RETAIL

For updated information, please visit www.ibef.org

April 2018
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Advantage India</td>
<td>5</td>
</tr>
<tr>
<td>Market Overview and Trends</td>
<td>7</td>
</tr>
<tr>
<td>Porters Five Forces Framework</td>
<td>17</td>
</tr>
<tr>
<td>Strategies adopted</td>
<td>18</td>
</tr>
<tr>
<td>Growth Drivers and Opportunities</td>
<td>21</td>
</tr>
<tr>
<td>Opportunities</td>
<td>27</td>
</tr>
<tr>
<td>Case Studies</td>
<td>31</td>
</tr>
<tr>
<td>Key Industry Organisations</td>
<td>35</td>
</tr>
<tr>
<td>Useful Information</td>
<td>37</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

- Rising income and demand for quality products to boost consumer expenditure
- Total consumption expenditure is expected to reach nearly US$ 3600 billion by 2020 from US$ 1,595 billion in 2016

- Indian retail one of the fastest growing markets in the world due to economic growth
- India is the world’s fifth largest global destination in the retail space.
- Retail market in India is projected to grow from US$ 672 billion in 2017 to US$ 1.1 trillion in 2020.

- India’s modern retail to double in size over the next three years
- The modern retail market in India is expected to grow from US$ 70.45 billion in 2016 to US$ 111.25 billion in 2019.

---

**Notes:** CAGR - Compound Annual Growth Rate, F- Forecast  
**Source:** Ernst and Young, Price Waterhouse Cooper, Economic Times
EXECUTIVE SUMMARY

- Robust consumption, rural markets to augment FMCG market
- FMCG market expected to increase to US$ 103.7 billion by 2020 from US$ 49 billion in 2016

- Increasing participation from foreign and private players to boost retail infrastructure
- India's online retail sector grows 23 per cent to US$ 17.8 billion in 2017
- Revenue generated from online retail is projected to grow to US$ 60 billion by 2020.

- Rising number of tier-2 and tier-3 cities to enhance supermarket space in the country
- Supermarkets to total 8,500 by 2016 from 500 in 2006

Notes: CAGR - Compound Annual Growth Rate, E – Estimate, F – forecast., All the years denote calendar year.
Source: indiaretailing.com
ADVANTAGE INDIA
Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are driving growth in the organised retail market in India.

Rapid urbanisation with increasing purchasing power has led to growing demand.

Collective efforts of financial houses and banks with retailers are enabling consumers to go for durable products with easy credit.

In January 2016, Bank of India announced reduction in rate of interest on retail loans offered by the bank.

Foreign retailers are continuously entering the Indian market.

Cumulative FDI inflow in retail as on December 2017 stood at US$ 1,141.5 million;

100 per cent cash and carry operations are gaining significance in India with Thailand’s Siam Makro being the latest entrant in this space, following Metro, Walmart and Booker.

About 51 per cent FDI in multi-brand retail

100 per cent FDI in single-brand retail under the automatic route

Introduction of Goods and Service Tax (GST) as a single unified tax system from

To provide a level-playing field to stakeholders, the government is planning to synchronise policies of retail, FMCG and e-commerce within a single policy framework.


Source: Report of the Task force on Financing Plan for Ports, Government of India
MARKET OVERVIEW AND TRENDS
## EVOLUTION OF RETAIL IN INDIA

|-----------|-----------|-----------|--------------|
| • Manufacturers opened their own outlets | •Pure-play retailers realised the potential of the market  
• Most of them in apparel segment | • Substantial investment commitments by large Indian corporate  
• Entry in food and general merchandise category  
• Pan-India expansion to top 100 cities  
• Repositioning by existing players | • Cumulative FDI inflow from April 2000 to December 2017, in the retail sector, reached US$ 1,141.5 million  
• Retail 2020: Retrospect, Reinvent, Rewrite.  
• Movement to smaller cities and rural areas  
• More than 5–6 players with revenues over US$ 1 trillion by 2020  
• Large-scale entry of international brands  
• Approval of FDI limit in multi-brand retail up to 51 per cent  
• Rise in private label brands by retail players  
• Sourcing and investment rules for supermarkets were relaxed  
• E-commerce has emerged as one of the major segments  
• 100 per cent FDI in single brand retail under the automatic route |

