



RETAIL



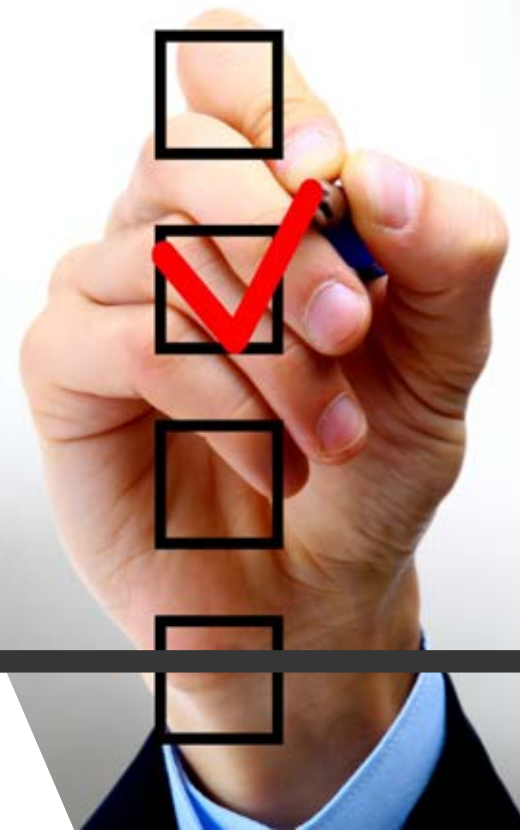
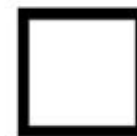
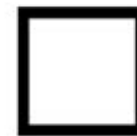
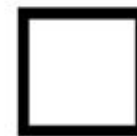
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March 2020

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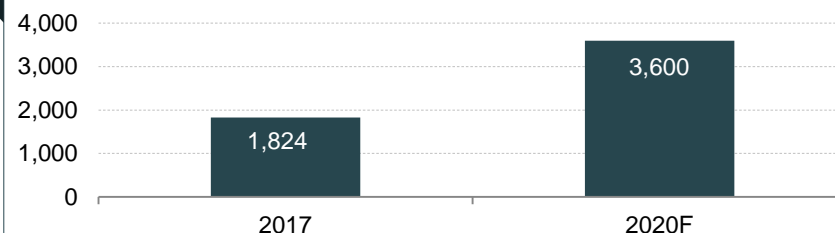
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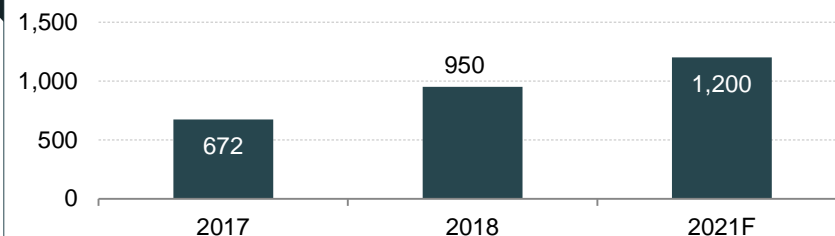
EXECUTIVE SUMMARY

- Rising income and demand for quality products to boost consumer expenditure.
- India ranked 63rd in World Bank's Doing Business 2019.
- Total consumption expenditure is expected to reach nearly US\$ 3,600 billion by 2020 from US\$ 1,824 billion in 2017.
- According to Cushman & Wakefield report, Delhi's upscale Khan Market has become the world's 20th most expensive retail location.
- Indian retail one of the fastest growing markets in the world due to economic growth.
- Retail industry reached to US\$ 950 billion in 2018 at CAGR of 13 per cent and expected to reach US\$ 1.1 trillion by 2020.
- 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.

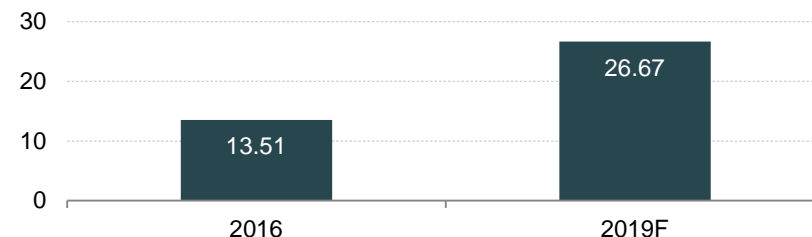
Consumer expenditure in India (US\$ billion)



Retail market in India (US\$ billion)



Modern retail market in India (US\$ billion)



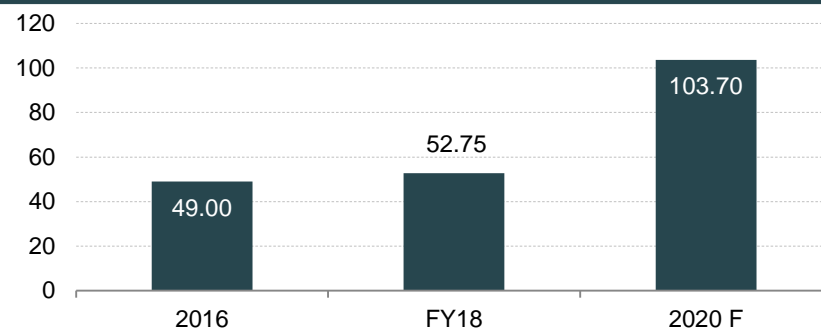
Notes: CAGR - Compound Annual Growth Rate, F- Forecast, E – Estimated

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

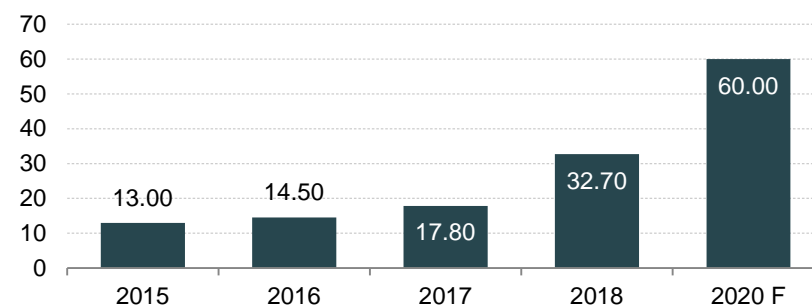
- Robust consumption, rural markets to augment FMCG market.
- FMCG market expected to increase to US\$ 103.7 billion by 2020 from Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18. The sector is projected to grow 11-12 per cent in 2019.

