Rising income and demand for quality products to boost consumer expenditure

Indian retail one of the fastest growing markets in the world due to economic growth

India’s modern retail to be three times in next 5 years

Consumer expenditure estimated to be USD3.6 trillion by 2020 vis-à-vis USD1.25 trillion in 2015

Retail market in India to reach USD1.3 trillion by 2020 from USD600 billion in 2015

The modern retail market is expected to grow from USD60 billion to USD180 billion during FY15-FY20

Source: Ernst & Young, Price Waterhouse Cooper, Economic Times, TechSci Research
Notes: CAGR - Compound Annual Growth Rate, F- Forecast

For updated information, please visit www.ibef.org
EXECUTIVE SUMMARY … (2/2)

Robust consumption, rural markets to augment FMCG market

Increasing participation from foreign and private players to boost retail infrastructure

Rising number of tier-2 and tier-3 cities to enhance supermarket space in the country

FMCG market expected to increase to USD103.7 billion by 2020 from USD 47.3 billion in 2015

Revenue generated from online retail is projected to grow to USD70 billion by 2020 from USD6 billion in 2015

Supermarkets to total 8,500 by 2016 from 500 in 2006

Source: indiaretailing.com, TechSci Research
Notes: CAGR - Compound Annual Growth Rate, E - Estimate
Demand potential

- 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

Innovation in financing

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

Increasing investments

- Foreign retailers are continuously entering the Indian market
- Cumulative FDI inflow in retail for September 2015 was USD344.93 million; this is expected to increase when 51 per cent FDI in multi-brand retail is approved, and the limit in single-brand retail is raised to 100 per cent

Policy support

- About 51 per cent FDI in multi-brand retail
- FDI of up to 100 per cent in single-brand retail and for cash and carry (wholesale) trading and exports
- Introduction of Goods and Service Tax (GST) as a single unified tax system from next fiscal year

Source: Ernst & Young, Technopak, TechSci Research
Notes: SITP - Scheme for Integrated Textile Park, FDI - Foreign Direct Investment, 2021 E - Estimated figure for 2020, ASEAN - Association of Southeast Asian Nations
MARKET OVERVIEW AND TRENDS

JANUARY 2016
EVOLUTION OF RETAIL IN INDIA

Pre 1990s
- Manufacturers opened their own outlets

1990–05
- Pure-play retailers realised the potential of the market
- Most of them in apparel segment

2005–10
- 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

Consolidation

2010 onward
- Cumulative FDI inflow from April 2000 to September 2015 reached USD344.93 million
- Retail 2020: Retrospect, Reinvent, Rewrite.
- Movement to smaller cities and rural areas
- More than 5–6 players with revenues over USD1 trillion by 2020
- Large-scale entry of international brands
- FDI in single-brand retail up to 100 per cent from 51 per cent
- 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

Source: Technopak Advisors Pvt Ltd, BCG, TechSci Research
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

*Source: TechSci Research
Note: IT - Information Technology*
KEY PLAYERS IN INDIAN RETAIL INDUSTRY

Retail
- Grocery
- Food and beverage
- Department stores
- Pharmacy
- Books, music and gifts

Source: TechSci Research
COMPETITIVE LANDSCAPE IN INDIAN RETAIL SECTOR

Departmental stores
- Pantaloon has 104 stores
- Westside operates 86 stores
- Shoppers Stop has 66 stores
- Reliance Retail launched Trends in this format and currently has nearly 100 stores across India

Hypermarkets
- Pantaloon Retail is the leader in this format, with 512 Big Bazaar stores and online franchisees
- HyperCITY (16 stores), Trent, Spencer's (Spencer Hyper), Aditya Birla Retail, and Reliance are other players

Supermarkets/convenience stores
- Aditya Birla Retail (1735 stores)
- Spencer's Daily (134 stores)
- Reliance Fresh (700 stores)
- REI 6Ten (350 stores)
- Big Bazaar (512 franchisees stores)

Specialty stores
- Titan Industries is a large player, with 430 World of Titan, 174 Tanishq, and 336 Titan Eye+ shops
- Vijay Sales, Croma, and E-Zone are into consumer electronics
- Landmark and Crossword focus on books and gifts

Cash & carry stores
- Metro started the cash-and-carry model in India; the company operate 16 stores across Mumbai, Kolkata, Delhi, Punjab, Hyderabad and Bengaluru
- Reliance opened its first cash-and-carry store in September 2011 and plans to open 20 stores by the end of the fiscal

