## Table of Content

- Executive Summary ........................................ 3
- Advantage India ............................................. 5
- Market Overview and Trends ............................. 7
- Strategies adopted ........................................ 15
- Growth Drivers .............................................. 18
- Opportunities .............................................. 26
- Key Industry Organisations .............................. 29
- Useful Information .......................................... 31
EXECUTIVE SUMMARY

- Rising income and demand for quality products to boost consumer expenditure.
- Total consumption expenditure is expected to reach nearly US$ 3,600 billion by 2020 from US$ 1,824 billion in 2017.

- 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 an estimated US$ 672 billion in 2017 to US$ 1,200 billion in 2021F.

- 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$ 13.51 billion in 2016 to US$ 26.67 billion in 2019.

Notes: CAGR - Compound Annual Growth Rate, F - Forecast, E – Estimated, Consumer expenditure data is expected to be updated by July 2019 from World Bank data
Source: Ernst and Young, Price Waterhouse Cooper, Economic Times, MRRSIndia.com and Assocham - The Associated Chambers of Commerce and Industry of India, Consumer Leads report by FICCI and Deloitte - October 2018
EXECUTIVE SUMMARY

- Robust consumption, rural markets to augment FMCG market.
- FMCG market expected to increase to US$ 103.7 billion by 2020 from Rs 3.4 lakh crore (US$ 52.75 billion) in FY2018.

- 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.
- Online retail sales is forecasted to grow at the rate of 31 per cent year-on-year to reach US$ 32.70 billion in 2018.
- Revenue generated from online retail is projected to grow to US$ 60 billion by 2020.

Notes: CAGR - Compound Annual Growth Rate, F – forecast, All the years denote calendar year, ^ - FY18
Source: indiaretailing.com, eMarketer
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.

Retail space demand is expected to increase at the rate of 81 per cent to 7.8 million sq ft in 2018.

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

Foreign retailers are continuously entering the Indian market.

Cumulative FDI inflow in retail as of June 2018 stood at US$ 1.42 billion.

As of September 2018, Samara Capital and Amazon acquired More.

About 51 per cent FDI in multi-brand retail.

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

Goods and Service Tax (GST) was introduced as a form of single unified tax system.

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.

**Note:** FY – Indian Financial Year (April–March), NMDP – National Maritime Development Programme, FDI – Foreign Direct Investment, MMT – Million Metric Tonnes,

**Source:** Report of the Task force on Financing Plan for Ports, Government of India, JLL report

For updated information, please visit www.ibef.org
MARKET OVERVIEW AND TRENDS
EVOLUTION OF RETAIL IN INDIA

Pre 1990s
- Manufacturers opened their own outlets.

1990-2005
- Pure-play retailers realised the potential of the market.
- Most of them in apparel segment.

2005-2010
- 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.

2010 onwards
- Cumulative FDI inflow from April 2000 to June 2018, in the retail sector, reached US$ 1.42 billion.
- 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 126 stores as of May 2018.
- Shoppers Stop has 83 stores in India, as of 2018.
- As of FY18, Reliance Retail launched ‘Trends’ in this format and currently has more than 3,300 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 of Indian retail industry reached US$ 672 billion in 2017. It is forecasted to increase to US$ 1,200 billion by 2021 and 1,750 billion by 2026.
- 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.

Note: *CAGR for 2000-2016, F – Forecast, E – Estimated
Source: indiaretailing.com, BMI Research, Consumer Leads report by FICCI and Deloitte - October 2018
ORGANISED RETAIL IN NASCENT STAGE

Significant scope for expansion

- As of 2017E, the traditional retail, organised retail and e-commerce segments account for an estimated 88 per cent, nine per cent and three per cent of the market, respectively.
- The organised retail market in India is growing at a CAGR of 20-25 per cent per year.
- It is projected that by 2021 traditional retail will hold a major share of 75 per cent, organised retail share will reach 18 per cent and e-commerce retail share will reach seven per cent of the total retail market.
- 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, F – Forecast, * - e-commerce market here refers to sale of products and services through electronic transactions, home shopping is considered a part of e-commerce
Source: BCG, KPMG-indiaretailing.com, Deloitte Report, Winning in India’s Retail Sector, Centre for Digital Financial Inclusion (CDFI) report, Crisil, Consumer Leads report by FICCI and Deloitte - October 2018
SECTOR’S HIGH GROWTH POTENTIAL IS ATTRACTING INVESTORS

- India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk and moderate political risk.