FMCG market in India (US\$ billion)



- Increasing participation from foreign and private players to boost retail infrastructure.
- 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.

Revenue from online retail in India (US\$ billion)



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

Source: indiaretailing.com, eMarketer, Nielsen India

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.
- increasing purchasing power has led to growing demand.

**Robust
Demand**

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

**Innovation
in financing**

ADVANTAGE INDIA

- Foreign retailers are continuously entering the Indian market.
- Cumulative FDI inflow in retail between April 2000 to December 2019 stood at US\$ 2.00 billion.
- India's retail sector attracted US\$ 970 million from various private equity funds in 2019.

**Increasing
investments**

- 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.

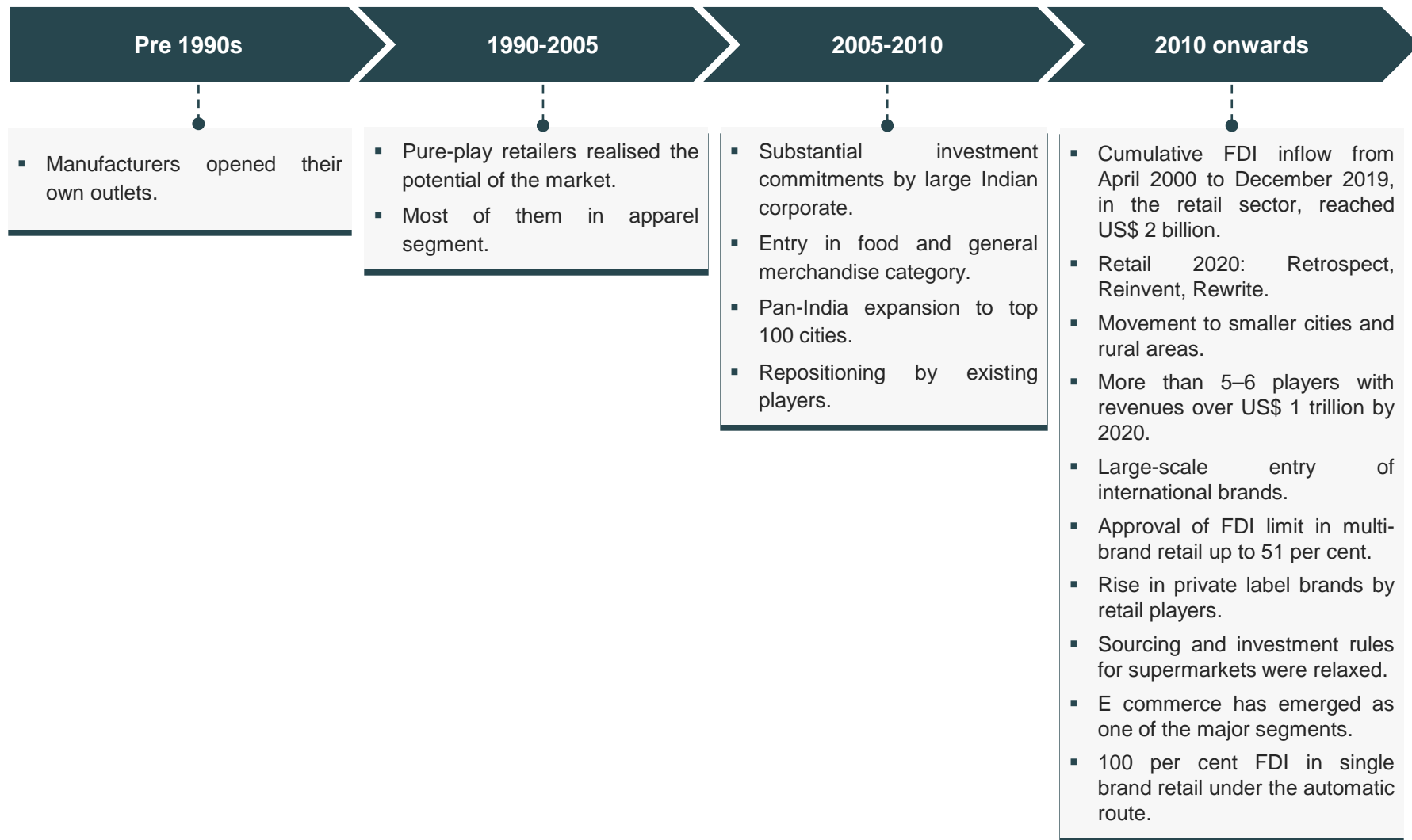
**Policy
Support**