**Source:** Technopak Advisors Pvt Ltd, BCG
RETAIL FORMATS IN INDIA

**Mono/exclusive branded retail shops**
- Exclusive showrooms owned or franchised out by a manufacturer
- Complete range available for a given brand, certified product quality

**Multi-branded retail shops**
- Focus on particular product categories and carry most of the brands available
- Customers have more choices as many brands are on display

**Convergence retail outlets**
- Display most of convergence as well as consumer/electronic products, including communication and IT group
- One-stop shop for customers; many product lines of different brands on display

**E-retailers**
- It is an online shopping facility for buying and selling products and services; the facility is widely used for electronics, health and wellness
- Highly convenient as it provides 24X7 access, saves time and ensures secure transaction

*Note: IT - Information Technology*
*Source: Aranca Research*
COMPETITIVE LANDSCAPE IN INDIAN RETAIL SECTOR

- **Departmental stores**
  - Pantaloon has 209 stores
  - Westside operates 108 stores as of FY17
  - Shoppers Stop has 83 stores in India, as of 2018
  - As of FY17, Reliance Retail launched ‘Trends’ in this format and currently has nearly 3,616 stores across India

- **Hypermarkets**
  - Pantaloon Retail is the leader in this format, with 259 Big Bazaar stores and online franchisees
  - Aditya Birla Retail (More Hypermarket)- 20 stores
  - HyperCITY (19 stores), Trent, Spencer’s (Spencer Hyper), and Reliance are other players

- **Supermarkets/convenience stores**
  - Aditya Birla Retail-More Supermarket (523 stores)
  - Spencer’s Daily (120 stores)
  - Reliance Fresh (502 stores)
  - REI 6Ten (350 stores)
  - Big Bazaar (259 stores)

- **Specialty stores**
  - Titan Industries is a large player, with 438 World of Titan, 200 Tanishq and 470 Titan Eye+ shops
  - Vijay Sales, Croma and E-Zone are into consumer electronics
  - Landmark and Crossword focus on books and gifts

- **Cash and carry stores**
  - Metro started the cash and carry model in India; the company operates 24 stores across Mumbai, Kolkata, Delhi, Punjab, Hyderabad and Bengaluru
  - As of FY18, Reliance Retail operates 43 cash and carry stores called ‘Reliance Market’

*Source: Company websites, Press Release*
STRONG GROWTH IN THE INDIAN RETAIL INDUSTRY

- The retail sector in India is emerging as one of the largest sectors in the economy.
- The total market size was estimated to be around US$ 672 billion in 2016, thereby registering a CAGR of 7.74 per cent since 2000.
- Retail industry is expected to grow to US$ 1.3 trillion by 2020.
- India will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable incomes and relaxed FDI norms.\(^\text{a}\)

**Note:** CAGR - Compound Annual Growth Rate, E – Estimated, \(^\text{a}\) - according to a report by BMI Research.

**Source:** BCG Retail 2020, Ernst and Young, Deloitte, indiarentailing.com, Economist Intelligence Unit, Euro monitor,
FOOD AND GROCERY ACCOUNT FOR LARGEST SHARE IN REVENUES IN INDIA

- By 2020, food and grocery segment is expected to account for 66 per cent of the total revenues in the retail sector, followed by apparel segment.
- Demand for Western outfits and readymade garments has been growing at 40–45 per cent annually.
- After 2017 being a favourable year for herbal-ayurvedic brands, new Indian organic labels in hair care, cosmetics, food and apparel are gearing up to establish an organic niche in the growing herbal segment.
- Indian organic packaged food market is expected to grow at 17 per cent to reach Rs 871 million (US$ 13.51 million) in 2021 from Rs 533 million (US$ 7.93 million) in 2016.

Note: E – estimate
Organised Retail Penetration (ORP) in India is low (7 per cent) compared with that in other countries, such as the US (85 per cent). This indicates strong growth potential for organised retail in India.

The Indian retail market is in its nascent stage; unorganised players accounted for 7 per cent of the market during FY 2016-17.

There are over 15 million mom-and-pop stores.

