



The month that was...

COUNTRY, FINANCE,
MACROECONOMY,
POLICY AND
POLITICS

Following continued year after year increase in FDI inflows, India is approaching towards USD 100 billion FDI inflow per annum by 2022. The annual FDI inflow increased from USD 36 billion in 2013-14 to USD 62 billion in 2017-18.

In a landmark verdict, the Supreme Court of India decriminalized sexual relations between consenting homosexual adults striking down a 158-year-old controversial legal provision of section 377 that criminalizes homosexuality, thus legitimizing same-sex relationships.

Amidst the growing current account deficit, weakening rupee and rising oil prices, the government increased customs duty on imports of 19 non-essential goods as part of the measures to control the vulnerabilities.

India's leading infrastructure finance company Infrastructure Leasing and Financial Services Ltd's defaulted on payments to lenders triggering panic in the markets. Out of the aggregate debt pile of INR 910 billion, INR 570 billion are bank loans alone, most of which are from state-run lenders. State-owned LIC is the largest shareholder with 25.34% stake, while Orix Corporation of Japan owns 23.5%.

Despite receiving shareholders' approvals for an extension, the Reserve Bank of India cut CEO Rana Kapoor's three year tenure to only four months. It cited weak compliance culture in Yes Bank, weak governance, and wrong asset qualification as the reasons for its decision. Several brokerages downgraded the Yes Bank's stock, eroding nearly INR 211 billion of the private lender's market capitalization.

VPC Sectors

CONSUMER MARKETS

Electronics

- Adding to its efforts to take pole position in the the world's second-biggest smartphone market, Samsung opened its biggest mobile store in the world in Bengaluru, India. It had recently opened the world's biggest smartphone plant outside Indian capital New Delhi. Samsung currently runs 2,100 stores in India through franchise partners.
- Chinese consumer electronics maker Haier announced its plan to invest ~410 Million Euros to set up a factory spread over 123 acre in Greater Noida. It also signed an agreement with the government of Uttar Pradesh to mark formal start of work. Once established, it will be Haier's second manufacturing facility in India. Haier started manufacturing in India in 2007 through its plant in Ranjangaon, Pune. In a further sign of its commitment to the Indian market, it is rumored that along with Investment firms Blackstone and Goldman Sachs, Haier has made an offer to buy bankrupt Videocon's consumer electronics business valued at close to \$2 billion.
- German electronic equipment manufacturer Blaupunkt marked its entry into the Indian television market by launching eight TV models. Blaupunkt already has a significant presence in India through its wide range of audio systems. The company has a long-term license agreement with Trigur Electronics which has a manufacturing facility in Sonapat, Haryana. Along with its India partner, it plans to invest around \$300 million in its television business in India in the next 3 to 5 years. India's television market is currently valued at ~2.9 Billion Euros, growing at 15%.
- Premium smartphone maker OnePlus announced its plan to enter the smart television segment joining the leagues of smartphone makers like Xiaomi, Micromax, Intex foraying into the Indian TV market.
- Swiss packaged food giant Nestle announced its plan for rolling out app-based coffee machines in India. Its launch would mark Nestle's entry into the consumer-facing small appliances category as a strategy to fuel coffee consumption and push one of its mainstay brands Nescafe.
- Tata owned AC major Voltas partnered with global home appliances maker and Turkey's Koc Group entity Arcelik to expand its product profile to compete with LG and Samsung who currently dominate the consumer durables space in India. The two groups formed a 50-50 JV, Voltbek Home Appliances Private Limited (Voltbek), to produce refrigerators, washing machines, microwave ovens and dishwashers under the brand Voltas Beko in India. They also plan to open a plant in Sanand, Gujarat, till then, the products will be imported from China, Turkey and Thailand. It also plans to export products manufactured at its proposed Gujarat facility to Africa and Asian countries either under Voltas Beko range or through any of the Koc Group brands.