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, Anarock Retail

MARKET OVERVIEW AND TRENDS



EVOLUTION OF RETAIL IN INDIA



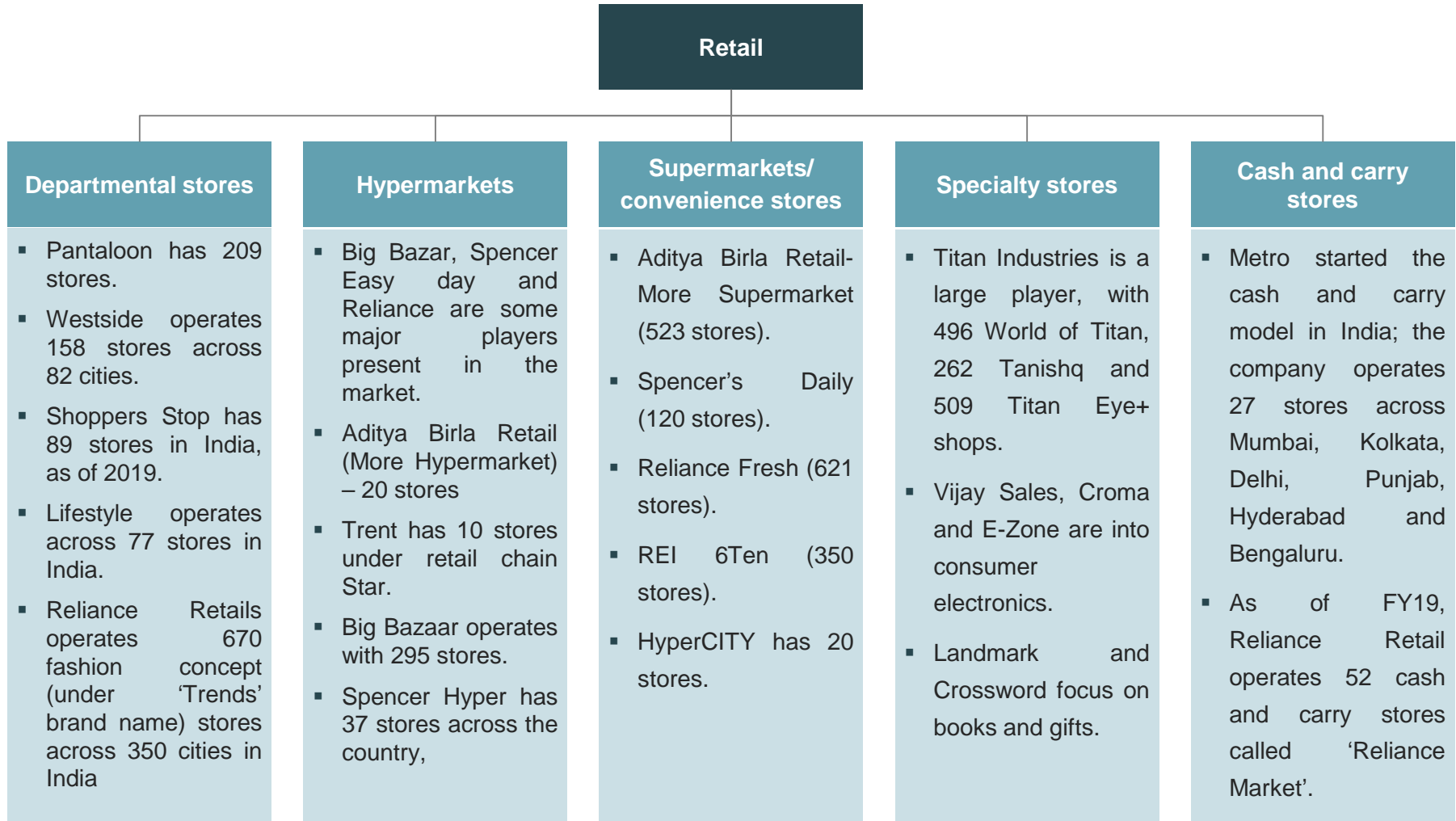
Source: Technopak Advisors Pvt Ltd, BCG



Note: IT - Information Technology

Source: TechSci Research

COMPETITIVE LANDSCAPE IN INDIAN RETAIL SECTOR

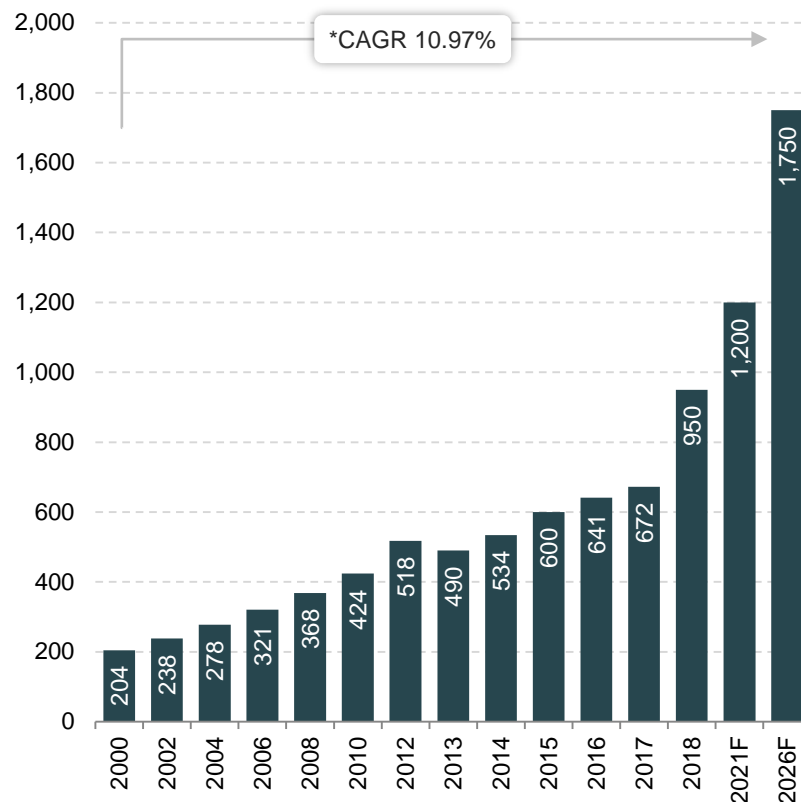


Source: Company websites, Press Release

STRONG GROWTH IN THE INDIAN RETAIL INDUSTRY

- The retail sector in India is emerging as one of the largest sectors in the economy. It contributes 10 per cent of GDP and 8 per cent of employment.
- 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.
- Revenue of India's offline retailers, also known as brick and mortar (B&M) retailers, is expected to increase by Rs 10,000-12,000 crore (US\$ 1.39-2.77 billion)^ in FY20.
- Experiential retail draws the concentration to a customer driven approach where the client can interact with product or brand rather than being a passive participant.

