The focus of this presentation is to discuss...

- Market Overview
- Advantage India
- Policy
- Key Trends and Drivers
- Key players
- Key Opportunities
Indian retail on the fast track

• The Indian retail market is the fifth-largest retail destination globally. It is estimated to grow from US$ 385 billion in 2007–08 to US$ 405 billion by 2009–10 and to US$ 573 billion by 2012–13.

• The Indian retail industry has been growing at a compound annual growth rate (CAGR) of 28 per cent for the last five years and provides employment to 8 per cent of India’s working population.

• Higher disposable incomes, easy availability of credit and high exposure to media and brands has increased the average propensity to consume considerably over the years.

**India is ranked first on the Global Retail Development Index – 2009, conducted by AT Kearney across 30 emerging economies. India is also ranked fourth in the 2009 Retail Apparel Index.**

**India has also been ranked first on the Global Consumer Confidence Index — January 2009, conducted by the Nielsen Company. Indians were judged the world’s most optimistic consumers and the most upbeat when it came to local job prospects over the following 12 months.**

Indian retail revolution

- As per estimates by Crisil, the Indian retail industry is poised to grow at a rate of 19 per cent over the next five years.

- The organised retail market in India is projected to grow to US$ 23 billion in 2009–10.

- The organised retail segment is expected to grow from 5 per cent to about 7 to 8 per cent by 2012–13.

Sources: Datamonitor; Retail: industry profile, March 2009, CRIS INFAC
Note: E-Estimated, P-Projected
Indian retail revolution

- The market is witnessing a migration from traditional retailing to modern/organised retailing formats, with an explosive proliferation of malls and branded outlets.

- Modern retailing outlets in India are increasingly becoming global in standards and are witnessing intense competition.

Sources: Datamonitor; Retail: industry profile, March 2009, CRIS INFAC
Note: E-Estimated, P-Projected
Transition from traditional to modern retailing

- With a share of over 95 per cent of total retail revenues, traditional retailing continues to be the backbone of the Indian retail industry.

- Over 12 million small and medium retail outlets exist in India, the highest in any country.

- Traditional retail is highly pronounced in small towns and cities, with a primary presence of neighbourhood 'kirana' stores, push-cart vendors, 'melas' and 'mandis'.

- Organised retailing is growing at an aggressive pace in urban India, fuelled by burgeoning economic activity.

- An increasing number of domestic and international players are setting up base in the country and expanding their business to tap this growing segment.
Growth across segments

- The food and beverages segment accounts for the largest share, at more than 70 per cent of the total retail pie.

- Traditional retail dominates food, grocery and the allied products sector, with grocery and staples largely sourced from ‘kirana' stores and push cart vendors.

- The apparel and consumer durable verticals are the fastest-growing verticals.

- Mobile phones, supported by the growing telecom penetration in small towns and villages, are a major retail item with the addition of 10 million to 12 million mobile phone users every month.

- The home décor sector is witnessing rapid growth with the reducing average age of Indians buying homes.

- Beauty care, home décor, books, music and gift segments are gaining traction, predominantly in the urban areas and emerging cities.

Source: Retail: industry profile, March 2009, CRIS INFAC
Increasing penetration of organised retail…(1/2)

- Organised retail in India is largely restricted to urban regions with consumer exposure to modern retailing formats such as malls and standalone stores, etc., for specific product categories.

- The clothing and textiles/apparel segment dominated the organised retail sector with revenues worth US$ 6 billion in 2007–08, contributing more than 27 per cent to the organised retail pie.

- Penetration of organised retail is projected to increase to 7 per cent by 2012–13.
Increasing penetration of organised retail…(2/2)

- Apparel is one of the fastest-growing verticals, with a high number of domestic and foreign brands, and increasing consumer willingness to pay for quality.

- Footwear has the highest organised retail penetration, primarily due to players such as Bata India Pvt Ltd and Liberty, who have wide distribution networks and who have developed customer confidence over the years.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total Retail</th>
<th>Organised Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>269</td>
<td>4</td>
</tr>
<tr>
<td>Clothing and textiles</td>
<td>26</td>
<td>6</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Communication</td>
<td>35</td>
<td>1</td>
</tr>
<tr>
<td>Home décor</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Beauty care</td>
<td>41</td>
<td>2</td>
</tr>
<tr>
<td>Footwear</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Books Stationery and Gifts</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Retail: industry profile, March 2009, CRIS INFAC
Future outlook

- Retail sector revenues are pegged to touch US$ 460.6 billion by 2010–11.

- Organised retail is projected to grow to US$ 41 billion by 2012–13.

- Modern retail is expected to adapt and imbibe from traditional formats.

- Unorganised retail formats are converging and combining in formats such as mushrooming village malls.

- Large Indian retail players have already begun formulating strategies for the rural retail space.

- The food and beverages (F&B) sector is expected to touch the US$ 116 billion mark by the end of 2008–09.
Future outlook

Changing paradigm: The confluence of modern and traditional retail

Source: Retail: industry profile, March 2009, CRIS INFAC
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A vibrant economy and growth of young India...(1/2)

Growing economy

- India recorded a gross domestic product (GDP) growth rate of 6.7 per cent in rupee terms during the year 2008–09.

