market in India (FY15)**

- **Urban**: 65%
- **Rural**: 35%

*Source: CEAMA (Consumer Electronics & Appliances Manufacturers Association), TechSci Research, Ministry of External Affairs*
CONSUMER DURABLES

CONSUMER ELECTRONICS – KEY PRODUCTS

Colour TVs (CTVs)
- CTVs are the largest contributors to this segment
- Industry size estimated to be USD3.15 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, and 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 and introduction of the Conditional Access System (CAS) in metros
- The DTH subscriber base reached 73.06 million in 2015 and is expected to reach 200 million by 2018, thereby making India the 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 and frost free segment is 75 per cent and 25 per cent respectively
- Key growth drivers are lower prices and rising demand for frost-free refrigerators
- The estimated market size for refrigerators in India is estimated to be USD1.45 billion in 2015

Air Conditioners (ACs)

- The Indian ACs market size by volume accounted for sales of 10 million units in 2015
- The size of the segment expanded to USD1.6 billion in 2014
- ACs are perceived as high-end products; current penetration stands at 6.8 per cent
- The segment had a 13.0 per cent share in 2013 in the consumer appliances market
- High income growth and rising demand for split ACs are the key growth drivers

Washing appliances

- Segment size is estimated to be USD612 million in 2014
- 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

August 2015
### KEY PLAYERS* IN THE CONSUMER DURABLES SECTOR … (1/2)

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

*This list is indicative
KEY PLAYERS* IN THE CONSUMER DURABLES SECTOR … (2/2)

<table>
<thead>
<tr>
<th>Company</th>
<th>Product category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philips</td>
<td>TVs, home theatre systems, DVD players, audio products, personal care products, household products, computers and phones</td>
</tr>
<tr>
<td>Samsung</td>
<td>TVs, home theatre systems, DVD players, mobile phones, digital cameras and camcorders, refrigerators, ACs, washing machines, microwave ovens and computers</td>
</tr>
<tr>
<td>Sony</td>
<td>TVs, projectors, DVD players, audio systems, home theatre systems, digital cameras and camcorders, computers, video-gaming products and recording media</td>
</tr>
<tr>
<td>Videocon</td>
<td>TVs, DVD players, microwave ovens, refrigerators, washing machines, ACs and power backup solutions</td>
</tr>
<tr>
<td>Whirlpool</td>
<td>Refrigerators, washing machines, microwave ovens, water purifiers and power backup solutions</td>
</tr>
</tbody>
</table>

*This list is indicative
Indian retail industry is expected to reach USD750-850 billion by 2015

The penetration of modern retail is 12.0 per cent in consumer durables segment

The sector is witnessing the emergence of modern durable retail chains and e-retailers like Tata Croma, Reliance Digital, E zone

Within the organised retail sector, apparel is the largest segment

Online retail marketing to grow at a CAGR of 40-45 per cent in 2014-2018

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

Expansion into new segments
- Companies are expanding their product portfolio to include products like High-Definition Televisions (HDTVs), tablets and smart phones, etc, demand for which are rising with consumer’s income, easy availability of credit and wide use of online sales

Increased affordability of products
- Advancement in technology and higher competition are driving price reductions across various consumer durable product segments such as computers, mobile phones, refrigerators and TVs

Focus on energy-efficient and environment-friendly products
- Leading companies have introduced star-rated, energy-efficient ACs and refrigerators
- Companies also plan to increase the use of environment-friendly components and reduce e-waste by promoting product recycling

Growing luxury market
- Growing number of HNI’s and women in workforce is boosting demand for luxury products
- Luxury brands like Porsche, Jimmy Choo are increasing their store presence

Source: CEAMA, India Retail Report 2013, TechSci Research
CONSUMER DURABLES

PORTERS FIVE FORCES ANALYSIS

AUGUST 2015
CONSUMER DURABLES

PORTERS FIVE FORCES ANALYSIS

<table>
<thead>
<tr>
<th>Competitive Rivalry</th>
<th>Threat of New Entrants</th>
<th>Substitute Products</th>
<th>Bargaining Power of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous innovation leads to intense rivalry</td>
<td>Highly capital intensive</td>
<td>Technology advancements</td>
<td>Use of Internet to get all the information enables customers to be powerful</td>
</tr>
<tr>
<td>Homogeneity in product and low switching cost</td>
<td>Major players have developed brand equity</td>
<td>Buyers have huge propensity to substitute</td>
<td>Buyer’s switching cost is very less</td>
</tr>
<tr>
<td></td>
<td>Brand loyalty is moderate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AUGUST 2015