Market size over the past few years (US\$ billion)

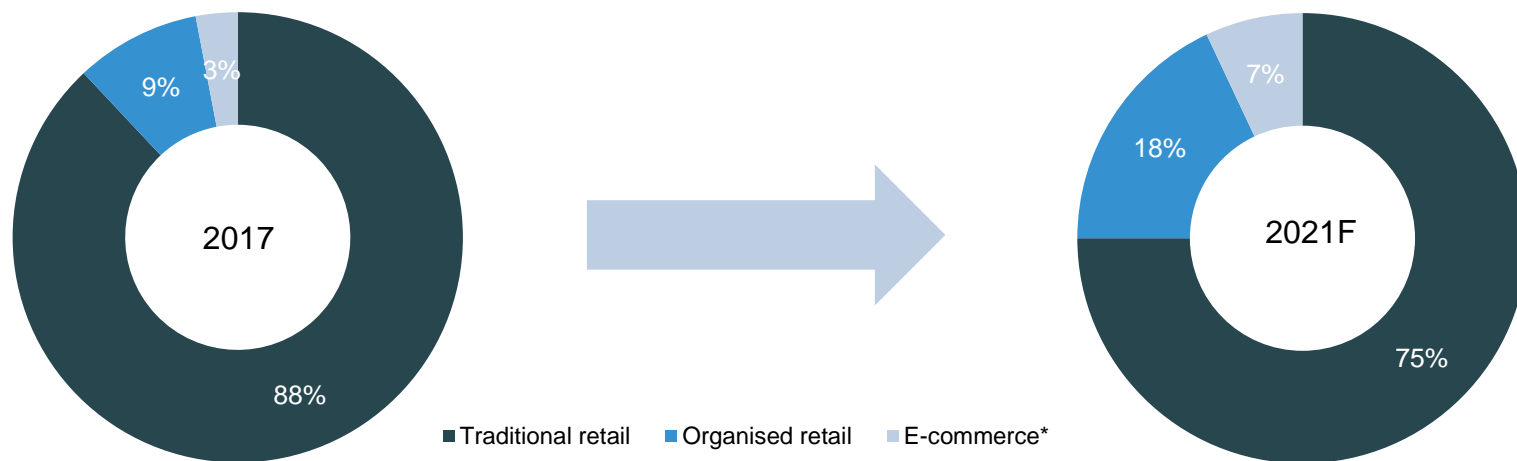


Note: *CAGR for 2000-2016, F – Forecast, E – Estimated, ^as per CRISIL

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 2017, 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.

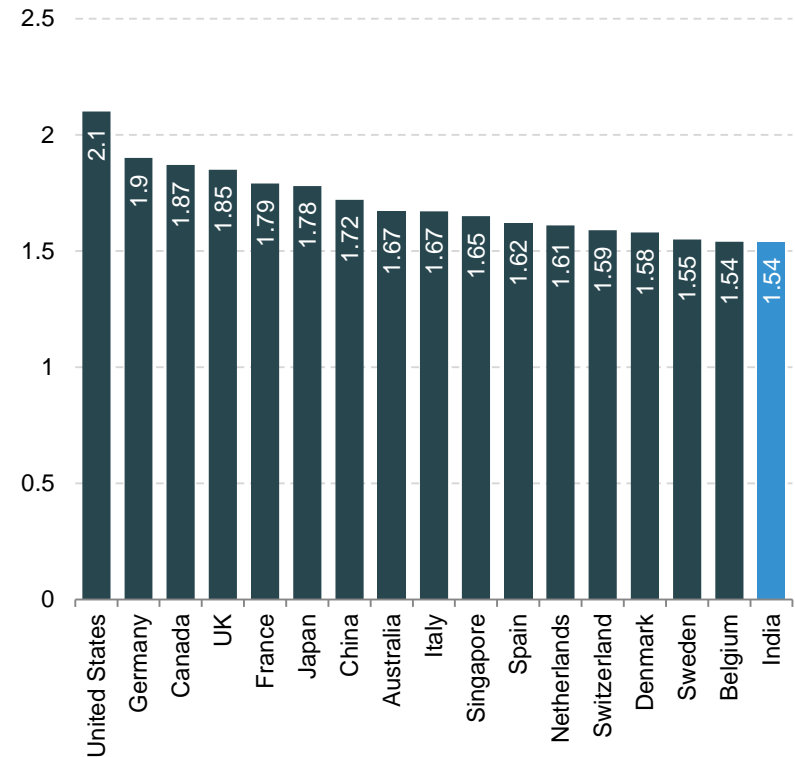
Note: F – Forecast, * - e-commerce market here refers to sale of products and services through electronic transactions, home shopping is considered a part of e-commerce

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 ranked 16th (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 2019

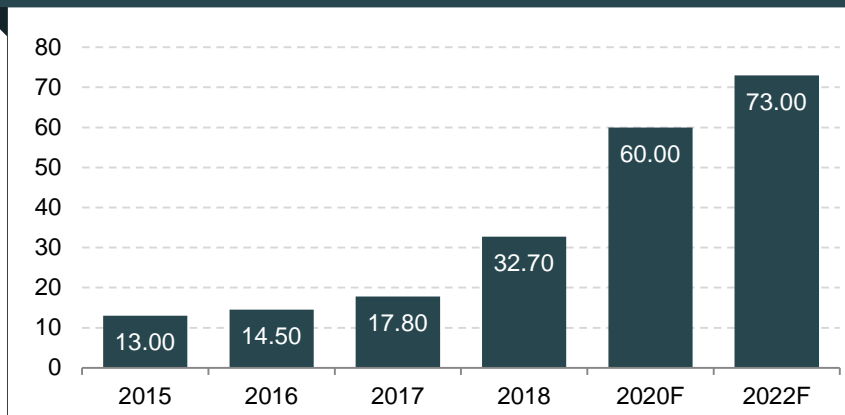


Note: FDI - Foreign Direct Investment

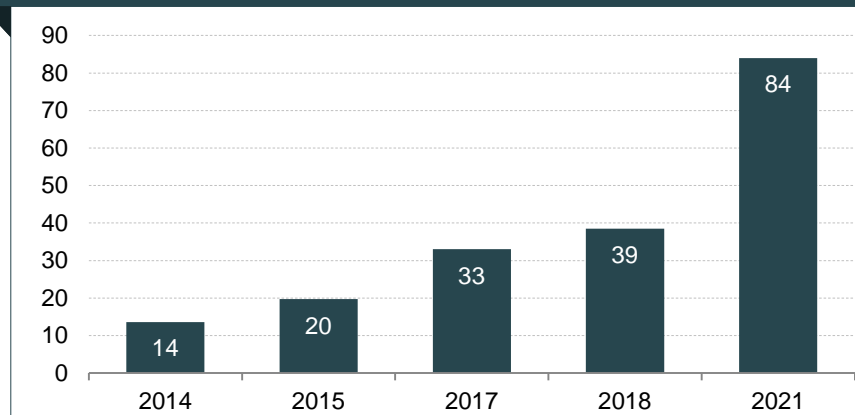
Source: AT Kearney 2019 FDI Confidence Index

RISING PROMINENCE OF ONLINE RETAIL

Online retail in India (US\$ billion)



Indian E-Commerce Market (US\$ billion)



- Online retail market is estimated to reach US\$ 60 billion by 2020 from US\$ 32 billion in 2018. 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.
- In the festive sale (September 29-October 4, 2019), the e-tailers in India achieved US\$ 3 billion of Gross Merchandise Value (GMV).
- 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.
- India ranked 73rd in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019.
- Online retailers now deliver to 15,000-20,000 pin codes out of nearly 100,000 pin codes in the country.