- The general index of industrial production (IIP) is projected to reach 275.4 for the year 2008–09 (base: 1993–94 = 100).

- The fast pace of GDP growth is, in turn, driving Indian consumerism, with Indian consumers today more confident and willing to splurge.
A vibrant economy and growth of young India…(2/2)

The young India

- Two-thirds of India’s population is under 35 years of age and more than 60 per cent of the population will be in the working age group (15 to 60 years) until the year 2050.

- The median age of 23 years, opposed to the world median age of 33, sets the emerging young India apart.

- India is home to about 20 per cent of the global population under 25 years of age.

Note: E-Estimate, QE-Quick estimate, RE-Reversed estimate
Large, untapped potential for organised retail

**Potential untapped market**

- Organised retail penetration is on the rise and offers an attractive proposition for the entry of new players as well as scope for expansion for existing players.

- The diverse needs of the Indian consumer offers a spectrum of opportunities, spanning from rural retailing to luxury retailing.

- India is home to one of the largest base of consumers, and a steadily rising rich and super-rich population.

- The availability of retail space and the growing trend of consumerism in emerging cities and small towns add to the attractiveness of the market.

- The top three major retailers (Pantaloon Retail Limited, Shoppers Stop and Trent Ltd) account for only 9 per cent of the total organised retail market in India, as compared to England's 14.3 per cent captured by Tesco Plc and Walmarkt's 20 per cent in the US, thus giving an insight into the large untapped potential.
Skilled and low-cost manpower…(1/2)

Abundant availability of skilled labor

• More than 37 million students were enrolled in about 152,000 pre-college institutes and over 11.6 million in around 21,000 higher education institutions (colleges and universities) in 2007–08.

• Retail management is a much sought-after stream among students, with more than 15 premier institutes offering specialised courses in retail management.

• The Indian Institute of Retail, New Delhi; the RPG Institute of Retail Management, Mumbai; and The Retail Academy, Ahmedabad, are some of the institutes focusing on the education needs of the retail sector.

Skilled and low-cost manpower…(2/2)

Low cost of operations

• Existing players are increasingly turning to tier-II and tier-III cities for opening retail establishments and manpower sourcing.

• These cities offer significant cost advantages in the form of low-cost skilled resources and attractive lease rentals/real estate prices.

• Well-educated small town graduates turning to urban cities for employment are ideal candidates for sales and marketing executive roles in modern organised retail formats.
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Policy and regulatory framework … (1/5)

**Policy framework**

FDI up to 100 per cent is allowed under the automatic route for cash and carry wholesale trading and export trading, and FDI up to 51 per cent is allowed with prior government approval for retail trade in single-brand products. However, FDI in retailing of goods under multiple brands, even if the goods are produced by the same manufacturer, is not allowed under the current guidelines.

<table>
<thead>
<tr>
<th>Available routes for foreign players to enter the retail sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic license agreements</strong></td>
</tr>
<tr>
<td>This route involves a foreign company entering into a licensing agreement with a domestic retailer or partnering with Indian promoter-owned companies.</td>
</tr>
</tbody>
</table>

*Source: Ministry of Commerce, Foreign Investment Promotion Board*
Policy and regulatory framework … (2/5)

Indicative list of international players and their chosen entry route
Policy and regulatory framework … (3/5)

Related liberalisation for Indian retailing

• Value-added tax (VAT) has been introduced and implemented in most states and Union Territories, and across most industry verticals (except a few such as textiles) to resolve multiple taxation issues and maintain uniform prices across geographies. In addition, octroi has been abolished in many states to further trade in the retail sector.

• Labour laws in India are under the scanner for higher liberalisation, with the government relaxing certain norms or permitting flexibility in the laws for emerging retail hubs such as Bangalore and Hyderabad. Laws such as restriction on working hours, mandatory closure of the store once a week, etc., are being modified to suit the modern retailing context, while ensuring that there is no adverse impact on the benefits for employees.
Policy and regulatory framework … (4/5)

Related liberalisation for Indian retailing

• Efforts are being made by the government to reduce impediments by introducing a single-window clearance mechanism. This would reduce the entry and establishment timelines for new players in the market and facilitate timely and hassle-free approvals.

• The government is expected to adopt a calibrated approach in land and rent reforms to improve the real estate regulatory environment and facilitate easy access to retail space for international investors.

• The government is releasing large tracts of undeveloped land for retail development in Mumbai and the National Capital Region (NCR). Other state governments are expected to follow suit, with associated benefits for them in the form of access to impressive revenues from sale of land and tax collection from retail development.

• Problems related to lease rentals and pro-tenancy laws significantly deter international investors. The government is pursuing possible solutions to these problems with initiatives such as special economic zones (SEZs), allotment of government-controlled land, etc.
Policy and regulatory framework … (5/5)

• The Agricultural Produce Marketing Committee Act (APMC), which curtails direct sourcing of agricultural produce (grocery, food grains, etc.) is proposed to be amended soon, with a draft model act being legislated by the government. The new act promotes direct marketing to corporates by farmers, setting up of farmer-consumer markets and contract farming.