The organised retail in India is growing at a CAGR of 20-25 per cent per year.

In 2020, it is estimated that organised retail penetration share would reach 10 per cent and unorganised retail penetration would hold a major share of 90 per cent.

The unorganised retail sector in India has huge untapped potential for adopting digital mode of payments, as 63 per cent of the retailers are interested in using digital payments like mobile and card payments. ^

---

Note: E – estimate, ^ - as per a report by Centre for Digital Financial Inclusion (CDFI).
Source: BCG, KPMG- indiaretailing.com, Deloitte Report, Winning in India’s Retail Sector
SIGNIFICANT GLOBAL POSITIONING OF INDIAN RETAIL SECTOR

- India is among the highest in the world in terms of per capita retail store availability. India’s strong growth fundamentals, along with increased urbanisation and consumerism, offer immense scope for retail expansion for foreign players. With the allowance of 100 per cent FDI in single brand retail investor sentiment will get further push.

- In October 2016, CapitaLand, a listed company in Singapore, announced plans to open 2 more malls in India by the end of 2019.

- World’s largest private equity manager, Blackstone Group, entered India’s retailing sector by setting up a fully owned subsidiary, Nexus Malls. The new entity will own and manage shopping centres in the country.

- With an aim to expand its store network, Walmart India Pvt Ltd, the Indian arm of the largest global retailer, is planning to set up 30 new stores in India over the coming three years.

- With an investment of US$148.74 million, Amway India plans to open 50 retail stores in the country by 2018, for enhancing direct and online sales of its products.

- British luxury men's footwear and accessories brand, Harrys of London is going to enter India and plans to open its first outlet in Delhi followed by Mumbai by early 2018.

- US-based footwear company, Skechers, is planning to add 400-500 more exclusive outlets in India over the next five years and also to launch its apparel and accessories collection, as it increases its operations in India.

- Bang and Olufsen, a Danish-based stereo system speaker maker, plans to set up its 1st flagship store in Delhi and is planning to open 8-10 standalone stores in Chandigarh, Hyderabad, Ahmedabad, Ludhiana and Kolkata in this fiscal year.

- Ikea Group to open its 1st domestic outlet in 2018 in Hyderabad, followed by more stores in New Delhi, Mumbai and Bangalore. The company would double its sourcing from India to US$ 667 million.

- Japanese low-cost retail chain, Miniso, opened its first store in India on July 18, 2017 and is targeting a revenue of Rs 10,000 crore (US$ 1.56 billion) over two years by reaching a count of 210 stores by the end of 2018 and 800 by 2019.

- Indian fast-moving consumer goods (FMCG) company, Patanjali Ayurved Ltd, is planning to foray into India’s apparel market by launching its 'swadeshi’ clothing line by April 2018 and has set a sales target of Rs 5,000 crore (US$ 780.41 million) for the first year.

- French beauty and cosmetics retailer Sephora is planning to bring 14 exclusive brands to India in 2018 and will open 6-8 new stores in the country every year.

Source: Dun and Bradstreet, AT Kearney, Indian Retail Market September 2011, Times of India
India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk and moderate political risk.

India is expected to become the world's third-largest consumer economy, reaching US$ 400 billion in consumption by 2025, according to a study by Boston Consulting Group.

In FDI Confidence Index, India ranks 8th (after U.S., Germany, China, UK, Canada, Japan, and France).

India is ranked first in the Global Retail Development Index 2017, backed by rising middle class and rapidly growing consumer spending.

Overall, given its high growth potential, India compares favourably with global peers among foreign investors.

India’s retail market witnessed investments worth US$800 million by Private Equity (PE) firms and wealth funds in 2017.

Department of Industrial Policy and Promotion (DIPP) approved three foreign direct investments (FDI), Mountain Trail Food, Kohler India Corporation, and Merlin Entertainments India in the single brand retail sector.

The DIPP has approved two FDI proposals worth more than Rs 400 crore (US$ 62.45 million) within the retail sector.

Note: FDI - Foreign Direct Investment
Source: AT Kearney 2017 FDI Confidence Index
RISING PROMINENCE OF ONLINE RETAIL

- Online retail business is the next generation format which has high potential for growth in the near future. After conquering physical stores, retailers are now foraying into the domain of e-retailing.