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

Source: MasterCard Worldwide Insights 4Q 2010, ANAROCK, ASSOCHAM, UN Report 'The power of 1.8 billion', Nasscom annual guidance 2018, RedSeer Consulting, eMarketer

STRATEGIES ADOPTED



STRATEGIES ADOPTED

Strong distribution and logistic network

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

Expansion

- In February 2019, Future Consumer partnered with T Choithram & Sons to start offering products in the Middle East.
- Huawei signed a partnership with Micromax to expand its retail presence in India.
- Miniso has 105 stores and plan to expand to 150 stores by end of 2019.
- As of November 2019, Xiaomi is India's largest retail network with 2500 stores and presence in 790 cities.

Omni-channel retailing

- Retailers are opting for many channel to maximise sales, Omni-channel retailing is being adopted by many retailers in India. For example, Shoppers Stop is making efforts to be an omni-channel retailer. Ezone has launched an online platform, which has led to increase in sales.
- As of January 2019, Medlife aims to expand its retail pharmacy segment with integration of omnichannel strategy by opening 750 pharmacies across India by end of 2020.

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 discounts

- 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.

Source: Company website, News Articles

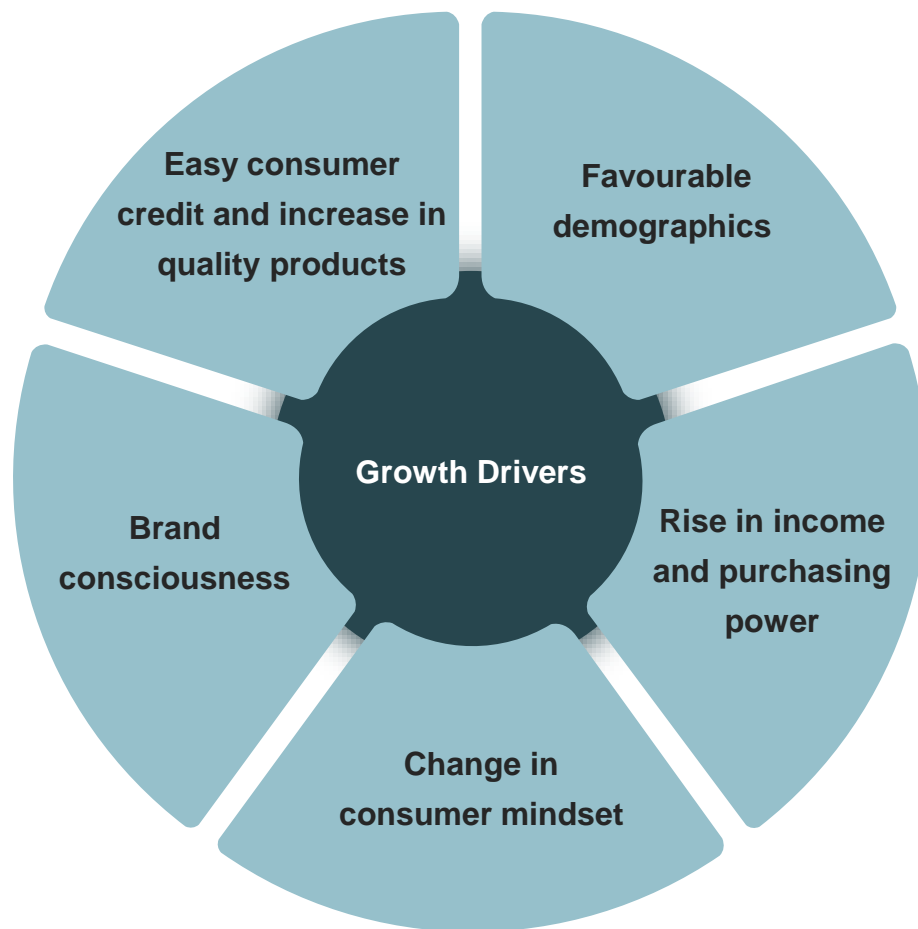
STRATEGIES ADOPTED

Offering value-added services	<ul style="list-style-type: none">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.
Leveraging partnerships	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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.
Joint Ventures	<ul style="list-style-type: none">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.In May 2019, Warburg Pincus, Runwal entered into joint venture to form US\$ 1 billion retail mall platform.
Changing the perception	<ul style="list-style-type: none">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.
Hyper-Personalisation	<ul style="list-style-type: none">Indian retailers use hyper-personalisation models based on behavioral data, brands performance, demographic preference and pin codes as marketing strategy which boosts sales.
Cash-on-Delivery	<ul style="list-style-type: none">Online retail segment offers cash-on-delivery and manufacturers' warranty to boost e-retailing in consumer durable sector.Cash-on-delivery is the most preferred payment option with over 30 per cent of buyers opting for it in India.

Source: International

GROWTH DRIVERS





GROWTH DRIVERS FOR RETAIL IN INDIA

Consumer preferences

- India's per capita GDP increased to Rs 143,048 (US\$ 1,982.65) in FY19 from Rs 129,901 (US\$ 1,800.43) FY18.
- 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 for Promotion of Industry and Internal Trade (DPIIT) approved three foreign direct investments (FDI), Mountain Trail Food, Kohler India Corporation, and Merlin Entertainments India in the single brand retail sector.
- The DPIIT has approved two FDI proposals worth more than Rs 400 crore (US\$ 62.45 million) within the retail sector.