• The government is encouraging contract farming, as it provides incentives to both the farmers and the corporate retailer, with the former gaining access to a larger market and the latter to a direct raw material procurement source at competitive prices. The government is currently pursuing the development and modernisation of eight strategically located “mandis” in Delhi, Punjab, etc., that will have cold storage, sorting and grading facilities.
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Metros and cities leading the way

Maturing metros and cities

- While India’s top 20 cities account for just 10 per cent of the country’s population, they earn more than 30 per cent of the country’s income and spend 21 per cent of the country’s total income.

- From the point of view of India’s marketing firms, the top 20 cities and their growth are clearly of paramount importance.

Metros leading the way

Delhi

- Delhi/NCR, the fashion capital of India and home to the highest number of rich and super-rich households, is expected to contribute close to US$ 26 billion in 2009–10 to retail revenues.

- The NCR is projected to account for close to US$ 34 billion of retail revenues by 2012–13.

- The NCR has the highest mall space availability and the highest number of affluent households.

Mumbai

- Home to a large percentage of high net worth individuals, Mumbai is expected to contribute close to US$ 23 retail revenues in 2009–2010.

- The retail opportunity in the metro is projected at US$ 31 billion for 2012–13.

- Mumbai is home to different income groups, from the aspirants to the super rich, each contributing significantly to retail revenues through various retailing formats.

Source: Retail: industry profile, March 2009, CRIS INFAC
Emerging retail hubs ... (1/3)

Cities on the fast track

- Bangalore, Hyderabad, Chennai and Kolkata are projected to contribute US$ 27 billion to retail revenues in 2009–10, and the revenues are projected to touch US$ 34 billion by 2012–13.

- Retail activity in Bangalore, Hyderabad and Chennai is growing at an exceptional rate, with a phenomenal increase in mall space.

- Most of the retail sector giants have a footprint in these cities and have plans of expanding base owing to the rapid transition of households from the lower-income group to the higher-income group.

Source: Retail: industry profile, March 2009, CRIS INFAC
Emerging retail hubs … (2/3)

• Disposable incomes in these cities have increased rapidly over the years, in large part because of the growing presence of IT/ITeS businesses in these cities.

• Bangalore is considered the Silicon Valley of India, with nearly all domestic and international IT giants having a presence there.

• These cities are projected to experience continued, robust economic growth in the coming years.

Metros-in-the-making

• The emerging and potential cities (tier-I and tier-II) are projected to contribute about US$ 27 billion to retail revenues in 2009-2010. The combined retail potential of these cities is expected to soar to US$ 33 billion by 2012–13.

• Pune is the fastest-emerging destination for the services sector, closely followed by Ahmedabad. These cities are now among the chosen business destinations of corporate houses.

• The migration from traditional retail to modern formats is largely noticeable in these two cities, which are witnessing an explosive increase in mall space availability and in the number of branded outlets.
Emerging retail hubs … (3/3)

**Metros-in-the-making**

- Approximately 397 hypermarkets were in existence in India as of June 2009.

- 52 leading towns are likely to emerge as retail hubs by 2011 with tier-III towns gaining the market potential to host five or more hypermarkets.

<table>
<thead>
<tr>
<th>High-growth cities</th>
<th>Pune</th>
<th>Ahmedabad</th>
<th>Chandigarh</th>
<th>Ludhiana</th>
<th>Kochi</th>
<th>Vadodara</th>
<th>Jaipur</th>
<th>Lucknow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging cities</td>
<td>Indore</td>
<td>Amritsar</td>
<td>Jalandhar</td>
<td>Mangalore</td>
<td>Nashik</td>
<td>Bhubaneshwar</td>
<td>Agra</td>
<td>Vishakhapatnam</td>
</tr>
<tr>
<td></td>
<td>Coimbatore</td>
<td>Kanpur</td>
<td>Nagpur</td>
<td>Goa</td>
<td>Surat</td>
<td>Mysore</td>
<td>Jamshedpur</td>
<td>Thiruvananthapuram</td>
</tr>
<tr>
<td>Potential cities</td>
<td>Jodhpur</td>
<td>Patna</td>
<td>Varanasi</td>
<td>Meerut</td>
<td>Rajkot</td>
<td>Aurangabad</td>
<td>Bhopal</td>
<td>Sonepat</td>
</tr>
<tr>
<td></td>
<td>Vijayawada</td>
<td>Madurai</td>
<td>Ranchi</td>
<td>Guwahati</td>
<td>Jamnagar</td>
<td>Srinagar</td>
<td>Allahabad</td>
<td></td>
</tr>
</tbody>
</table>
Thrust verticals across geographies...

- Delhi and Mumbai offer an attractive market for luxury and lifestyle retailing, with these cities being home to the highest number of households belonging to the affluent category (with incomes greater than US$ 24,000 per annum).

- Delhi and Mumbai are home to the largest percentage of affluent households in the country, accounting for over 30 per cent of total retail revenues. The percentage share of affluent households is expected to double by 2010–11, which is projected to trigger high growth in the luxury retailing segment.

- These cities are currently exposed primarily to the ‘value‘ retail format.

- The consuming class accounts for over 60 per cent of total households, creating opportunity in the food and grocery, consumer goods and apparel verticals.

- Players such as Future Groups Food Bazaar, ITC Choupal, Aditya Birla Nuvo and Reliance Fresh are aiming to tap the agri-produce and allied markets to gain the 'first-mover' advantage.