Source: Company websites, Press Release, TechSci Research

For updated information, please visit www.ibef.org
KEY STRATEGIES OF INDIAN RETAILERS

- Multiple franchisee model
  - PepsiCo
  - Jumboking

- Collaborative model for international products
  - Bharti
  - Pantaloons Retail (India) Limited

- Rural retailing
  - DSCL

- Vertical integration
  - Dabur
  - Nokia

- Collaboration for back-end resource sharing
  - Reliance
  - Future Group

- Increasing market reach
  - Raymond
  - Westside

- Innovation in new retail formats
  - Reliance Retail
  - Home Shop 18

- Direct sourcing arrangements
  - Walmart

- Focus on private labels
  - Spencer's

Source: KPMG International 2011, TechSci Research
STRATEGIES ADOPTED BY INDIAN RETAILERS FOR SALES MAXIMISATION

Offering discounts
- Most retailers have advanced off-season sales from 15 days to a month with discounts of 20-70 per cent on certain products
- Higher discounts and other value-added services for members

Lowering prices
- 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

Offering value-added services
- Companies offer innovative value-added services, such as customer loyalty programmes and happy hours on shopping deals
- Offers for senior citizens, contests for students, and lottery gains are now very common

Leveraging partnerships
- 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

Strong supply chain
- Critical components of supply chain planning applications help retailers to maintain profit margins
- Retailers develop innovative solutions for managing the supply chain problems
- 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

Source: KPMG International, TechSci Research
The retail sector in India is emerging as one of the largest sectors in the economy.

By 2015, the total market size is estimated to be around USD600 billion, thereby registering a CAGR of 7.45 per cent since 2000.

Retail industry is expected to grow to USD1.3 trillion by 2020, registering a CAGR of 9.7 per cent between 2000-2020.

**Market size over the past few years (USD billion)**

Source: BCG Retail 2020, Ernst & Young, Deloitte, indiaretailing.com, Economist Intelligence Unit, Euro monitor, TechSci Research

Notes: CAGR - Compound Annual Growth Rate, E - Estimated
In 2014, food & grocery accounted for nearly 69 per cent of total revenues in the retail sector, followed by apparel (8.0 per cent).

Demand for Western outfits and readymade garments has been growing at 40–45 per cent annually; apparel penetration is expected to increase to 30-35 per cent by 2015.

In 2014, jewellery accounted for 6 per cent share in India retail sector and its share is expected to increase from 6 per cent to 8 per cent in FY20.

Notes: E- Estimated
Organised Retail Penetration (ORP) in India is low (8 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.

In 2019, it is estimated that organised retail penetration share would reach 13 percent and unorganised retail penetration would hold a major share of 87 percent.

Organised retail penetration (2019)

Drivers of organised retail

- **Demand drivers**
  - Rising income levels
  - Increased urbanisation
  - Growing aspiration levels and appetite to experiment
  - Credit availability

- **Supply drivers**
  - New entrants
  - Expansion plans of existing players
  - Infrastructure augmentation
  - Emergence of new categories

Source: KPMG, Indian Retail Next growth Story 2014, TechSci Research
The Indian retail market is in its nascent stage; unorganised players accounted for 92 per cent of the market during 2013.

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

Between FY09-13, organised retail in India witnessed a CAGR of 19-20 per cent.

Organised retail is expected to account for 24 per cent of the overall retail market by 2020.

**Significant scope for expansion in organised retail**

- **2015**: 92% organised, 8% unorganised
- **2020**: 76% organised, 24% unorganised

*Source: BCG, KPMG, indiaretailing.com, Deloitte Report, Winning in India's Retail Sector, TechSci Research*

*Notes: 'Mom-and-pop' stores are small stores that are typically owned and run by members of a family*
## ORGANISED RETAIL (GROWTH ACROSS CATEGORIES)