Source: TechSci Research

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

STRATEGIES ADOPTED

AUGUST 2015
CONSUMER DURABLES

STRATEGIES ADOPTED

**Powerful competitive strategy**
- Samsung is more focusing on product innovations and diversification than LG
- Sony is focusing on both quality and technology; it launched Z1 with a latest technology

**Marketing strategies**
- The firms are now offering combo products instead of discounts to attract the customers
- Such kind of offers help manufacturers to boost sales and also ensures a saving. For example a firm offers a combo of LCDs and home theatres

**Occasion based marketing**
- India, being the land of occasions and festivals, therefore, customers are offered great deals
- For instance the prices of products during Diwali, New Year, etc go down and also the customers are offered with great deals. Such strategies are adopted so as to enhance revenues plus to maintain the goodwill amongst the buyers

**Focus on energy efficiency**
- Companies are focusing on energy efficiency in their range, pushing the low cost of ownership
- Bureau of Energy Efficiency is encouraging the companies to manufacture 35 Watt fans

*Source: TechSci Research*
CONSUMER DURABLES

STRONG DEMAND AND POLICY SUPPORT DRIVING INVESTMENTS

Growing demand
- Higher real disposable incomes
- Easy consumer credit
- Growing consumer base

Policy support
- Setting up of EHTPs
- Increasing liberalisation, favourable FDI climate
- Policies like National Electronics Mission and Digitisation of television

Increasing investments
- Expanding production and distribution facilities in India
- Increased R&D activity
- Providing support to global projects from India

Notes: EHTP - Electronic Hardware Technology Park, R&D - Research and Development

Source: TechSci Research

For updated information, please visit www.ibef.org
INCOME GROWTH WILL BE THE KEY DRIVER OF DEMAND FOR CONSUMER DURABLES

- 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, and changing lifestyles aid demand growth in the sector.

- Consequently, industry analysts expect the sector to post a CAGR of 15.0 per cent over 2010-15.

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

- Growth in demand from rural and 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 5.4 per cent for the period 2010-2019.
POLICY SUPPORT AIDING GROWTH IN THE SECTOR

**Customs duty relaxation**
- Electronics sector the first in India to be allowed complete customs exemption on certain items used for manufacturing electronic goods.
- The peak rate of basic customs duty is 10 per cent and 217 tariff lines (under the ITA-1) are exempted from duty.

**Reduced central excise**
- A reduction (12 per cent to 10 per cent) in Central Excise duty was definitely the way forward to support demand and fuel growth in consumer durable sector. Industry seeks relaxation in excise duty.
- Excise duty is being reduced to 6.0 per cent on LED lamps and LEDs required for manufacture of such lamps.

**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 51.0 per cent to 100 per cent; the government is planning to hike FDI limit in multi-brand retail to 51.0 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 and tax incentives, to companies which replace certain imports with local manufacturing.
- Harmonisation Zero duty and 3 per cent EPCG Scheme into zero duty EPCG scheme.

**National Electronics Policy 2012 & government initiatives**
- Aims to create an ecosystem for a globally competitive electronic manufacturing sector and 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.
- Government plans to train 500 million people by 2022, and is increasing emphasis on skill development.

Source: DIPP, Makeinindia, TechSci Research

Notes: EPCG - Export Promotion Capital Goods scheme, EHTP - Electronic Hardware Technology Park Scheme, ITA-1 - Information Technology Agreement, Ministry of External Affairs

For updated information, please visit [www.ibef.org](http://www.ibef.org)
RECENT INVESTMENTS BY KEY PLAYERS

**2011**
- Feb 11: Whirlpool announces USD25 million investment in FY11
- Apr 11: Hitachi allocates USD400 million to set up R&D centre in Bangalore
- May 11: Panasonic establishes its first R&D centre in India in Gurgaon

**2012**
- May 05: LG Electronics launches latest series of Cinema 3D Smart TVs with marketing spending of USD20.8 million
- Jan 17: Samsung to raise its investments to USD41.4 billion for consolidating its position in mobile chips and flat screens
- Videocon announces plans to invest around USD12.5 million in R&D in FY13
- Panasonic plans to invest USD208 million by 2014 in setting up manufacturing units and an advanced R&D centre