- The growth in disposable incomes and in the consuming class, and the increasing standards of living across these cities translate into opportunities Across all retailing formats and verticals.

- The large number of retail formats in these cities are stimulated by the increasing exposure of consumers to international brands and consumers’ willingness to spend on quality.

- Most often, these cities also serve as test beds for innovative store formats.
Mall space availability

- The number of malls in the top seven cities (NCR, Mumbai, Hyderabad, Pune, Bangalore, Kolkata and Chennai) is expected to go up to 360 by 2010 from the present 148.

- The total number of malls is projected to increase to 600 by 2010–11.

- From the setting up of India’s first mall in 1999, there has been a steady migration of retail from the traditional to the organised format, the trend being more pronounced in urban areas.

- The top seven cities (NCR, Mumbai, Bangalore, Kolkata, Hyderabad, Pune and Chennai) accounted for close to 12 million sq ft of mall space in 2007–08.

Sources: India real estate-shifting gears, Ernst & Young 2008; "India Real Estate-Quarter 3 2008", Knight Frank website, www.knightfrank.com, accessed on September 16, 2009
Evolving consumer behaviour

Changing face of Indian consumerism

- Lifestyle patterns of India’s middle class are being redefined with the adoption of Western values and growing brand consciousness.

- From a 'saving' to a 'spending' mindset, the face of Indian consumerism is buoyant.

- There has been a marked increase in the number of new entrants and in retail revenues across all verticals.

- Retail revenues are soaring with increased consumer exposure, driven by the mass media, to latest trends and brands.

Integrated retailing formats

Modern retailing formats:

- Malls
- Department stores
- Discounters
- Cash and carry

- Retailers are rapidly integrating and diversifying store formats to cater to emerging trends in consumer behaviour.

- Food Bazaar stocks staples in bulk, weighing and packing them for customers in their presence, catering to the “touch and feel” mindset of buying staples, whereas Reliance Fresh stocks fresh flowers and vegetables.

- Retailers are expanding into emerging cities with modest store formats as opposed to the glitzy mall formats adopted in metros.
Growing urbanisation and disposable incomes driving retail…(1/2)

Higher disposable incomes

• Disposable incomes are on the rise with the economy providing new avenues of employment in IT/ITeS and other sunrise sectors such as biotech, hospitality, etc.

• Employers are offering attractive compensation packages and perquisites.

• Indians have an ability to spend over US$ 30,000 a year (PPP terms) on conspicuous consumption. Disposable incomes are expected to rise at an average of 8.5 per cent per annum until 2015.
Growing urbanisation and disposable incomes driving retail…(2/2)

Increasing urbanisation

• India’s urban population is estimated at 286 million, constituting 27.8 per cent of the total population in 2001.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban population (% to total)</td>
<td>23.3%</td>
<td>25.7%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Urban population in Tier-I cities (%)</td>
<td>60.4%</td>
<td>65.2%</td>
<td>73.7%</td>
</tr>
</tbody>
</table>

• Urban population is projected to increase to 468 million, constituting 33.4 per cent of the total projected population of 1,200 million by 2010–11.

• The increase in the number of young employed executives and the thinning gender divide is stimulating the growth of modern retailing in urban areas.

P = Projected; QE = Quick estimates; RE = Reversed estimates

Easy credit: Another key driver

• Banks and financial institutions have increased their range and volume of retail credit and service offerings.

• The cash reserve ratio (CRR) as on July 31, 2009, was 5 per cent, compared to 8.75 per cent on August 1, 2008.

• Bank credit to the commercial sector in 2009 increased 15.5 per cent as compared to 2008.

• The growing acceptance of plastic money across small and medium retail outlets has been observed.

• Home loans and personal loans are surging, with banks and agencies issuing loans with attractive interest rates and easy monthly installment options.