- With growth in the e-commerce industry, online retail is estimated to reach US$ 60 billion by 2020. It is forecasted to grow at a CAGR of over 30 per cent from 2016 to 2021, on the back of shift from traditional retail to online channels by millennials.

- The government plans to allow 100 per cent FDI in e-commerce, under the arrangement that the products sold must be manufactured in India to gain from the liberalised regime.

- In 2016, online retail industry of the country registered a growth of 12 per cent, over the previous year, with the revenue reaching US$ 14.5 billion.

- The key drivers of online retail are a young population aided by easier access to credit and payment options, increasing internet penetration and speed, 24-hour accessibility and convenient and secured transactions.

- Online retailers continue promotional prices in the market, offering a significant boost to e-retailing in consumer durable sector.

- Options like cash-on-delivery and manufacturers’ warranty add fuel to this rage. Cash-on-delivery is the most preferred payment option with over 30 per cent of buyers opting for it in India.

- India’s ecommerce industry’s sales rose 40 per cent year-on-year to reach Rs 9,000 crore (US$ 1.5 billion) during the five-day sale period ending September 24, 2017, backed by huge deals and discounts offered by the major ecommerce companies.

---

Notes: APMEA - Asia/ Pacific, Middle East and Africa, E- Estimated, F- Forecast, ^ - as per RedSeer Consulting

Source: MasterCard Worldwide Insights 4Q 2010, PWC e commerce in India report, ASSOCHAM, UN Report ‘The power of 1.8 billion’
### Porter’s Five Force Framework Analysis

<table>
<thead>
<tr>
<th>Force</th>
<th>Impact</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bargaining Power of Suppliers</strong></td>
<td>High</td>
<td>Retailers have low switching costs, which make the supplier power low. Larger retailers can easily switch to different suppliers.</td>
</tr>
<tr>
<td><strong>Competition Rivalry</strong></td>
<td>Low</td>
<td>Entry as a retailer is quite simple. However, players need to establish strong distribution channels and achieve economies of scale to compete.</td>
</tr>
<tr>
<td><strong>Threat of Substitutes</strong></td>
<td>Low</td>
<td>Threat of substitute products is low. However, customers may purchase products from a local store instead of purchasing from a retailer.</td>
</tr>
<tr>
<td><strong>Threat of New Entrants</strong></td>
<td>High</td>
<td>The consumers are price sensitive and have information about the product and its price. Low switching cost gives customers high bargaining power.</td>
</tr>
</tbody>
</table>

*Source: PricewaterhouseCoopers, Techopak*
STRATEGIES ADOPTED
## STRATEGIES ADOPTED

### Strong distribution and logistic network
- It is imperative for a retailer to have a strong distribution and logistic network to succeed in this sector. Players follow a distribution network that suits them the best. For example, Shoppers Stop follows a “hub and spoke” model for its distribution network to increase efficiency and productivity.

### Marketing innovation
- In March 2017, PepsiCo Inc. announced the launch of ready to cook breakfast items like khichdi, dosa, idli etc., which would be sold under the brand namely Quaker Nutri Foods.
- In March 2017, Parle launched Frooti its iconic drink in a fizzy version, it’s the first innovation in the brand since its launch 32 years ago.

### Focus
- As of February 2017, Tanishq is focusing on expanding its large format-retailing concept, with re-launching their showrooms in Velachery.
- The Future Group will set up 4000 “neighbourhood” retail stores in the next 3-5 years as a part of its focus on small stores. The brand will increase the number of stores from 538 in March 2017 to 1000 by September 2018.
- In May 2017, Myntra voiced intentions to increase their market penetration by spending on technology and buying more brands instead of spending on discounts and marketing.