**2013-2015**
- LG Electronics to invest USD13.6 million by 2014 to promote its smart phone business in India
- The Department of Electronics and Information Technology has received proposals for investments worth a total of about USD12 billion in the area of semiconductor and electronics manufacturing
- Samsung India Electronics Pvt Ltd has been recently given approval for investment of USD67,352.2 billion under MSIPS
- Panasonic invested USD83 billion in 2013-14, Spice Mobility Ltd part of Spice group plans to invest USD32.4 million in FY15
  - In 2015 Whirlpool announces its plans to invest USD0.33 billion to open up 15 new showrooms in India
  - Videocon announces its plan to invest 56.40 million to launch its internet services across 6-7 circles in the country

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
CONSUMER DURABLES

HIGHLIGHTS OF BUDGET 2014-2015

Economic initiatives
- Approval of establishing 2 semi –conductor water fab units

Vision for future
- Manufacturing sector should be the base for India’s development. There should be a minimum tariff protection to motivate domestic manufacturing
- Secondary and University education must prioritise skill development
- 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 rates
- To encourage conducive environment in the sector government of India announced the implementation of uniform Goods and Service Tax (GST) (applicable from 1st April 2016)
- To facilitate ease of business in the country government plans to reduce the corporate tax from 30% to 25% starting from the FY16
- Indian government The Excise Duty on all goods falling under Chapter 84 & 85 of the Schedule to the Central Excise Tariff Act is reduced from 12 per cent to 10 per cent for the period up to June 2014.
- Encourage the domestic production of mobile handsets, excise duty for all categories of mobile handsets is restructured. The rates will be 6 per cent with CENVAT credit or 1 per cent without CENVAT credit

Source: Union Budget 2014-2015, Ministry of External Affairs
For updated information, please visit www.ibef.org
KEY MANUFACTURING PLANTS OF CONSUMER DURABLES ACROSS INDIA

**NORTH:** Delhi and Uttarkhand are the key consumer durables manufacturing hubs in North India. Panasonic has set up its plant in Jhajjar, Haryana worth USD200 million in 2012.

**WEST:** Maharashtra and Gujarat host units for LG, Videocon and Samsung.

**SOUTH:** Tamil Nadu hosts manufacturing facilities for a number of leading firms.

**EAST:** West Bengal is major hub for Videocon and Philips.

Source: TechSci Research
Note: All figures as of 2011-12

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

OPPORTUNITIES

AUGUST 2015
Consumer durables market expected to expand at a CAGR of 14.8 per cent to USD12.5 billion in FY15 (from USD7.3 billion in FY12)

Demand from rural and semi-urban areas is expected to expand at a CAGR of 25 per cent to USD6.4 billion in FY15 from USD2.1 billion in FY10

By FY15, rural and semi-urban markets are likely to contribute a majority of consumer durables sales

The rural market is expected to expand at a CAGR of 25 per cent from 2012-15, and its share is expected to reach 45 per cent in near future

Source: ASSOCHAM, TechSci Research
CONSUMER DURABLES FIRMS TO AUGMENT INVESTMENTS IN COMING YEARS …

* In 2015, LG plans to invest USD0.17 billion on Research & Development and Marketing of the smart phone in the country
* Whirlpool plans to invest more than USD156.3 million in India by 2015, with more than half of it earmarked for innovation
* Japanese consumer durables major Panasonic will invest USD276 billion in India over next three years. It plans to invest USD208 million by 2014 in setting up manufacturing units and an advanced R&D centre
* Samsung India Electronics Pvt Ltd has been recently given approval for investment of USD75 million under MSIPS and will get 25 per cent subsidy under it. It plans to invest USD94 million to expand capacity by 2015
* Carrier plans to invest USD104 million over the next five years to expand production capacity at its newly commissioned plant in Gurgaon
* Cumulative FDI in electronics sector until May 2015 stood at USD1,485.32 million and that in telecommunication stood at USD17,421.78 million
* Bosch Automotive Electronics India Pvt Ltd gets approval for investing USD80 million under MSIPS
* National Institute of Footwear Design and Development to be set up in Hyderabad at a cost of USD16.2 million

Source: CEAMA, Ministry of External Affairs, TechSci Research
Notes: LCD - Liquid Crystal Display, MSIPS - Modified Special Incentive Package Scheme

For updated information, please visit www.ibef.org
The government announced digitisation of cable television in India in four phases, which would be completed by the end of 2014.