<table>
<thead>
<tr>
<th>Retail category</th>
<th>Category share as a % of total market 2014-15</th>
<th>ORP (%)</th>
<th>Approx. gross margin (%)</th>
<th>Key trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; beverage</td>
<td>69-70</td>
<td>2-3</td>
<td>3-14</td>
<td>Large market and low ORP presents robust opportunities</td>
</tr>
<tr>
<td>Clothing &amp; textile</td>
<td>11-13</td>
<td>17-20</td>
<td>35-50</td>
<td>High margins, increased preference for branded apparel</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>4-5</td>
<td>15-20</td>
<td>10-20</td>
<td>Wide range of price points and good-after sales service are key differentiators</td>
</tr>
<tr>
<td>Home décor &amp; furnishing</td>
<td>3</td>
<td>5-6</td>
<td>40-50</td>
<td>Housing boom and increasing aspiration levels are driving demand</td>
</tr>
<tr>
<td>Beauty, personal care</td>
<td>8-11</td>
<td>6-10</td>
<td>20-40</td>
<td>Growth driven by new product launches, consumers’ aspirations and expansion plans of organised players</td>
</tr>
<tr>
<td>Footwear</td>
<td>2</td>
<td>16-17</td>
<td>25-35</td>
<td>Lifestyle brands are increasing their product offerings and formats</td>
</tr>
<tr>
<td>Others</td>
<td>3-4</td>
<td>9-30</td>
<td>10-15</td>
<td>Pharmacy retail, stationery retailers, etc</td>
</tr>
</tbody>
</table>

Source: Ministry of Statistics and Programme Implementation, A Report on ‘Retail reforms in India’ by PwC, TechSci Research
Note: ORP - Organised Retail Penetration
Online grocery market is in its nascent stage and in 2015, the online grocery market stood at USD 0.6 billion which shows that there is a lot of scope for improvement in the coming years for the online grocery market to grow.

Growing e-commerce sector is augmenting the growth of online grocery market.

Source: Technopak Advisors Pvt Ltd, Knightfrank, Cushman & Wakefield Research
Notes: - NCR, Mumbai, Kolkata and Chennai, Bangalore, Pune and Hyderabad
India’s ‘grocery’ retail segment is the world’s most attractive

Apparels would be the largest retail segment, accounting for 22 per cent of total retail space by 2014–15

Grocery retailers recorded healthy growth during 2014 and is expected to become world’s third largest grocery market with an estimated revenue of USD 566bn by 2016.

Source: Knightfrank, Technopak Advisors Pvt Ltd, Cushman & Wakefield Research, Euromonitor International
SIGNIFICANT GLOBAL POSITIONING OF INDIAN RETAIL SECTOR

* In 2015, deepest mall penetration has been witnessed by Delhi-NCR with 22.7msf, total 213 malls are operational in India.

* In August 2015, India’s second largest e-commerce firm Snapdeal raised USD500 million by Chinese e-commerce firm Alibaba Group, Foxconn Technology Group and existing investor Softbank Group.

* 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.

* Rapid emergence of organised retail outlets, such as mega malls and hypermarkets, are augmenting the growth of organised retail in the country. Retailers have made dynamic changes in supply chain and logistics for competitive advantage and meeting consumer demands.

Source: Dun and Bradstreet, AT Kearney, Indian Retail Market
September 2011, Times of India, TechSci Analysis

For updated information, please visit www.ibef.org
India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk, and moderate political risk.

In market potential, India ranks eleventh (after United States, China, Canada, UK, Brazil, Germany, Austria and Mexico).

India’s net retail sales are quite significant among emerging and developed nations; the country is ranked third (after China and Brazil).

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

FDI Confidence Index 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>United State</td>
<td>2.1</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.95</td>
</tr>
<tr>
<td>Canada</td>
<td>1.94</td>
</tr>
<tr>
<td>Germany</td>
<td>1.89</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.87</td>
</tr>
<tr>
<td>India</td>
<td>1.79</td>
</tr>
<tr>
<td>Australia</td>
<td>1.79</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.73</td>
</tr>
</tbody>
</table>

Source: AT Kearney 2015 FDI Confidence Index, TechSci Analysis
Notes: FDI - Foreign Direct Investment
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.

E-commerce is expected to be the next major area for retail growth in India. The industry is projected to touch USD100 billion by 2020 from USD22 billion in 2015.

With growth in the e-commerce industry, online retail is estimated to reach USD70 billion by 2020 from USD 3 billion in 2014.

Source: MasterCard Worldwide Insights 4Q 2010, PWC e commerce in India report, TechSci Research

Notes: APMEA - Asia/ Pacific, Middle East and Africa, E- Estimated, F- Forecast
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.

The computer peripherals, cameras and mobiles, and lifestyle segments account for a majority of total purchases.