### Omni-channel retailing
- Retailers are opting for many channel to maximise sales, Omni-channel retailing is being adopted by many retailers in India. For example, Shoppers Stop is making efforts to be an omni-channel retailer. Ezone has launched an online platform, which has led to increase in sales
- In February 2017, Myntra became the 1st e-commerce brand to manage the fashion brand -- Mango’s omni channel presence, globally.
- As of February 2018, Paytm Mall has decided to enter into physical retail and planned to set up a brick-and-mortar store in New Delhi, co-branded with Red Tape shoes, where customers can walk in, scan product bar codes, browse and make purchases via its mobile app. The company is targeting 400 stores by February 2019.
- In February 2018, Amazon launched its food retailing business called Amazon Retail India Pvt Ltd in Pune, India on a pilot basis, thereby becoming the first foreign ecommerce company to stock and sell food products directly to consumers.

Source: Company website

For updated information, please visit www.ibef.org
## STRATEGIES ADOPTED BY INDIAN RETAILERS FOR SALES MAXIMISATION

<table>
<thead>
<tr>
<th>Offering discounts</th>
<th>Most retailers have advanced off-season sales from 15 days to a month with discounts of 20-70 per cent on certain products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher discounts and other value-added services for members</td>
</tr>
<tr>
<td>Lowering prices</td>
<td>Certain retailers adopt ‘first price right’ approach. Retailers do not offer discounts under this strategy: they directly compete on the selling price by offering a best price without any markdowns</td>
</tr>
<tr>
<td>Offering value-added services</td>
<td>Companies offer innovative value-added services, like customer loyalty programmes and happy hours on shopping deals</td>
</tr>
<tr>
<td></td>
<td>Offers for senior citizens, contests for students and lottery gains are now very common</td>
</tr>
<tr>
<td>Leveraging partnerships</td>
<td>To keep customers on shop floors for a longer time and increase conversions, retailers are now pitching to partner with manufacturers, service providers, financial companies, etc. to create a buzz around certain product categories</td>
</tr>
<tr>
<td>Strong supply chain</td>
<td>Critical components of supply chain planning applications help retailers to maintain profit margins</td>
</tr>
<tr>
<td></td>
<td>Retailers develop innovative solutions for managing the supply chain problems</td>
</tr>
<tr>
<td></td>
<td>Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning and lean systems can help retailers to get advantage over competitors</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>To diversify the product offerings and tap the growing luxury retail segment, retailers are forming joint ventures with foreign luxury brands. Reliance Brands Ltd. formed a joint venture with Bally, a Swiss luxury brand, to exclusively market its products in India</td>
</tr>
<tr>
<td>Changing the perception</td>
<td>Retailers benefit if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. For this, retailers are providing more assortments for private level brands to compete with supplier’s brand. New product development, aggressive retail mix and everyday low pricing strategy help to get edge over supplier’s brand</td>
</tr>
</tbody>
</table>

Source: KPMG International
GROWTH DRIVERS
GROWTH DRIVERS FOR RETAIL IN INDIA

Growth Drivers

- Easy consumer credit and increase in quality products
- Favourable demographics
- Brand consciousness
- Rise in income and purchasing power
- Change in consumer mindset
INDIAN RETAIL IS SET TO BENEFIT FROM FDI POLICY

Benefits of FDI in Indian retail

**Sector**
- Wholesale 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%

**Infrastructure investment**
- Benefiting Indian manufacturers

Increase in employment

Removing middlemen

Technological advancement

For updated information, please visit www.ibef.org
### FDI POLICY DETAILS ON SINGLE AND MULTI-BRAND RETAIL IN INDIA

#### 51 per cent FDI in multi-brand retail
- Minimum investment cap is US$ 100 million
- 30 per cent procurement of manufactured or processed products must be from SMEs
- Minimum 50 per cent of total FDI must be invested in backend infrastructure (logistics, cold storage, soil testing labs, seed farming and agro-processing units)
- Removes middlemen and provides better price to farmers
- Development in retail supply chain system
- 50 per cent of jobs in 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), the 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 with better service

#### 100 per cent FDI in single brand retail
- Products to be sold under the same brand internationally. Sale of multi-brand goods is not allowed, even if produced by the same manufacturer
- 100 per cent FDI allowed in single-brand retail under the automatic route.
- Single brand retail entities have been allowed to set off their incremental sourcing of goods from India for global operations during the initial five years starting from the 1st April of the year of the opening of first store, as against the compulsory sourcing requirement of 30 per cent of purchases from India.
- 100 per cent FDI in retail trading of food products manufactured or produced in India.
- Liberalisation of FDI is expected to give a boost to ease of doing business and Make in India.