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 73.06 million in 2015 to 200 million by 2018.

Source: TRAI Annual Report 2012-13, Department of Information Technology, Makeinindia, TechSci Research

For updated information, please visit www.ibef.org
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

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 and agro-processing units)
- Removes the middlemen and provides a better price to farmers
- Development in the retail supply chain system
- 50 per cent of the jobs in the retail outlet could be reserved for rural youth and 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
- Multi brand retail would keep food and commodity prices under control
- Will cut agricultural waste as mega retailers would develop backend infrastructure
- Consumers will receive higher quality products at lower prices and better service

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

- Products to be sold under the same brand internationally
- 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
- Consumerism of the retail market
- 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

In May 2015, the FDI was at USD275.38 million according to the Department of Industrial Policy and Promotion. Overseas investor’s cumulative inflows into the country are nearing the USD200 billion mark.
**VIDEOCON: THE INDIAN BEHEMOTH … (1/2)**

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

- During 2008–14, Videocon’s revenues increased at a meager CAGR of 0.06 per cent

- In 2014, the company earned the revenue base of USD2,114 million with a net loss of USD3 million

---

**Trends in top line and bottom line growth (USD million)**

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>FY10*</th>
<th>FY11</th>
<th>9MFY12</th>
<th>FY13*</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>194</td>
<td>1,954</td>
<td>3,057</td>
<td>2,692</td>
<td>1,884</td>
<td>-13</td>
<td>-3</td>
</tr>
</tbody>
</table>

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**Source:** Company website, TechSci Research  
**Notes:** 2010* - Data for 15 Months, FY13* - Data for 18 months (Jan 2012 – June 2013)
CONSUMER DURABLES

VIDEOCON: THE INDIAN BEHEMOTH … (2/2)

- Strong presence in the consumer electronics market
- Sales expanded at a CAGR of 12.4 per cent during FY08–13
- Market capitalisation of USD940 million
- Revenue base of USD2114 million, with net loss of USD3 million during FY14

Focuses primarily on consumer electronics products 1985–95
Forays into compressors and motors manufacturing and crude oil business 1995–05
Builds strong brand presence in Tier 2 and Tier 3 cities
Forays into telecom services and handset manufacturing

Plans to set up a SEZ in Pune and Aurangabad in Maharashtra
Plans to expand D2h portfolio and new setup box plant
Launches LCD TV bundled with DTH and Internet chip
Acquires Thomson, Philips, and Electrolux plants
Grows aggressively via acquisitions and enters the telecom, DTH, and mobile handset manufacturing sectors 2005-2014

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

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

Plans to expand D2h portfolio and new set up box plant

Launches LCD TV bundled with DTH and Internet chip

Acquires Thomson, Philips, and Electrolux plants

Grows aggressively via acquisitions and enters the telecom, DTH, and mobile handset manufacturing sectors 2005-2014

Focuses on R&D

Builds strong brand presence in Tier 2 and Tier 3 cities

Focuses primarily on consumer electronics products 1985–95

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

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

Launches LCD TV bundled with DTH and Internet chip

Acquires Thomson, Philips, and Electrolux plants

Grows aggressively via acquisitions and enters the telecom, DTH, and mobile handset manufacturing sectors 2005-2014

Source: Company website, TechSci Research

For updated information, please visit www.ibef.org

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LG and Samsung together account for over 40 per cent of the consumer durables market in India

Samsung entered India in 1995 whereas LG began operations in 1997

However, high growth in mobile phone sales saw Samsung equal LG’s revenues by 2010 (USD3.6 billion) and by 2011 it outpaced LG. The revenues in 2012 were more of Samsung than LG

Samsung India grew its sales by 45 per cent in 2014 to USD6.7 billion

Source: Company website, TechSci Research
Before 2005, LG’s entry strategy was to establish its presence across the country, offering a range of affordable but feature-rich products.

Samsung focused on creating a premium brand image by emphasising on the design and technology aspects of its higher-priced products and targeting a more affluent customer base.

After 2005, the two have expanded the scope of their target markets and offer both functional and high-end products.