### M&A activity

<table>
<thead>
<tr>
<th>Target Name</th>
<th>Amount (US$ mn)</th>
<th>Deal stake (%)</th>
<th>Announcement date</th>
<th>Investor(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Calculus Franchising (India)</td>
<td>3.3</td>
<td></td>
<td>May-09</td>
<td>Helion Ventures Pvt. Ltd. (India)</td>
</tr>
<tr>
<td></td>
<td>30.8</td>
<td></td>
<td>Feb-09</td>
<td>ICICI Venture Funds Management Company Ltd. (India); Kotak Investment Advisors Ltd. (India)</td>
</tr>
<tr>
<td>UniverCell Telecommunications India</td>
<td>21.5</td>
<td></td>
<td>Oct-08</td>
<td>Peepul Capital LLC. (India)</td>
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<tr>
<td></td>
<td>23.1</td>
<td>30.0</td>
<td>Sep-08</td>
<td>IFCI Venture Capital Funds Ltd. (India); PremjilInvest (India)</td>
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<tr>
<td>Carnation Auto India Ltd</td>
<td>51.9</td>
<td>10.0</td>
<td>Sep-08</td>
<td>Future Group (India); Indivision Investment Advisors Ltd. (India)</td>
</tr>
<tr>
<td>Subhiksha Trading Services Ltd</td>
<td>140.1</td>
<td>50.0</td>
<td>Aug-08</td>
<td>Aditya Birla Capital Advisors Private Limited (India)</td>
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<tr>
<td>Blue Foods Pvt. Ltd.</td>
<td>140.1</td>
<td>26.0</td>
<td>Jul-08</td>
<td>TGS Investment &amp; Trade Pvt Ltd. (India)</td>
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<tr>
<td>V-Mart Retail Pvt Ltd</td>
<td>18.6</td>
<td>25.0</td>
<td>Jul-08</td>
<td>Phi Advisors (India)</td>
</tr>
<tr>
<td>Mahindra First Choice Pvt Ltd</td>
<td>29.7</td>
<td>10.0</td>
<td>Jun-08</td>
<td>Sequoia Capital India (United States); Kleiner Perkins Caufield &amp; Byers (KPCB) (United States); Sherpalo Inc. / Sherpalo Ventures (United States)</td>
</tr>
<tr>
<td>Nahar Retail Ltd. (Cotton County</td>
<td>127.8</td>
<td>49.0</td>
<td>Feb-08</td>
<td>Kotecha Capital Services Pvt Ltd. (India)</td>
</tr>
<tr>
<td>India)</td>
<td></td>
<td></td>
<td></td>
<td>Erasmic Venture Fund Pvt. Ltd. (India)</td>
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<tr>
<td>FutureBazaar India Ltd</td>
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<td>15.0</td>
<td>Mar-08</td>
<td>Future Ventures India Ltd. (India)</td>
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<td>Kaati Zone</td>
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<td></td>
<td>Feb-08</td>
<td>Future Ventures India Ltd. (India)</td>
</tr>
<tr>
<td>United Pizza Restaurant Pvt Ltd</td>
<td>35.7</td>
<td>50.0</td>
<td>Jan-08</td>
<td>SAIF Partners (Hong Kong)</td>
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<tr>
<td>Convergem Communication (India) Ltd</td>
<td>1.5</td>
<td></td>
<td>Jan-08</td>
<td>Future Ventures India Ltd. (India)</td>
</tr>
<tr>
<td>Footmart Retail (India) Ltd</td>
<td>23.0</td>
<td>20.0</td>
<td>Jan-08</td>
<td>Future Ventures India Ltd. (India)</td>
</tr>
</tbody>
</table>

Source: "Private Equity Deals 2008-2009", Asian Venture Capital Journal, September 2009 (Data provided by CBK)
M&A activity

International players interested in the Indian market

• Walmart has entered into a 50:50 joint venture and franchisee agreement with Bharti Retail Ltd, and has set up its first cash and carry outlet in Punjab.

• India has a growing middle class and many US companies are targeting it for international growth. Coffee chain Starbucks Corp plans to enter India within two years.

• Carrefour, French retail major, is set to finalise its entry route into India.
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Key players in Indian retail … (1/7)

**Pantaloons Retail (India) Limited**

- Pantaloon Retail (India) Ltd, a Future Group venture, started operations with Pantaloon Shoppe in 1994 and has since emerged as a retailing major in India, with over 12 million sq ft of retail space spread over 1,000 stores across 71 cities in India.

- The company clocked revenues worth US$ 887 million in 2007–08, a 75 per cent increase over 2006–07. The net profit stood at US$ 29.75 million with a hike of 87 per cent over the previous year.

- PRIL has many firsts to its name in the Indian market, with discounted store formats such as Brand Factory setting benchmarks for new players entering the market. Innovative store formats — such as Hometown, a one-stop shop for all home requirements; Sports Bar, a sports theme restaurant complete with game courts and screens for match viewing; and Health City, a spa and beauty care venture targeted at the value segment — are hitting the market, consolidating PRIL’s market position.
The unique selling proposition of PRIL is the dual approach to tap both the 'value' segment and the 'lifestyle and luxury' segment, by establishing retail formats in each segment; for instance, Big Bazaar and Fashion Station are aimed at value retailing, while Central and Pantaloons capture lifestyle segment consumers.
Shopper’s Stop Ltd

- Shopper’s Stop, established in 1991, has now expanded to more than 100 retail outlets spread across 1.82 million sq ft of built-up area, spanning the entire spectrum of retailing verticals and formats.

- Shopper’s Stop has a total of 26 stores in 12 cities.

- Strategic partnerships with international retailing players, such as Mothercare Plc of Britain and Leisure and Allied Industries of Australia, help Shoppers Stop cater to niche segments.

- Aggressive expansion plans are in the pipeline for formats such as Timezone, a leisure and entertainment format venture, and Brio, the coffee bar located strategically at Crossword, the bookstores in Shopper’s Stop outlets.