---

For updated information, please visit [www.ibef.org](http://www.ibef.org)
NEW GOODS AND SERVICE TAX (GST) WOULD SIMPLIFY TAX STRUCTURE

- Goods and Service Tax (GST) as a unified tax regime is expected to lead to a re-evaluation of procurement and distribution arrangements
- Removal of excise duty on products would result in cash flow improvements

- Elimination of tax cascading is expected to lower input costs and improve profitability
- Application of tax at all points of supply chain is likely to require adjustments to profit margins, especially for distributors and retailers

- Tax refunds on goods purchased for resale implies a significant reduction in the inventory cost of distribution
- Distributors are also expected to experience cash flow from collection of GST in their sales, before remitting it to the government at the end of the tax-filing period

- Changes need to be made to accounting and IT systems in order to record transactions in line with GST requirements
- Appropriate measures need to be taken to ensure smooth transition to the GST regime through employee training, compliance under GST, customer education and inventory credit tracking

Source: Aranca Research
INCOME GROWTH TO DRIVE DEMAND FOR ORGANISED RETAIL

- Multiple drivers are leading to strong growth in Indian retail through a consumption boom
- Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail
- Easy availability of credit and use of ‘plastic money’ have contributed to a strong and growing consumer culture in India
- Acceptance and usage of e-retailers by consumers are increasing due to convenience and secured financial transactions
- Expansion in the size of the upper middle class and advertisement has led to greater spending on luxury products and high brand consciousness
- In FY18, GDP at current prices was US$ 2,848.23 billion and GDP per capita at current prices was US$ 2,134.8

<table>
<thead>
<tr>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at current prices (US$ billion)</td>
<td>1,302.18</td>
<td>1,482.19</td>
<td>1,674.40</td>
<td>1,854.99</td>
<td>2,039.36</td>
<td>2,611.01</td>
</tr>
</tbody>
</table>

GDP per capita at current prices (US$)

<table>
<thead>
<tr>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>945.9</td>
<td>1,058.0</td>
<td>1,179.3</td>
<td>1,288.6</td>
<td>1,403.0</td>
<td>1,982.7</td>
<td>2,134.8</td>
</tr>
</tbody>
</table>

Source: IMF
OPPORTUNITIES
### GROWTH VALUE PROPOSITION

<table>
<thead>
<tr>
<th>Demand Factors</th>
<th>Supply Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher brand consciousness</td>
<td>Rising incomes and purchasing power</td>
</tr>
<tr>
<td>Growing aspiration levels and appetite to experiment</td>
<td>Credit availability</td>
</tr>
<tr>
<td>Growing young population and working women</td>
<td>Changing consumer preferences and growing urbanisation</td>
</tr>
</tbody>
</table>

**Indian retail opportunity**

<table>
<thead>
<tr>
<th>Rapid real estate and infrastructure development</th>
<th>Easy availability of credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergence of new categories</td>
<td>Expansion plans of existing players</td>
</tr>
<tr>
<td>Development of supply chain improving efficiency</td>
<td>R&amp;D, innovation and new product development</td>
</tr>
</tbody>
</table>

**Source:** KPMG International 2011
### AMPLE GROWTH OPPORTUNITIES IN INDIAN RETAIL INDUSTRY

| Large number of retail outlets | - India is the fifth largest preferred retail destination globally  
| - The sector is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities |

| Rural markets offer significant growth potential | - FMCG players are focusing on rural market as it accounted for over 60 per cent of FMCG consumer base in India in 2016. With increasing investment in infrastructure, retailers would be able to increase their access to high-growth potential rural markets |

| Private label opportunities | - The organised Indian retail industry has begun experiencing an increased level of activity in the private label space  
| - The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 per cent. Stores like Shopper Stop, Lifestyle generates 15 to 25 per cent revenues from private label brands. |

| Sourcing base | - India’s price competitiveness attracts large retail players to use it as a sourcing base  
| - Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices |

| Luxury retailing | - Luxury retailing is gaining importance in India. This includes fragrances, gourmet retailing, accessories and jewellery among many others.  
| - The Indian luxury market stood at around US$ 18.6 billion in 2016 from US$ 14.7 billion in 2015, thereby registering a growth of 26.5 per cent.  
| - Luxury market of India is expected to grow to US$ 30 billion by the end of 2018 from US$ 23.8 billion in 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to Assocham. |