Lifestyle - Fashion

- In order to curb the widening current account deficit, the government hiked custom duty on 19 items. Among these items, import duties on bags and footwear were increased from 10% and 20% to 15% and 25% respectively.
- The world's second biggest clothing chain Hennes & Mauritz's Indian business clocked sales of ~ 123 Million Euros, growing by 29% during the nine months ended August 2018. It had announced that it will open 50 stores in India with an investment of INR 7 billion by 2020.
- Polo Ralph Lauren, the iconic American brand by Ralph Lauren, launched its very first flagship store in New Delhi's luxury mall, DLF Emporio. The store will feature the label's menswear, womenswear and a collection of its classic accessories.
- As Indian consumers begin trading up and the athleisure segment continue to grow, Adidas has decided to configure and open new and larger stores from the current format with an average of 1,000 Sq/Ft. The Company, which currently directly runs 4 of its ~600 Adidas and Rebbok stores, wants to expand this to 20 and provide the consumer a more wholistic and premium in store experience to showcase its entire product portfolio.
- French label Saint Laurent and British Alexander McQueen are expected to enter the Indian market. It was reported they have signed a letter of intent with DLF for mall space and the lease deed is awaited for standalone stores in Delhi. Currently, Alexander McQueen products are available through multi-brand portals like Rock N Shop, while Saint Laurent is currently sold via stores Kitsch and Luxe Polis.
- Reliance Industries Limited (RIL) and Vardhman Textiles Limited entered into a partnership to develop a variety of new manufacturing processes to manufacture RIL's specially engineered R|Elan fabrics. More than 30 players have partnered with RIL to produce new-age fabrics using the R|Elan technology.
- Widening its presence in Tier 2 cities, British clothing brand Marks & Spencer launched a new store in Bhubaneswar, its first in Odisha. M&S has a total of 67 stores in India out of which 22 are in cities outside of the top metros.

Food & Beverages

- Patanjali announced its plans to enter into the dairy products segment, with cow milk, curd, buttermilk and cheese with an aim to achieve INR 5 billion by the end of this fiscal. It has tied up with around 56,000 retailers and vendors to supply milk across Delhi-NCR, Mumbai, Pune and Rajasthan. Apart from the the dairy products segment, it also plans to foray into the frozen greens segment with products such as peas, sweet corn, mixed vegetables and French fries. Started as a pharmacy company in 1997, Patanjali has launched more than two dozen mainstream FMCG products doubling its annual sales every year since 2013.

Contd.