Product innovation, heavy investment in R&D, and customer preferences have been the key factors behind the success of the two Korean giants.

Samsung has grown rapidly in recent years, thanks to the growing mobile handset market in India.

Deep penetration into rural belts with cheap and affordable devices for the rural youth to be the chief strategy.

Source: Company website, TechSci Research
Between the two, Samsung leads the mobile handset market

Samsung currently accounts for 31.5 per cent of the Indian mobile handset market

LG has a market dominance in other consumer durables, including refrigerators, air conditioners, flat panel TVs and microwave ovens

India to become 3rd largest market with USD4.6 billion sales in three years for LG until 2016

Samsung India leads the Smartphone segment with market share of 17 per cent in 2014

Source: Company website, TechSci Research
LG expects India’s share in its global revenues to increase to 12.0 per cent in FY15 from 4.8 per cent in FY12; Samsung anticipates a similar increase from 2.5 per cent to 5.0 per cent

LG launches mobile handset G2 and aims to make the Indian operations among its top 3 businesses globally, by 2015

The Korean giants are also looking at India as a manufacturing base for other markets and are ramping up investments accordingly

LG plans to increase its penetration level in the Indian rural market to 15.0 per cent by 2015 from 5.0 per cent in 2011; during the same period it wants to increase penetration in the urban market to 40.0 per cent from 34.0 per cent

Samsung in 2010 launched its Galaxy Series in mobile handsets is trying to keep the momentum of high revenues

India’s share in each company’s global revenues

Source: Company website, TechSci Research
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 and 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.

Whirlpool plans to invest more than USD156.3 million in India by 2015, with more than half of it earmarked for innovation.

Net sales are estimated to be USD5.2 billion by FY14.

Revenues (USD million)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>468</td>
</tr>
<tr>
<td>FY11</td>
<td>593</td>
</tr>
<tr>
<td>FY12</td>
<td>567</td>
</tr>
<tr>
<td>FY13</td>
<td>510</td>
</tr>
<tr>
<td>FY14</td>
<td>470</td>
</tr>
<tr>
<td>H1FY15</td>
<td>298</td>
</tr>
</tbody>
</table>

Source: Company website, TechSci Research

For updated information, please visit www.ibef.org
### Contribution to Net Sales of the Company (2014)

<table>
<thead>
<tr>
<th>Product</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laundry Appliances</td>
<td>27 per cent</td>
</tr>
<tr>
<td>Refrigerators and Freezers</td>
<td>28 per cent</td>
</tr>
<tr>
<td>Cooking Appliances</td>
<td>18 per cent</td>
</tr>
<tr>
<td>Others</td>
<td>27 per cent</td>
</tr>
</tbody>
</table>

*Source: TechSci Research*
GODREJ APPLIANCES: CHANGING LIFESTYLE

Godrej Appliances aims to increase the Revenue to USD597.21 million from USD241.1 million in FY14

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

Sales expected to expand at a growth of 25 per cent during FY13–14

Strong brand presence in the consumer electronics market

Achieves presence through more than 2,200 wholesale dealers and 18,000 retail outlets

Focuses on refrigerators, microwaves, air conditioners and washing machines.

Builds strong brand presence in metros and Tier 1 cities

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

Before 2005

Focuses primarily on consumer electronics products

2005-2012

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

2012 onwards

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

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

Godrej Appliances plans to focus on key products in 2014 so as to achieve 30 per cent growth

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

Achieves presence through more than 2,200 wholesale dealers and 18,000 retail outlets

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

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Source: Company website, TechSci Research

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AUGUST 2015
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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
## Exchange Rates

### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
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<tbody>
<tr>
<td>2004–05</td>
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</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
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<td>2006–07</td>
<td>45.14</td>
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<tr>
<td>2007–08</td>
<td>40.27</td>
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<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
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<tr>
<td>2010–11</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>
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<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014-15(Expected)</td>
<td>60.28</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>
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<td>2006</td>
<td>45.18</td>
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<td>2007</td>
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<td>2008</td>
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<td>2009</td>
<td>48.42</td>
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<td>2010</td>
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<td>2012</td>
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<td>2013</td>
<td>58.44</td>
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<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015(Expected)</td>
<td>61.03</td>
</tr>
</tbody>
</table>

*Average for the year*
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