**Notes:** FMCG - Fast Moving Consumer Goods  
**Source:** Aranca Research
## RECENT M&A DEALS IN THE INDIAN RETAIL SECTOR

<table>
<thead>
<tr>
<th>Acquirer name</th>
<th>Target name</th>
<th>Year</th>
<th>Deal type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Group</td>
<td>HyperCity</td>
<td>October 2017</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Berger Paints</td>
<td>Chugoku Marine Paints</td>
<td>April 2017</td>
<td>Collaboration</td>
</tr>
<tr>
<td>Myntra</td>
<td>InLogg</td>
<td>April 2017</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Flipkart owned Myntra</td>
<td>HRX</td>
<td>August 2016</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Myntra</td>
<td>MotoGP</td>
<td>August 2016</td>
<td>Collaboration</td>
</tr>
<tr>
<td>Aditya Birla Fashion and Retail</td>
<td>Forever 21 (India Business)</td>
<td>May 2016</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Idein Ventures.</td>
<td>Infurnia</td>
<td>Jan 2016</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Paytm</td>
<td>Near.in</td>
<td>Dec 2015</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Flipkart</td>
<td>June 2015</td>
<td>Private Equity</td>
</tr>
<tr>
<td>InnoVen Capital</td>
<td>Sportsbiz Private Limited</td>
<td>July 2015</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Snapdeal</td>
<td>Exclusively.in</td>
<td>Feb 2015</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Kalyan Jewellers India Pvt Ltd</td>
<td>Warburg Pincus</td>
<td>Oct 2014</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Celio</td>
<td>Future Lifestyle Fashions Limited</td>
<td>Oct 2014</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Flipkart</td>
<td>Myntra.com</td>
<td>May 2014</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Soft Bank</td>
<td>Snapdeal</td>
<td>Oct 2014</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Warburg Pincus</td>
<td>Biba Apparels</td>
<td>Dec 2013</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Hassan Food Co</td>
<td>Bush Foods Overseas Pvt Ltd</td>
<td>Apr 2013</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Trent Ltd</td>
<td>Landmark Ltd</td>
<td>Feb 2013</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Future Venture India Ltd</td>
<td>Big Apple (convenience store)</td>
<td>Sep 2012</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Peter England Ltd</td>
<td>Pantaloons Retail India Ltd</td>
<td>Sep 2012</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Pantaloons Retail India Ltd</td>
<td>R&amp;R salons</td>
<td>May 2012</td>
<td>Private Equity</td>
</tr>
</tbody>
</table>

*Source: Bloomberg and Thomson ONE Banker*
CASE STUDIES
Future Retail has seven key retail brands namely: Big Bazaar, Easyday, E-zone, FBB, Food Bazaar, Foodhall and Home Town.

It has a total of 901 stores across 240 cities with an annual customer footfall of 300 million and 33,467 employees.

As of November 2016, the company bought retail business of Hyderabad-based ‘Heritage Foods Ltd.’

In January 2017, Future Lifestyle Fashions raised US$ 37.19 million in a subsidiary that houses Lee Cooper brand of clothing.

In February 2017, Future Retail has entered into an agreement to sell the UK based -- Laura Ashley’s home furnishing merchandise, through their own operating stores and websites in India.

In 2017, the company was awarded ‘Most Admired Multi Fashion Retailer of the Year’, ‘Most Admired Brand of the Year – New Launch’, ‘Most Admired Fashion Brand of the Year in Men’s Western Wear’; Big Bazaar Profit Club was awarded Best Loyalty Program in Retail Sector under the 17TH Annual IMAGES Fashion Awards.

A new expansion plan named ‘Retail 3.0’ has been unveiled by the Future Group, under which it has partnered Google, Facebook, and Deloitte and will aim to become the largest integrated consumer company in Asia with a trillion dollar revenue by 2047.