Sources: Company annual reports; Shopper’s Stop Limited, quarterly financials June 2009, annual report 2006-2007
### Key players in Indian retail … (4/7)

<table>
<thead>
<tr>
<th><strong>Tata Trent Ltd</strong></th>
<th><strong>RPG Enterprises</strong></th>
<th><strong>Landmark Group</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established in 1998</td>
<td>• Spencer’s Retail Ltd was established in 1996</td>
<td>• Present in India since 1999</td>
</tr>
<tr>
<td>• Revenues: US$ 124 million in 2007–08</td>
<td>• Spencer’s has retail footage of over 1.1 million sq ft</td>
<td>• Retail sector activity: Apparel, home décor and furnishing</td>
</tr>
<tr>
<td>• Retail sector activity: Apparel, books and music</td>
<td>• Stores: 250 stores, including 36 large format stores across 66 cities in India</td>
<td>• Current store formats: Department stores, hypermarkets</td>
</tr>
<tr>
<td>• Current store formats: Hypermarket, supermarkets</td>
<td>• Retail sector activity: Music, food and grocery, beauty products</td>
<td>• Current outlets: 15 Lifestyle stores and eight Home Centres</td>
</tr>
<tr>
<td>• Future plans: New venture called Infiniti Retail Ltd</td>
<td>• Current store formats: Convenience stores, supermarkets, hypermarkets</td>
<td>• Future plans: Presence in mini-metros and tier-II cities</td>
</tr>
<tr>
<td>• Manufacture private labels in apparels</td>
<td>• Music World has tie ups with 350 affiliates across the country</td>
<td>• Principal fascia: Lifestyle, Home Centre, Max Retail</td>
</tr>
<tr>
<td>• Principal fascia: Westside, Landmark, Star India Bazaar</td>
<td>• Principal fascia: Spencer’s, Music World</td>
<td></td>
</tr>
</tbody>
</table>

## Key players in Indian retail … (5/7)

### Madura Garments
- Established in 1988
- Part of the Aditya Birla Nuvo Group
- Current stores: 82 in India across 50 cities and five international stores
- Retail sector activity: Apparel
- Joint venture with international brand: Esprit
- Current outlets: Planet Fashion — 50 outlets, Trouser Town — nine outlets
- Future plans: Diversify into the women’s wear segment
- Principal fascia: Louis Philippe, Van Heusen, Allen Solly, SF Jeans, Peter England

### Vivek Group
- Established in 1965
- Retail sector activity: Electronics and home appliances, food and grocery, beauty
- Current store format: Supermarkets, hypermarkets
- Current outlets: Vivek — 23 outlets, Jaisons — 26 outlets, Premier — three outlets, all covering a retail space of over 175,000 sq ft
- Future plans: 60 stores in south India
- Principal fascia: Viveks, Jaisons, Premier

### Globus
- Established in 1998
- Retail sector activity: Apparel
- Current store format: Standalone stores
- Current outlets: 24
- Future plans: To set up an additional 100 fashion stores by 2012
- Manufacture private labels under Globus and F21
- Principal fascia: Globus

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**Sources:** 
### Key players in Indian retail … (6/7)

<table>
<thead>
<tr>
<th>Vishal Megamart Ltd</th>
<th>Nilgiris Ltd</th>
<th>more</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established in 1986</td>
<td>• Established in 1905</td>
<td>• Established as Trinethra 1986, taken over by Aditya Birla Nuvo Group in 2006 and renamed ‘more.’</td>
</tr>
<tr>
<td>• Current stores: 180 showrooms in 100 cities</td>
<td>• Retail sector activity: Bakery products, food and grocery</td>
<td>• Retail sector activity: Food and grocery, beauty products</td>
</tr>
<tr>
<td>• Retail area coverage of 2,990,146 sq ft</td>
<td>• Current store formats: Supermarkets</td>
<td>• Current store formats: Convenience stores, supermarkets, hypermarkets</td>
</tr>
<tr>
<td>• Current store formats: Supermarkets</td>
<td>• Future plans: To increase stores to 100</td>
<td>• Current outlets: 640 outlets</td>
</tr>
<tr>
<td>• Popular brands: Zero Degree and Fume</td>
<td>• Principal fascia: Nilgiris</td>
<td>• Future plans: To enter into pharmacy, apparel and footwear</td>
</tr>
<tr>
<td>• Has a factory with 700 imported machines that have the capacity to manufacturer 150,000 pieces a month</td>
<td></td>
<td>• Principal fascia: more.</td>
</tr>
<tr>
<td>• 10 warehouses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Key players in Indian retail … (7/7)

<table>
<thead>
<tr>
<th>Provogue Ltd</th>
<th>Bata India Ltd</th>
<th>Archies Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established in 1997</td>
<td>• Present since 1931</td>
<td>• Present since 1979</td>
</tr>
<tr>
<td>• Retail sector activity: Apparel and footwear</td>
<td>• Retail sector activity: Footwear and accessories</td>
<td>• Retail sector activity: Cards and gifts</td>
</tr>
<tr>
<td>• Current store format: Standalone stores</td>
<td>• Current store formats: Standalone stores</td>
<td>• Current store formats: Standalone stores</td>
</tr>
<tr>
<td>• Current outlets: 124 own stores and 228 outlets in 64 cities</td>
<td>• Current outlets: 1,250 outlets in India</td>
<td>• Current outlets: Archies has 100 company-owned stores in India and 450 franchise-run outlets</td>
</tr>
<tr>
<td>• Future plans: To manage and develop malls</td>
<td>• Operates five manufacturing facilities</td>
<td>• Future plans: It plans another 100 company-owned outlets by 2010</td>
</tr>
<tr>
<td>• Principal fascia: Provogue, Prozone and Promart</td>
<td>• Future plans: To remodel 150 stores and open 40 more stores</td>
<td>• Principal fascia: Archies, Stupid Cupid</td>
</tr>
</tbody>
</table>