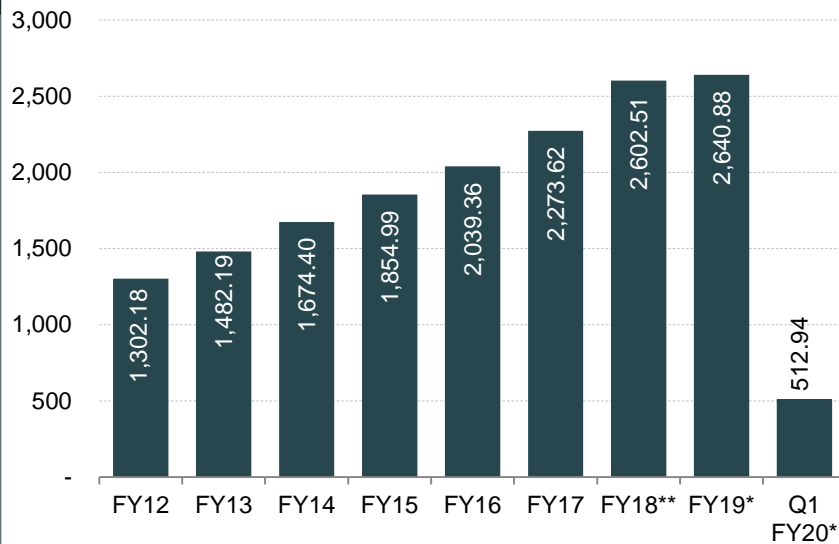
Investments

- India's retail sector investments doubled to reach Rs 1,300 crore (US\$ 180.18 million) in 2018.
- As of November 2019, IKEA plans to open three stores in India with an investment of Rs 117.96 billion (US\$ 1.69 billion).
- As of November 2019, Kohler India plans to double retail network in the country in next three years.

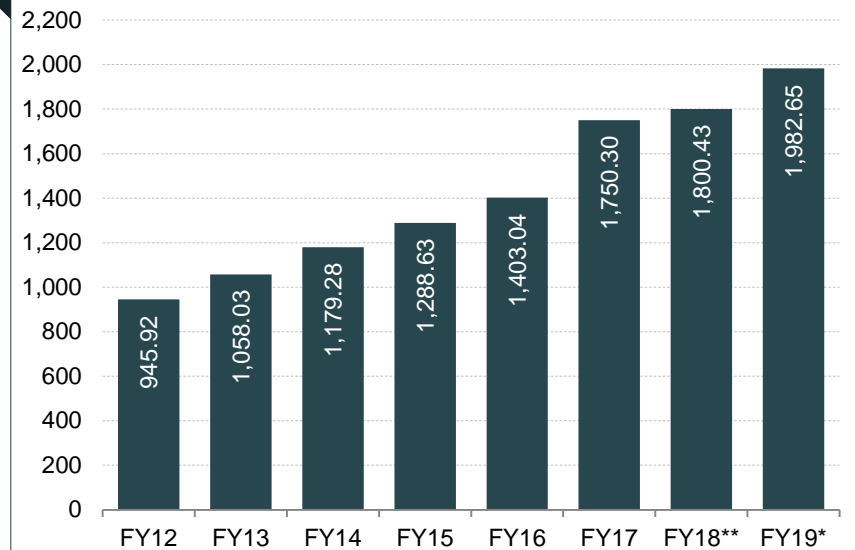
Source: News Articles, Ministry of Statistics and Programme Implementation, Anarock Retail

INCOME GROWTH TO DRIVE DEMAND FOR ORGANISED RETAIL

GDP at current prices (US\$ billion)



GDP per capita at current prices (US\$)



- 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\$ 2,640.88 billion and GDP per capita at current prices was US\$ 1,982.65.

Source: IMF, * - 2nd Advance Estimates, ** - Provisional Estimates

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

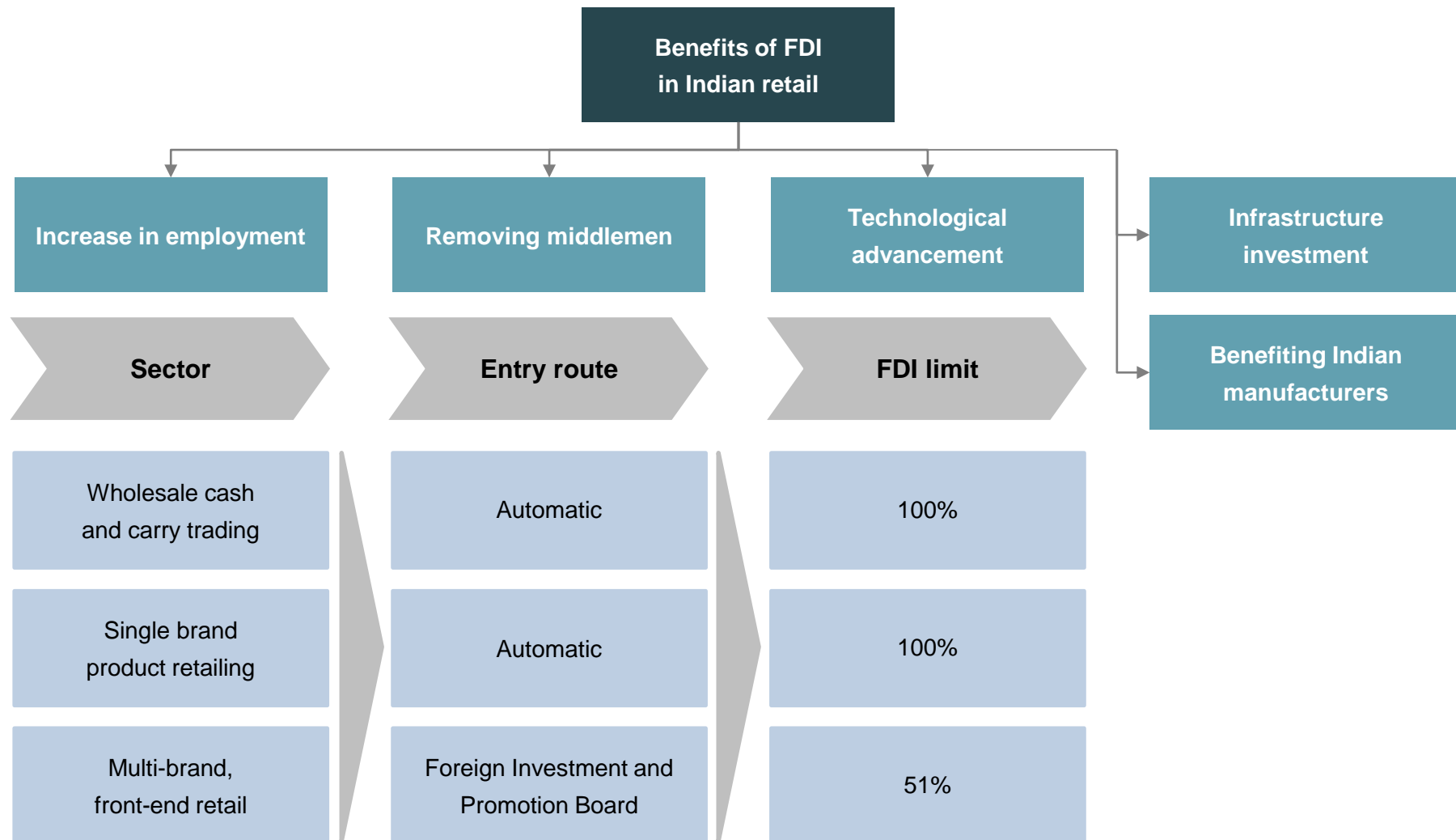
51 per cent FDI in multi -brand retail Status: Policy passed