The company’s discount chain, Brand Factory, is planning to open 40 new stores by October 2018 to expand in Tier 2 cities.

In April 2018, Future Retail launched its first big Bazaar Gen Nxt store at Ambience Mall in Delhi.

Source: Company website, Annual Report, Media sources
SHoppers STOP: THE LEADER IN DIVERSIFIED MARKET STRATEGY … (1/2)

- The brands and joint ventures under Shoppers Stop are: Shoppers Stop (apparel, accessories, footwear, décor), Homestop (home furnishing), Crossword (books and entertainment) Mothercare (infant and toddler care), Estee Lauder, Mac and Clinique (beauty), Nuance Group (airport retailers).
- The company owns 156 stores in 25 cities with 4.81 million square feet space across 8 store formats
- Successfully introduced a number of international brands
- Improved product mix and brand profiles to attract new customers
- Over 4.7 million customers are a part of the First Citizen Loyalty Programme
- In 2016, the company has been selected as “The Most Respected Company in Retail" by Business World Magazine for the fifth year in a row.
- As of February 2018, the company is planning to set up five departmental stores and about 12 beauty stores in FY2018-19.

![Shoppers Stop’s sales growth (US$ million)](image)

**Note:** First Citizen Loyalty Programme is a membership scheme for its members to avail discounts and promotional offers

**Source:** Company website, Annual Report
SHOPPERS STOP: LEADER IN DIVERSIFIED MARKET STRATEGY … (1/2)

Footfalls (in million)

Members (in million)

Average selling price (INR)

Average transaction size (INR)

Source: Company website, Annual Report
KEY INDUSTRY ORGANISATIONS
# Retail Industry Organisations

<table>
<thead>
<tr>
<th>Retailers Association of India</th>
<th>The Franchising Association of India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address: 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 E-mail: <a href="mailto:info@rai.net.in">info@rai.net.in</a> Website: <a href="http://www.rai.net.in">www.rai.net.in</a></td>
<td>Address: A-13, Kailash Colony New Delhi – 110048 Tel: 91-11-2923 5332 Fax: 91-11-2923 3145 Website: <a href="http://www.fai.co.in">www.fai.co.in</a></td>
</tr>
</tbody>
</table>
USEFUL INFORMATION
GLOSSARY

- **FDI**: Foreign Direct Investment
- **FMCG**: Fast Moving Consumer Goods
- **FY**: Indian Financial Year (April to March)
- So FY10 implies April 2009 to June 2010
- **IT**: Information Technology
- **MoU**: Memorandum of Understanding
- **MT**: Million Tonnes
- **MTPA**: Million Tonnes Per Annum
- **SEZ**: Special Economic Zone
- **US$**: 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 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.95</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.28</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.29</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.24</td>
</tr>
<tr>
<td>2008–09</td>
<td>45.91</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.58</td>
</tr>
<tr>
<td>2011–12</td>
<td>47.95</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.45</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.50</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.15</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016–17</td>
<td>67.09</td>
</tr>
<tr>
<td>2017–18</td>
<td>64.45</td>
</tr>
</tbody>
</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>44.11</td>
</tr>
<tr>
<td>2006</td>
<td>45.33</td>
</tr>
<tr>
<td>2007</td>
<td>41.29</td>
</tr>
<tr>
<td>2008</td>
<td>43.42</td>
</tr>
<tr>
<td>2009</td>
<td>48.35</td>
</tr>
<tr>
<td>2010</td>
<td>45.74</td>
</tr>
<tr>
<td>2011</td>
<td>46.67</td>
</tr>
<tr>
<td>2012</td>
<td>53.49</td>
</tr>
<tr>
<td>2013</td>
<td>58.63</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015</td>
<td>64.15</td>
</tr>
<tr>
<td>2016</td>
<td>67.21</td>
</tr>
<tr>
<td>2017</td>
<td>65.12</td>
</tr>
</tbody>
</table>

**Source:** Reserve bank of India, Average for the year
India Brand Equity Foundation (IBEF) engaged Aranca to prepare this presentation and the same has been prepared by Aranca in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of Aranca and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

Aranca and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither Aranca nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.