### Youth Population Age 10 to 24 in million (2014-15)

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>51</td>
</tr>
<tr>
<td>US</td>
<td>65</td>
</tr>
<tr>
<td>Indonesia</td>
<td>67</td>
</tr>
<tr>
<td>China</td>
<td>269</td>
</tr>
<tr>
<td>India</td>
<td>356</td>
</tr>
</tbody>
</table>

Source: UN Report ‘The power of 1.8 billion’
**PORTER’S FIVE FORCES ANALYSIS**

**Competitive Rivalry**
- Entry of foreign players in the market and e-retailers have intensified competition
- Customers’ low switching cost increases competition
- The Indian retail sector is highly fragmented, which increases competition

**Threat of New Entrants**
- Entry as a retailer is quite simple. However, players need to establish strong distribution channels and achieve economies of scale to compete

**Substitute Products**
- Threat of substitute products is low. However, customers may purchase products from a local store instead of purchasing from a retailer

**Bargaining Power of Suppliers**
- Retailers have low switching costs, which make the supplier power low. Larger retailers can easily switch to different suppliers.

**Bargaining Power of Customers**
- The consumers are price sensitive, and have information about the product and its price
- Low switching cost gives customers high bargaining power

**Source:** TechSci Research

For updated information, please visit [www.ibef.org](http://www.ibef.org)
RETAIL

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**
  - Companies are now adopting innovative marketing strategies for their business. For example, Shoppers Stop is the first Indian large-format retailer to have created an AUGMENTED REALITY (AR) set-up.

- **Focus**
  - Certain players in this sector are focused on a particular segment. For example, Future Retail (FRL) exclusively operates hypermarkets and home retailing businesses. FRL focuses on maintaining its competitive advantage and gaining benefits of scale through focusing on efficiency and productivity.

- **Omni-channel retailing**
  - Retailers are opting for many channel to maximise sales, provide convenience and for enhanced productivity. 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.

- **Changing the perception**
  - 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.

*Source: Company websites, TechSci Research*

Notes: R&D – Research and Development

For updated information, please visit [www.ibef.org](http://www.ibef.org)
GROWTH DRIVERS FOR RETAIL IN INDIA

- Favourable demographics
- Easy consumer credit and increase in quality products
- Rise in income and purchasing power
- Change in consumer mindset
- Brand consciousness

Source: TechSci Research

For updated information, please visit www.ibef.org
FAVOURABLE FDI POLICY ENCOURAGING INVESTMENT

- **FDI of upto 100 per cent allowed under the automatic route in Cash & Carry (wholesale)**
- **Government proposed introducing FDI in multi-brand retail (2008); follows up in 2012 by approving a plan to raise the FDI limit to 51 per cent**
- **With a view to improve the ease of doing business, the government has aligned the foreign direct investment policy with NIC code**

**Timeline:**
- 1991: Liberalisation: FDI of upto 51 per cent allowed under the automatic route in select priority sectors
- 1997: FDI of upto 51 per cent allowed with prior government approval in single-brand retail
- 2006: Government approved 51 per cent FDI in multi-brand retail and increased FDI limit to 100 per cent (from 51 per cent) in single brand retail
- 2012: Government proposed introducing FDI in multi-brand retail (2008); follows up in 2012 by approving a plan to raise the FDI limit to 51 per cent
- 2015: With a view to improve the ease of doing business, the government has aligned the foreign direct investment policy with NIC code

Source: TechSci Research
Note: NIC - National Industrial Classification Code
INDIAN RETAIL IS SET TO BENEFIT FROM FDI POLICY

Benefits of FDI in Indian retail

- Increase in employment
- Infrastructure investment
- Removing middlemen
- Benefiting Indian manufacturers
- Technological advancement

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%
FDI POLICY DETAILS ON SINGLE AND MULTI-BRAND RETAIL IN INDIA

51% FDI in multi-brand retail
Status: Policy passed

- Minimum investment cap is USD100 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% 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 retail market
- Any additional product categories to be sold under single brand retail must first receive government approval

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

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

**Pricing and profitability**
- 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

**Cash flow**
- 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

**System changes and transition management**
- 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: TechSci Research*
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.