- 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.

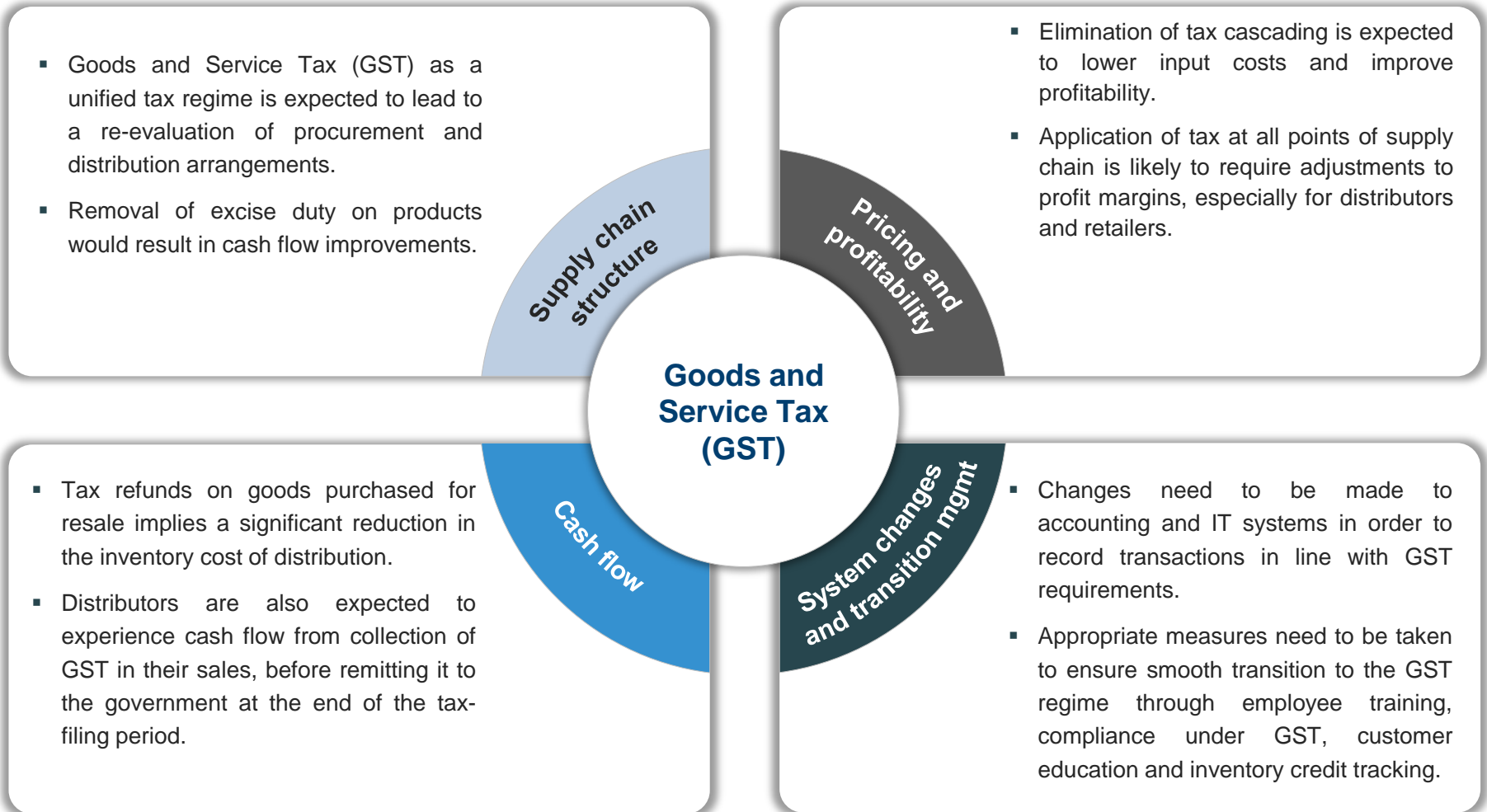
100 per cent FDI in single brand retail Status: Policy passed