- India’s high growth potential compared to global peers has made it more favourable. 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 11th (after U.S., Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland and Italy).

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

### FDI Confidence Index 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2.09</td>
</tr>
<tr>
<td>Canada</td>
<td>1.82</td>
</tr>
<tr>
<td>Germany</td>
<td>1.81</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.77</td>
</tr>
<tr>
<td>China</td>
<td>1.76</td>
</tr>
<tr>
<td>Japan</td>
<td>1.72</td>
</tr>
<tr>
<td>France</td>
<td>1.7</td>
</tr>
<tr>
<td>Australia</td>
<td>1.66</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.58</td>
</tr>
<tr>
<td>Italy</td>
<td>1.57</td>
</tr>
<tr>
<td>India</td>
<td>1.56</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.53</td>
</tr>
</tbody>
</table>

**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. Currently, it is estimated to be a US$ 50 billion opportunity. After conquering physical stores, retailers are now foraying into the domain of e-retailing. It had a market size of US$ 18 billion in 2017 and is forecasted to reach US$ 32.70 billion by 2018.

Online retail market is estimated to reach US$ 60 billion by 2020. The online retail market sales is forecasted to grow at the rate of 31 per cent year-on-year to reach US$ 32.70 billion in 2018. It is projected to reach US$ 73.00 billion by 2022F.

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. It is forecasted to reach US$ 53 billion by 2018.

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.

Notes: APMEA - Asia/ Pacific, Middle East and Africa, F- Forecast
STRATEGIES ADOPTED
## STRATEGIES ADOPTED

<table>
<thead>
<tr>
<th>Strong distribution and logistic network</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of October 2018, Xiaomi opened 500 Mi stores in rural region of India. It aims to open 5,000 such retail stores all over the country by the end of 2019.</td>
</tr>
<tr>
<td>Cafe Coffee Day (CCD) aims to expand its business by adding about 100 stores every year to have a network of around 2,500 stores in the next seven to eight years.</td>
</tr>
<tr>
<td>To improve consumer outreach Amway India will open 25 new Xpress Pick and Pay (XPP) stores in India in 2018.</td>
</tr>
<tr>
<td>On August 09, 2018 IKEA world’s largest furniture retailer opened its first retail store in Hyderabad and it plans to open 24 more stores by 2025.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Omni-channel retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
<tr>
<td>As of January 2019, Medlife aims to expand its retail pharmacy segment with integration of omnichannel strategy by opening 750 pharmacies across India by 2020.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collaborative growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of October 2018, Procter &amp; Gamble India (P&amp;G India) launched Innovation Sourcing Fund, a multimillion-dollar fund to invest in Indian start-ups.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lowering prices</th>
</tr>
</thead>
<tbody>
<tr>
<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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offering discounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most retailers have advanced off-season sales from 15 days to a month with discounts of 20-70 per cent on certain products. Also higher discounts and other value-added services for members.</td>
</tr>
</tbody>
</table>

*Source: Company website, News Articles*
<table>
<thead>
<tr>
<th>STRATEGIES ADOPTED</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offering value-added services</td>
<td>Companies offer innovative value-added services, like customer loyalty programmes and happy hours on shopping deals. 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. 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>To create perception that their store brands to have consistent and comparable quality and availability in relation to branded products. 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>
<tr>
<td>Hyper-Personalisation</td>
<td>Indian retailers use hyper-personalisation models based on behavioral data, brands performance, demographic preference and pin codes as marketing strategy which boosts sales.</td>
</tr>
<tr>
<td>Cash-on-Delivery</td>
<td>Online retail segment offers cash-on-delivery and manufacturers’ warranty to boost e-retailing in consumer durable sector.</td>
</tr>
<tr>
<td></td>
<td>Cash-on-delivery is the most preferred payment option with over 30 per cent of buyers opting for it in India.</td>
</tr>
</tbody>
</table>

*Source: 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
# GROWTH DRIVERS FOR RETAIL IN INDIA

## Consumer preferences
- India’s per capita GDP increased to Rs 98,867 (US$ 1,534.01) in FY18 from Rs 93,888 (US$ 1,399.43).
- Indian consumers are now shifting more towards premium brands by paying more for value and service.

## Brand Consciousness
- Factors like young demographic composition, increasing personal disposable income, more preference towards affordable luxury and rising middle class population are developing preferences for specific brands.

## Consumer Finance Opportunities
- Consumers have become more comfortable using online services due to demonetisation.
- Online retail segment provides various credit and payment options driven by increasing internet penetration, speed, 24-hour accessibility and convenient and secured transactions.