Players across verticals ... (1/3)

**Food and grocery**

- SUBWAY
- B&J Group
- Magna
- Cafe Coffee Day
- ITC Limited
- NF
- FabMall
- Godrej

**Clothing and textiles**

- Fabindia
- Piramal
- Lee
- Benzer
- Biba
- Levi's
- Ebony
- MANGO
- Kappa
- Peter England
- Nalli
- Lee Cooper
Players across verticals … (2/3)

**Jewellery and watches**

- TISSOT
- DAMAS
- GILI
- TANISHQ
- CARBON
- KIAH
- TBZ

**Footwear**

- RBK
- Liberty
- Nike
- Umbro
- Adidas
- Woodland
- Paragon
- New Balance
Players across verticals … (3/3)

Home décor and furnishings

Electronics

Beauty care

Books and music
International retailers

International retailers are fast expanding their business in India to tap the large consumer base. Reebok has set up its largest store in the world in Hyderabad; Tommy Hilfiger and Levi’s have over 20,000 sq ft of retail space and standalone stores across major metros. Fast-food giants such as Pizza Hut, McDonald’s and Subway are expanding at a rapid pace in emerging tier-II and tier-III cities.
The focus of this presentation is to discuss…

- Market Overview
- Advantage India
- Policy
- Key Trends and Drivers
- Key players
- Key Opportunities
Innovative formats

**Specialty formats**

- Formats like 'Wedding Malls', which are unheard of in the West are making their presence in the Indian market. These stores stock the complete range of wedding needs, from apparel to jewellery.

- The Khadi and Village Industries Commission is set to roll out a string of swanky 'Khadi Plazas', which will showcase handloom textiles in a new format. Over 7,000 existing outlets are to be beefed up to cater to the changing tastes of the young consumer.

- The latest addition to diverse formats are 'Village Malls', under which fair price shops are being revamped to cater to the larger needs of the local population. The Gujarat government has spearheaded this initiative by launching 512 such malls; another 508 are on the anvil.

**Gaining the 'first-mover advantage'**

- More than 72 per cent of India's population resides in small towns and rural areas, with agri-produce retailing forming the lion's share of the total retail pie in these areas. Thus, this offers immense potential for food and grocery verticals, and value retailing.

- Players such as Reliance Retail and Aditya Birla Nuvo Group’s ‘more.’ have aggressive plans to tap these emerging segments.

- Players who have established their presence in the top metros are planning to set up establishments in emerging towns and cities to gain the first-mover advantage over other entrants.
India as a sourcing hub

Emergence of India as a retail sourcing hub

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

• Walmart has been sourcing a variety of products from India for more than 20 years. Walmart’s office in Bangalore serves as Walmart’s global procurement hub for the sourcing of merchandise from India and Sri Lanka to Walmart stores and Sam’s Clubs (owned and operated by Walmart) globally.

• Textiles dominated the sourcing scenario through the 1990s.

• Unilever sources a major part of its FMCG products from its wholly-owned Indian subsidiary, Hindustan Lever Ltd.

• Adidas, Next and Calvin Klein are expected to follow suit, with Adidas opening its first office in Bangalore.

• LG Electronics plans to invest US$ 50 million to enhance manpower and R&D in India in 2009.

• Samsung intends to double its R&D team in India to 4,000 by 2010 for strengthening product development and providing customised technology for the domestic market.
India as a sourcing hub

Increasing technology adoption

• With modern retail store formats growing in size, players are increasingly deploying advanced IT tools for managing supply chain, warehousing and logistics requirements.

• The Indian retail IT market was US$ 253 million in 2006 and it is expected to quadruple to US$ 1.07 billion by 2010.

• Apart from industry giants, small-scale retailers are also embracing IT solutions to spruce up their operations.

• Big league IT firms such as IBM India, Oracle and SAP are developing solutions for smaller retailers’ requirements, such as merchandising solutions, store-level point of sale (POS) needs, collaboration tools and hardware requirements.

Click-to-buy phenomenon

Online retailing

• The increase in the number of broadband and dial-up Internet connections, limited personal time, increased use of plastic money and a large young population that spends a considerable time online are facilitating the growth of online shopping.

• Players such as Rediff.com, eBay.in and Indiatimes.com were the first entrants into the Indian online retail space, clocking impressive revenues through online transactions. Recent players to enter this niche market include Pantaloon Retail India Ltd through its Futurebazaar.com venture.

• There is an increasing trend among retailers maintaining their own portals for easy consumer access, facilitating online purchase of merchandise such as Tata Indicom’s i-choose.in and Godrej & Boyce’s godrej lifespace.com.

• Many smaller retail portals are mushrooming on the World Wide Web, meeting niche Indian consumer requirements for ethnic apparel, handicrafts and jewellery.

• With value-added services such as cash-on-delivery to facilitate online transactions by consumers without credit/debit card and unique bidding schemes, e-commerce is fast gaining acceptance in India.
Emerging rural retailing

• Rural hypermarkets are growing at an aggressive pace, providing multiple services, from creating platforms to buy and sell farm produce, to forming banks and restaurants.