Upcoming Events	VPC Sectors
<p>Upcoming Trade Exhibitions</p> <hr/> <p>Massmerize 2018 Venue: FICCI, 1 Federation House, New Delhi Date: 9 October 2018</p>	<ul style="list-style-type: none"> The Coca-Cola Co and the Zydus Cadila Group have emerged as the the two strongest contenders for the consumer portfolio of Kraft Heinz in India, which includes Complian, as Kraft Heinz narrows the list of bidders for a second round of talks and shortlisted some of the biggest food and consumer companies including Tata Group, Wipro Consumer, Dabur India and Danone along with Coca-Cola and Zydus Cadila. The Coca-Cola Co and the Zydus Cadila Group are expected to submit binding bids in the coming days amid final negotiations. ITC plans to launch its new ready-to-drink, milk-based product range Sunfeast Wonderz in October 2018 competing with the likes of Coca-Cola, Amul and Britannia. It will be launched first in the southern states of Tamil Nadu, Karnataka, Telangana and Andhra Pradesh before being rolled out nationally. The Indian Ministry for Food Processing Industries stated that FDI in the food processing sector has touched the USD 1-billion mark so far this year. According to official data, FDI in the food processing sector was USD 904.9 million in the 2017-18 fiscal, while it stood at USD 727.22 million, USD 505.88 million and USD 515.86 million in 2016-17, 2015-16 and 2014-15, respectively. <p><i>Beauty & Personal Care</i></p> <ul style="list-style-type: none"> London's 250-year-old luxury perfume brand Creed plans to launch its maiden store in the country in partnership with Berkeley Beauty Brands. The first store is planned to be opened in the Chanakya Mall.
<p>Dairy Industry Expo Pune Venue: Auto Cluster Exhibition Centre, Pune, India Date: 12 – 14 October 2018</p>	<p><i>HORECA</i></p> <ul style="list-style-type: none"> Café/Tea chain Chaayos raised funds worth US\$ 12 million in Series B round of funding from venture capital firm SAIF Partners, Integrated Capital and Pacatolus aiming to fuel growth plans which will enable it to expand its retail footprint in existing markets of Delhi-NCR, Mumbai and Chandigarh. Currently, Chaayos runs over 52 doors across 7 cities. Venture capital fund Hunch Ventures is planning to invest INR 1 billion to pick up a 50% stake in two companies, Sierra Nevada Restaurants and Dolomite Restaurants, that operate US-based burger chain Wendy's and fine dining chain Jamie's Italian in India. Both companies are owned by International Market Management (IMM), a London-based consumer brand headed by entrepreneur-restaurateur Jasper Reid. Under the current investment plan, Wendy's plan to open 300 outlets in the next 5-10 years while Jamie's plan to open 80 outlets. Chinese investor and WeChat owner Tencent is seeking to contribute a significant portion of the \$500-700 million fund Swiggy is planning to raise. Swiggy has received unprecedented interest from global investors with Naspers looking to invest \$200-250 million and Japan's SoftBank also looking at a sizeable investment. Dunkin' Donuts has unveiled that it officially recognizes its name as simply 'Dunkin'. The change will officially take place in January 2019.
<p>India International Trade Fair Venue: Pragati Maidan, New Delhi Date: 14 – 27 November 2018</p>	<p><i>Retail – Offline</i></p> <ul style="list-style-type: none"> As the food and grocery segment is set to be a battleground for global retailers, with Walmart buying Flipkart and Amazon eyeing stakes in grocery retailers, Kishore Biyani's Future Group is ramping up its food and grocery supply chain. It plans to invest INR 5-8 billion in the next four years to create a nationwide food supply chain network of refrigerated trucks and temperature controlled distribution centres (DCs) to eventually manage the entire supply through this network. Bengaluru-based realty developer Prestige Estates Projects is looking expand its rental income base by acquiring malls across major cities. It is in talks to buy out malls ranging from 800,000 sq ft to 1 million sq ft. in Pune and Mumbai. The aggressive expansion plan is part of the company's 2020 objective of having 13 malls, totalling 7.5 million sq ft of leasable retail space across seven cities. Samara Capital and Amazon acquired Aditya Birla Group's food and grocery retail chain, More, for an enterprise valuation of around INR 42 billion. Samara acquired majority 51% while Amazon the balance 49%. ABRL owns and operates 575 More stores throughout India.
<p>World Tea & Coffee Expo Mumbai Venue: Nehru Centre, Worli, Mumbai Date: 29 November – 1 December 2018</p>	<p><i>Retail – Online</i></p> <ul style="list-style-type: none"> Marking Warren Buffett's Berkshire Hathaway's first investment in India, One97 Communications Ltd, the parent of Paytm, raised \$300 million from it. The fund raising talks has been on since early February this year to raise about \$300-350 million at a valuation of about \$10-12 billion. Online grocery players BigBasket and Grofers have revived merger talks as their investors Alibaba and SoftBank are likely to pour in capital if the merger deal is successful, giving the merged entity enough firepower against Amazon and Flipkart in the online groceries segment. In early 2017, Big Basket was in talks with Grofers for a potential buyout as the latter was struggling to raise funds. Marking its second acquisition in as many months, Flipkart acquired Israel-based start-up Upstream Commerce which currently builds cloud-based and automated competitive pricing products and solutions, among other thing. The deal will enable Flipkart to have an outpost in Israel, which is widely regarded as one of the world's foremost start-up ecosystems Recognizing the demand for video streaming services such as Netflix and Amazon Prime Video offering is at an all-time high, Flipkart was reported to have held talks to buy a stake in Hotstar, Star India's video streaming service. Online beauty retailer Nykaa received an investment of Euro 15 Million from Lighthouse India Fund III, an affiliate of consumer-focused private equity manager Lighthouse Advisors, for a minority stake through a secondary share sale. Currently, Nykaa has a 33% share of the online beauty market.