## FDI Approvals
- 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.

## Investments
- As of January 2019, Future Supply Chain Solutions will invest Rs 1,000 crore (US$ 138.60 million) to set up India Food Grid with a network of 38 food distribution centers.
- Beccos, a South Korean designer brand is set to enter the Indian market with an investment of about Rs 1.00 billion (US$ 14.25 million) and open 50 stores by June 2019.
- India’s retail sector attracted Rs 9.5 billion (US$ 147.40 million) investments in FY18, at a growth rate of 35 per cent year-on-year from Rs 7 billion (US$ 104.34 million) in FY17.

*Source: News Articles, Ministry of Statistics and Programme Implementation*
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 FY19*, GDP at current prices was US$ 2,611.33 billion and GDP per capita at current prices was US$ 1,960.46.

Source: IMF, * - 1st Advance Estimates, ** - Provisional Estimates
FDI POLICY DETAILS ON SINGLE AND MULTI-BRAND RETAIL IN INDIA

51 per cent FDI in multi -brand retail
Status: Policy passed
- 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.
- It will keep food and commodity prices under control. It will also 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
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.
- 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.
INDIAN RETAIL IS SET TO BENEFIT FROM FDI POLICY

**Benefits of FDI in Indian retail**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Entry route</th>
<th>FDI limit</th>
<th>Infrastructure investment</th>
<th>Benefiting Indian manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale cash and carry trading</td>
<td>Automatic</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single brand product retailing</td>
<td>Automatic</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-brand, front-end retail</td>
<td>Foreign Investment and Promotion Board</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For updated information, please visit 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.
- The CII survey 2018, a survey of over 200 businesses about one year of GST indicated moderate retail inflation due to GST.

- 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.

Note: CII: Confederation of Indian Industry  
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 Enterprises Ltd</td>
<td>LivQuik Technology (India) Pvt. Ltd</td>
<td>October 2018</td>
<td>Acquisition (55 per cent)</td>
</tr>
<tr>
<td>Amazon and Samara Capital</td>
<td>More</td>
<td>September 2018</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Reliance Retail Ventures Ltd (RRVL)</td>
<td>Genesis Colors Ltd (GCL), GLF Lifestyle Brands, Genesis La Mode, Genesis Luxury Fashion Pvt Ltd, GML India Fashion and GLB Body Care</td>
<td>September 2018</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Walmart</td>
<td>Flipkart</td>
<td>May 2018</td>
<td>Acquisition</td>
</tr>
<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>
</tbody>
</table>

Source: Bloomberg and Thomson ONE Banker, News Articles
OPPORTUNITIES
### GROWTH VALUE PROPOSITION

#### Demand Factors
- Higher brand consciousness.
- Growing aspiration levels and appetite to experiment.
- Growing young population and working women.

#### Supply Factors
- Rapid real estate and infrastructure development.
- Emergence of new categories.
- Development of supply chain improving efficiency.

#### Indian retail opportunity
- Rising incomes and purchasing power.
- Credit availability.
- Changing consumer preferences and growing urbanisation.
- Easy availability of credit.
- Expansion plans of existing players.
- R&D, innovation and new product development.

*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**
- In FY18, rural consumption rose by 9.7 per cent while the urban spending grew at 8.6 per cent.

**Private label opportunities**
- The organised Indian retail industry has begun experiencing an increased level of activity in the private label space.
- In April 2018, the organised retail sector is forecasted to witness strong growth in the coming years.
- 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.
- 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, Nielsen, Jefferies report
KEY INDUSTRY ORGANISATIONS
## 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.</td>
<td>Address: A-13, Kailash Colony New Delhi – 110048</td>
</tr>
<tr>
<td>Tel: 91- 22 - 28269527 - 28</td>
<td>Tel: 91- 11- 2923 5332</td>
</tr>
<tr>
<td>Fax: 91- 22- 28269536</td>
<td>Fax: 91- 11- 2923 3145</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:info@rai.net.in">info@rai.net.in</a></td>
<td>Website: <a href="http://www.fai.co.in">www.fai.co.in</a></td>
</tr>
<tr>
<td>Website: <a href="http://www.rai.net.in">www.rai.net.in</a></td>
<td></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>
<tr>
<td>Q1 2018–19</td>
<td>67.04</td>
</tr>
<tr>
<td>Q2 2018–19</td>
<td>70.18</td>
</tr>
<tr>
<td>Q3 2018–19</td>
<td>72.15</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.