---

**Real income growth projections**

**Rising per capita income in India**

*Source: TechSci Research, IMF, Notes: E - Estimate, F - Forecasts*
RETAIL OPPORTUNITIES

JANUARY 2016
## GROWTH VALUE PROPOSITION

### Demand Factors
- Higher brand consciousness
- Growing aspiration levels and appetite to experiment
- Growing young population and working women
- Rising incomes and purchasing power
- Credit availability
- Changing consumer preferences and growing urbanisation

### Indian retail opportunity

### Supply Factors
- Rapid real estate and infrastructure development
- Emergence of new categories
- Development of supply chain improving efficiency
- Easy availability of credit
- Expansion plans of existing players
- R&D, innovation and new product development

*Source: KPMG International 2011, TechSci Research*
### 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 constitutes over 33 per cent of FMCG consumer base in India  
| | - 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  
| | - Private label strategy is likely to play a dominant role as its share 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. Growth of online retail is also augmenting the growth of private label brand in India  
| 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 consumer is ready to splurge on luxury items and is increasingly doing so.  
| | - The Indian luxury market is estimated around USD1.16 billion, yearly growth rate of luxury market is 13 per cent.  
| | - This will make India the 12th largest luxury retail market in the world by 2020  

*Source: TechSci Research*  
*Note: FMCG - Fast Moving Consumer Goods*  
*For updated information, please visit [www.ibef.org](http://www.ibef.org)*
**Real estate's retail component is an attractive opportunity, which is currently attracting 29 per cent of total investment in real estate**

* Of the overall investors, 26 per cent are interested in investing in Tier II and III cities

* Training and warehouse spacing are the other viable options for investments

---

**Employment opportunities, increased urban amenities and better lifestyle opportunities are attracting rural population towards cities every year**

* In 2015, the urban-rural migration reached at 32.7 per cent

* This could be a major driver for the organised retail sector as the working population would consequently increase

---

**Source:** PwC, Cushman & Wakefield, TechSci Research
STRONG GROWTH POTENTIAL ATTRACTING HIGH FOREIGN INVESTMENT

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IKEA</td>
<td>In 2015, IKEA and Telangana Government have joined their hands to invest USD 96.5 million for building retail outlet in Hyderabad</td>
</tr>
<tr>
<td>Reliance Industries Limited</td>
<td>Reliance Retail is planning to enter e-commerce segment by 2015. Reliance would open 2,000 exclusive outlets to sell telecom products FY15-16</td>
</tr>
<tr>
<td>Future Group</td>
<td>In July 2015 Grasim Industries has signed business transfer agreement with Future Consumer Enterprise. Future Group acquired retail store Easy Day in FY 15.</td>
</tr>
<tr>
<td>Metro</td>
<td>Metro AG plans to have 50 wholesale stores in India by 2020.</td>
</tr>
<tr>
<td>Walmart</td>
<td>Has linked all its stores through omni channel an online platform as in October 2014 Walmart ends its partnership with Bharti and decided to go solo.</td>
</tr>
<tr>
<td>Tesco</td>
<td>During FY15-16 planning to invest around USD 110 million in India.</td>
</tr>
<tr>
<td>Columbia Sportswear</td>
<td>US-based outdoor and adventure wear retailer Columbia Sportswear Company will open 25 stores by April 2015 in India</td>
</tr>
</tbody>
</table>

Source: KPMG International 2011, TechSci Research
RECENT M&A DEALS IN THE INDIAN RETAIL SECTOR

The total number of deals reached 47 in May 2015. The M&A deal value in retail and consumer sector stood at USD1 billion.

As on March 31, 2014, the M&A deal value in retail stood at USD3.5 billion due to Unilever’s USD3 billion deal; along with that, the food segment attracted PE investment worth USD200 million.

<table>
<thead>
<tr>
<th>Acquirer name</th>
<th>Target name</th>
<th>Year</th>
<th>Deal type</th>
</tr>
</thead>
<tbody>
<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, TechSci Research

For updated information, please visit www.ibef.org
FUTURE RETAIL: INDIA’S LEADING RETAILER IN MULTIPLE RETAIL FORMATS … (1/2)

* Revenues expanded at a CAGR of 2.4 per cent during FY08–15

* Hypermarket and supermarket formats have a network of nearly 319 stores, encompassing an area of over 10 million square feet

* Under Future Fashion, the company owns a portfolio of 24 leading brands and covers more than 98 cities

* Big Bazaar is ranked the third most trusted brand and the most trusted retailer of 2014 for providing quality services

* Future Group and Bharti Retail combine retail business to create one of India's biggest retail conglomerate and will create chain of 570 stores in 243 cities across India in next 3 to 5 years

Future Retail sales growth (USD billion)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4</td>
<td>1.5</td>
<td>2</td>
<td>2.5</td>
<td>2.4</td>
<td>1.9</td>
<td>1.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>

CAGR: 2.4%

Source: Reuters Knowledge, TechSci Research
Notes*: March 2015 to September 2015
, CAGR - Compound Annual Growth Rate
FUTURE RETAIL: INDIA’S LEADING RETAILER IN MULTIPLE RETAIL FORMATS … (2/2)

Pantaloons Retail success factors:
- Ground-up development
- The right JV’s at the right time
- Winning team
- Versatile retailing
- Multiple formats, Multiple brands-a comprehensive retail experiment

Has a good understanding of the Indian retail sector and its customers.