- 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



NEW GOODS AND SERVICE TAX (GST) WOULD SIMPLIFY TAX STRUCTURE



*Note: CII: Confederation of Indian Industry
Source: TechSci Research*

RECENT M&A DEALS IN THE INDIAN RETAIL SECTOR

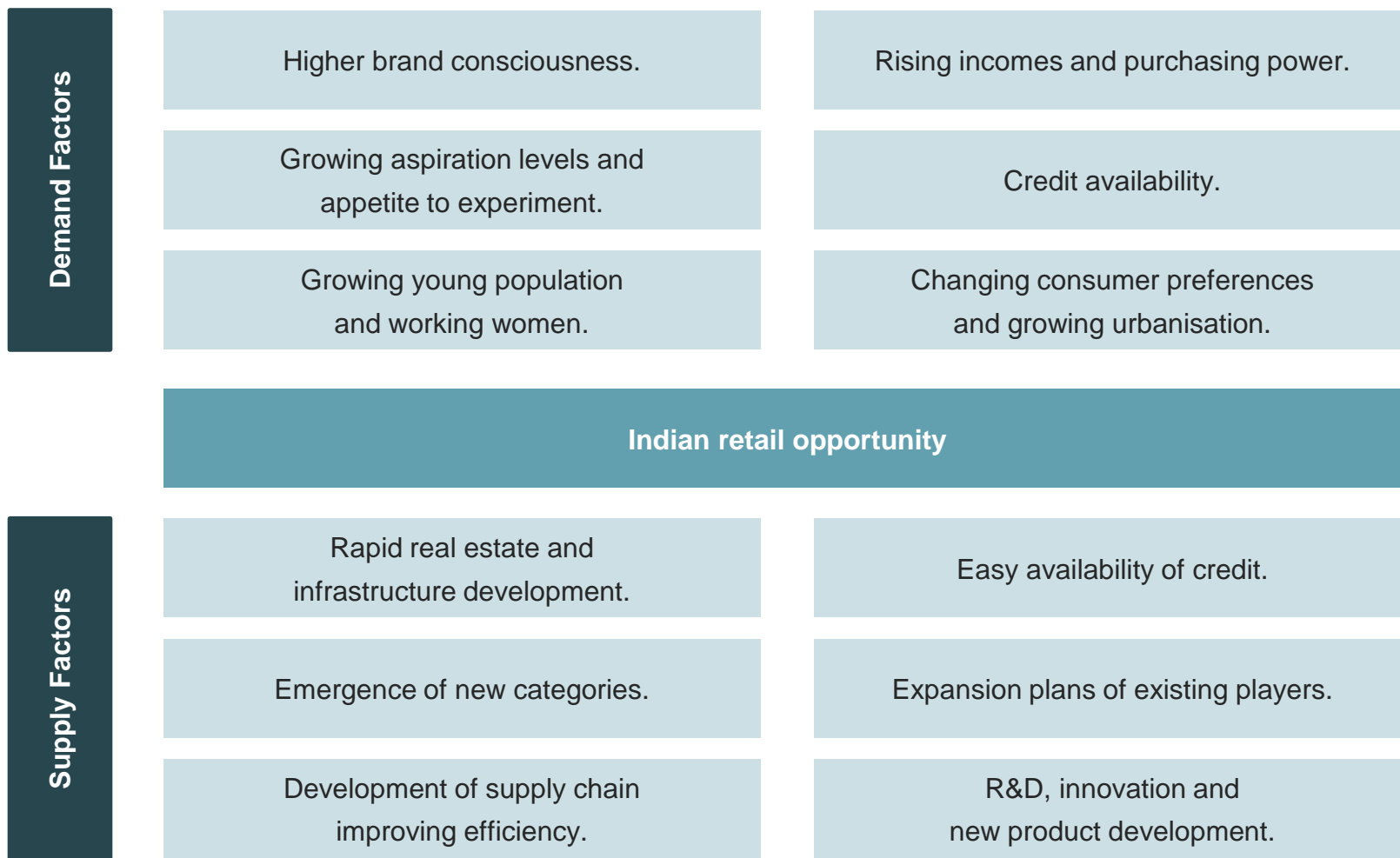
Acquirer name	Target name	Year	Deal type
Reliance Retail Ventures Ltd (RRVL)	Shri Kannan Departmental Store Private Ltd (SKDS)	March 2020	Acquisition
Amazon	Future Retail	August 2019	Acquisition (49 per cent)
Aditya Birla Fashion and Retail Ltd (ABFRL)	Jaypore and TG Apparel & Decor Pvt Ltd	June 2019	Acquisition
Reliance Industries Ltd (RIL)	Hamleys	May 2019	Acquisition
Future Enterprises Ltd	LivQuik Technology (India) Pvt. Ltd	October 2018	Acquisition (55 per cent)
Amazon and Samara Capital	More	September 2018	Acquisition
Reliance Retail Ventures Ltd (RRVL)	Genesis Colors Ltd (GCL), GLF Lifestyle Brands, Genesis La Mode, Genesis Luxury Fashion Pvt Ltd, GML India Fashion and GLB Body Care	September 2018	Acquisition
Walmart	Flipkart	May 2018	Acquisition
Future Group	HyperCity	October 2017	Acquisition
Berger Paints	Chugoku Marine Paints	April 2017	Collaboration
Myntra	InLogg	April 2017	Acquisition
Flipkart owned Myntra	HRX	August 2016	Acquisition
Myntra	MotoGP	August 2016	Collaboration
Aditya Birla Fashion and Retail	Forever 21 (India Business)	May 2016	Acquisition
Idein Ventures	Infurnia	Jan 2016	Joint Venture
Morgan Stanley	Flipkart	June 2015	Private Equity

Source: Bloomberg and Thomson ONE Banker, News Articles

OPPORTUNITIES



GROWTH VALUE PROPOSITION



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 FY20 (till September quarter), rural consumption rose by 5 per cent while the urban spending grew at 8 per cent in terms of value.

Private label opportunities

- The organised Indian retail industry has begun experiencing an increased level of activity in the private label space.
- 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: Nielsen, Jefferies report

KEY INDUSTRY ORGANISATIONS



Retailers Association of India

Address: 111/112, Ascot Centre,
Next to Hotel Le Royal Meridien, Sahar Road, Sahar,
Andheri (E),
Mumbai – 400099.
Tel: 91- 22 - 28269527 - 28
Fax: 91- 22- 28269536
E-mail: info@rai.net.in
Website: www.rai.net.in

The Franchising Association of India

Address: A-13, Kailash Colony
New Delhi – 110048
Tel: 91- 11- 2923 5332
Fax: 91- 11- 2923 3145
Website: www.fai.co.in

USEFUL INFORMATION



- FDI: Foreign Direct Investment
- FMCG: Fast Moving Consumer Goods
- FY: Indian Financial Year (April to March)
- So FY10 implies April 2009 to June2010
- 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)

Year INR	INR Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89

Source: Reserve Bank of India, Average for the year

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