• ITC Choupal Saagar: There are 24 outlets in operation and ITC plans to increase the number to 100 by 2010. Choupal Saagar retails products and also acts as a procurement hub for ITC’s e-choupals, where farmers are offered better rates for produce, compared with the prevalent mandi rates.

• DSCL’s Hariyali Kisan Bazaar: It has over 302 outlets cross eight states — Haryana, Punjab, Uttar Pradesh, Rajasthan, Chhattisgarh, Madhya Pradesh, Maharashtra and Andhra Pradesh.

• Indian Oil Corporation’s Kisan Seva Kendra: These offer fuel, agri-produce, FMCG and value-added services across a network of over 1,400 outlets.

• Reliance Retail and Pantaloon Retail: The two companies are likely to venture more aggressively into the rural retailing space.

• Asian Development Bank is lending US$ 150 million for the revival of khadi and this is expected to bolster employment in rural areas.

Resplendent luxury market…(1/2)

- Affluent households account for just about 4.5 per cent of the national population, but account for more than 22 per cent of total retail sales, adding US$ 62,340 million to revenues.

- The number of affluent households are projected to increase to 8.5 per cent in 2010–11, translating into a retail opportunity worth US$ 152,000 million.

- Delhi and Mumbai are the prime contributors to the luxury retail space, and these cities have the highest density of luxury brand outlets.

- However, the locations of these outlets are typically limited to five-star hotels and high-end mall spaces, with limited footfalls and consumer exposure.
Resplendent luxury market...(2/2)

- Players in this retail space have aggressive expansion plans in the pipeline, with investor confidence reinforced by booming sales.

- In order to boost sales and to increase their presence, international luxury retailers are entering into partnerships with Indian players. For example, DLF has entered into a joint venture with Armani and Reliance Industries has entered into agreement with Marks & Spencer.

Source: Retail: industry profile, March 2009, CRIS INFAC
Leisure and entertainment

- Entertainment retail is redefining Indian lifestyles with as many multiplexes, gaming zones, etc., mushrooming as malls.

- The huge entertainment and leisure opportunity in India is reflected by the fact that there exist 10 screens per million population in India compared to 40 screens in the European market and 117 in the US.

- Total revenues from entertainment (film industry) were pegged at US$ 2.7 billion in 2008 and these are projected to increase to US$ 5.1 billion by 2013.

- Organised retail in leisure and entertainment grew at an average rate of 28 per cent over the period 2005 to 2008, and is expected to maintain pace in the coming years with Indian players investing heavily in this market.

- Reliance Infotech’s Adlabs and Shopper’s Stop’s Timezone have aggressive expansion plans, with both retailers exploring the joint venture option with international giants.

Source: Media and entertainment: industry profile, August 2008, CRIS INFAC
Cashing-in on transit channels…(1/2)

• Fast-paced infrastructure development, including the development of new international airports and metro rail routes, is opening up new avenues for retail.

• The Airports Authority of India (AAI) is embarking on the upgradation of nine metro airports and 15 non-metro airports, with plans to spruce up the retail space in the airports as well.

• The JV between Shopper’s Stop and The Nuance Group AG has won the contract for setting up duty-free and duty-paid retailing outlets at the upcoming Bangalore and Hyderabad international airports.

• Flemingo Duty Free Shop Pvt Ltd is a global company operating duty-free shops in Asia and Africa. It has been present in India for over five years and operates duty-free shops at 11 international airports, eight seaports and a border shop in India, and is poised to increase its presence at upcoming airports and seaports.
Cashing-in on transit channels...(2/2)

• The Mass Rapid Transit System, currently in operation in Delhi, and in the pipeline for other metros such as Bangalore and Hyderabad, is also expected to offer immense retailing potential.

• Several retailers are in the fray to capitalise on the commercial potential offered by the 53 metro stations in operation and 79 stations proposed to come up by 2010 in Delhi.

• The Delhi Metro Rail Corporation awarded Omaxe Ltd the “Chawri Bazaar Commercial Development” project. Omaxe has entered into a consortium agreement with Vishal Retail, a retailing major in Delhi, for the project.
Other opportunities

SEZ synergies

• As of January 2009, there were 578 formally approved SEZs across India.

• SEZs offer ample retail opportunities, with a percentage of the SEZ area earmarked for retail activity in the non-processing zone.

• The size of the area in the retailing space is calculated considering various parameters such as type of SEZ, projected size of the residential population in the SEZ and population in the catchment area.

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

Tourism-related opportunities

• With tourists inflow increasing impressively each passing year, tourism holds the key to a large retailing opportunity. In 2008, approximately 5.36 million foreign tourists arrived in India, a 5.6 per cent growth over 2007.

• Retailing of regional handicrafts and artifacts has the ability to capture the interest of foreign tourists, given the rich and diverse cultural heritage of India.

• For instance, Delhi Tourism’s initiative, Dilli Haat (a crafts bazaar located in Delhi), retails crafts of various states, thereby attracting a large number of tourists.

• The concept is fast gaining traction in other destinations such as Jaipur, Mumbai and Hyderabad.

Sources: "Notified SEZs as on 29 April 2009," SEZ India website, www.sezindia.nic.in, accessed on September 16, 2009; Ministry of Tourism, Government of India, 2008-09 annual report
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