Future Retail Ltd (FY15):
- Revenue: USD1.7 billion for 12 months
- Operational retail space: 11.3 msf
- Over 401 stores in 122 cities
- Employees: 36,000

Source: Company Annual Report, TechSci Research
Note: msf - Million Square Feet

For updated information, please visit www.ibef.org
SHAPPERS STOP: THE LEADER IN DIVERSIFIED MARKET STRATEGY … (1/3)

- The company owns 172 stores in 25 cities with 4.81 million sq ft space across eight store formats
- Successfully introduced a number of international brands
- Improved product mix and brand profiles to attract new customers
- Over 3.3 million customers are a part of the First Citizen Loyalty Programme
- Won best loyalty programme award at the Loyalty Summit 2014 in large format retail category

Source: Company Annual Report, TechSci Research
Note: First Citizen Loyalty Programme is a membership scheme for its members to avail discounts and promotional offers
* - June 2016
SHoppers Stop: The Leader in Diversified Market Strategy … (2/3)

Shoppers Stop (Brands and JVs)

- Shoppers Stop (apparel, accessories, footwear, jewelry and décor)
- Homestop (home furnishing)
- Crossword (books and other entertainment)
- Mothercare (infant and toddler care)
- Estee Lauder, Mac and Clinique (beauty)
- Nuance Group (airport retailers)

Shoppers Stop’s sales growth (USD million)

- FY08: 277
- FY09: 285
- FY10: 308
- FY11: 491
- FY12: 582
- FY13: 584
- FY14: 507
- FY15: 452
- FY16*: 388.13

CAGR: 7.25%

Shoppers Stop’s diversified portfolio

- FY14
  - Apparel: 58%
  - Non Apparel: 42%

- FY16*
  - Apparel: 65.3%
  - Non Apparel: 34.7%

Source: Company Annual Report, TechSci Research
Note: CAGR - Compound Annual Growth Rate
FY16*: Up to September 2015

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

SHOIPPERS STOP: LEADER IN DIVERSIFIED MARKET STRATEGY … (3/3)

Footfalls (in million)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>23</td>
<td>23</td>
<td>31</td>
<td>37</td>
<td>40</td>
<td>46</td>
<td>46</td>
<td>48.9</td>
</tr>
</tbody>
</table>

Average selling price (INR)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>759</td>
<td>821</td>
<td>856</td>
<td>913</td>
<td>977</td>
<td>1062</td>
<td>1087</td>
<td>1121</td>
<td>1011</td>
</tr>
</tbody>
</table>

Members (’000)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1013</td>
<td>1277</td>
<td>1611</td>
<td>2017</td>
<td>2503</td>
<td>2880</td>
<td>3924</td>
</tr>
</tbody>
</table>

Average transaction size (INR)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1720</td>
<td>1843</td>
<td>2029</td>
<td>2207</td>
<td>2311</td>
<td>2481</td>
<td>2667</td>
<td>2754</td>
<td>2681</td>
</tr>
</tbody>
</table>

Source: Company Annual Report, TechSci Research
Notes: *- Up to September 2015

For updated information, please visit www.ibef.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
E-mail: info@rai.net.in
Website: www.rai.net.in

The Franchising Association of India
A-13, Kailash Colony
New Delhi – 110048
Tel: 91- 11- 2923 5332
Fax: 91- 11- 2923 3145
Website: www.fai.co.in
**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

**USD**: US Dollar

Wherever applicable, numbers have been rounded off to the nearest whole number
### Exchange Rates (Fiscal Year)

<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>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<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(Expected)</td>
<td>61.06</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>
</tr>
<tr>
<td>2008</td>
<td>43.62</td>
</tr>
<tr>
<td>2009</td>
<td>48.42</td>
</tr>
<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>53.46</td>
</tr>
<tr>
<td>2012</td>
<td>58.44</td>
</tr>
<tr>
<td>2013</td>
<td>61.03</td>
</tr>
<tr>
<td>2015(Expected)</td>
<td>63.72</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year.
India Brand Equity Foundation ("IBEF") engaged TechSci to prepare this presentation and the same has been prepared by TechSci 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 TechSci and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

TechSci 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 TechSci 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.