



The month that was...

COUNTRY, FINANCE, MACROECONOMY, POLICY AND POLITICS

India is one of the fastest growing large economies in the world, according to the International Monetary Fund (IMF).

Indian economy expected to grow at 7.3% in calendar year 2019 and 2020.

Foreign investors infused a net amount of Euro 4.89 billion in Indian capital markets in March, an increase of more than 240% compared to net infusion in February; driven by shift in stance on monetary policy outlook by various central banks globally, stable crude oil prices and expectations of formation of a stable Central government post elections in May.

India is the second fastest digital adopter among 17 major digital economies in the world.

Digitization expected to create nearly 65 million jobs by 2025.

CEO's Message

A series of new reports emerged in March aimed at decoding the Indian consumer. Insightful in the findings, impressive for the prospects they reveal, it is estimated that the private consumer market has grown 3.5X over the past decade; constituting a 13% CAGR. The organised retail segment constitutes 15.2% of the overall market, including offline and online. Online has seen exponential growth owing to smart phone penetration and massive foreign investment into the industry. In the 10 year period, it recorded a CAGR of 78%.

At VPC we have always felt that India's consumption as a % of GDP represents one of the brightest factors that augurs well for the medium to long term sustainability of the economic growth. As a matter of fact, the share is increasing, having gone from 56.8% of GDP in 2008, to 59.3% in 2018. Estimates peg this figure at 62% by 2028. This essentially means that India, as opposed to other developing countries which rely on developed markets to buy their goods and services, can consider itself relatively isolated from external shocks, being more independent from international markets.

Adding to the strength in the long term story of this consumption led growth is the fact that India is home to the world's largest millennials population, at 450 million. In line with the tagline of being one of the youngest countries with a median age of 28, Generation Z is expected to surpass Millennials population in India in 2020, at 475 million, which is 53% more than China's 310 Million.

Breaking up the numbers into the underlying industries, Food & Beverages contributes the highest at 32% of the Euro 1.375 Trillion consumer pie, followed by housing & consumer durables, transport & communication, clothes & footwear, at 19.5%, 16%, 7%, respectively. It is the clothes & footwear industry which however saw the largest expansion over the same 10 year period, with a 4.6X growth factor. At the heart of this is the continued growth in affluence of Indian households. "Elite" households, with income of 25k Euros and above, had a growth factor of ~ 7.9X, today constituting ~ 13% of all households. This figure with the Indian population as the denominator, equals to ~32 Million households. Broken into number of persons, it is larger than any European countries' population. VPC believes that no one can afford to bypass India today, even more so going forward as over the next 10 years the consumption market is expected to see a tripling in value to touch Euro 4.2 Trillion by 2028.

VPC Sectors

LIFESTYLE – FASHION – BEAUTY & PERSONAL CARE

- Under Armour has opened its first physical retail location in India. Spread across 1,900 square foot, the store is located at the DLF Promenade Mall in Vasant Kunj, New Delhi. The company plans to open 12 doors in the first 12 months of its foray into India.
- The Italian sportswear brand Lotto, which currently has 40 stores in the country, announced plans to add 60 stores every year going forward. It has also partnered with Ace Turtle to strengthen its omnichannel presence in the Indian market.
- Brazilian brand Havaianas, renowned for its slippers, will invest \$20 million in the next 5 years to expand its operations in India. The first locations chosen for mono-brand stores include Mumbai, Bangalore, Goa, Chennai, Pune, and Cochin.
- BFL Brand Folio Pvt. Ltd. has brought the American footwear brand K-Swiss to the Indian market.
- Adidas India launches its biggest retail store at Ambience Mall in Gurugram which is spread over 3954 sq. ft.
- Reality TV stars and models Kendall and Kylie Jenner recently introduced KENDALL + KYLIE handbags at selective outlets of multi-brand retail store Shoppers Stop in Delhi-NCR, Mumbai, Kolkata, Hyderabad, Bengaluru, Jaipur and Ahmedabad.
- The Swiss leather brand from Switzerland, de Sede, has entered the Indian market with a showroom on MG Road, New Delhi.
- Danish sportswear major Hummel will be entering the brick and mortar space in India by opening its first few stores over the next two months.
- Arvind Fashions is looking to return the licenses of three international brands (Swedish brand Gant, as well as US brands Nautica and Aeropostale) from its portfolio to the brand owners. Arvind has 28 global brands available across 1,300 stores.
- In an effort to transform its image from a pure plan formal occasion brand, Beta is revamping its image via store reconfiguration, store openings in malls rather than pure play high street as well as by roping in new brand ambassadors that have a connect with millennials more keen towards lifestyle and trendy brands. Beta currently has 1,500 exclusive stores that sell brands such as Power, Hush Puppies, and the eponymous Beta in India.
- Lux Industries is planning to scale up by strengthening its premium women's innerwear category under the Lyra brand and also plans to launch men's premium innerwear segment later this year through Virat Kohli's brand One8.
- ITC sold its menswear brand John Players and related trademarks, intellectual property and the goodwill related thereto, to Reliance Retail for an undisclosed amount.



VPC Sectors

LIFESTYLE – FASHION – BEAUTY & PERSONAL CARE

- Marks & Spencer (M&S) opened its 75th store in Chennai and a further store in Hyderabad. The brand also recently opened six stores in the last 50 days. India has emerged as the second largest market after the UK for Marks & Spencer.
- Walmart India opens 24th 'Best Price' Cash & Carry store in India which is spread over 50,000 sq. ft.
- The Dubai-based Landmark Group's fast fashion business Lifestyle plans to open a store in India every 45 days for the next two years. It currently has 77 stores in 44 Indian cities and also delivers to over 18,000 pin codes through its e-commerce store.
- Lodha Group has launched India's largest destination mall to date in terms of land area. The 20-acre mall in the business' greenfield smart city Palava aims to cater to shoppers across Mumbai.
- Reliance Industries Ltd plans to grow the number of low-cost Reliance Trends fashion stores across India to 2,500 from 557 over the next five years and integrate them with its online business to grab a dominant share of Indian consumer spending.
- Optical Retailer Reliance Vision Express added six new stores in less than a month in South and West India. Vision Express currently has over 160 stores across 32 cities in India.
- Hennes & Mauritz (H&M) India has signed a deal with Flipkart owned fashion firms Myntra and Jabong for unique placement and focused selling efforts on the leading online platform. The company sees huge potential in the Indian market and expects its partnership with Myntra-Jabong to widen its customer base and boost sales in the coming quarters. H&M had entered the Indian market with its first store in 2015 and currently has 41 EBOs in the country.
- E-commerce major Flipkart has partnered with Vogue India to boost the visibility of its fashion and lifestyle products on its platform.
- Spanish perfume maker Puig has announced a minority investment in Kama Ayurveda, With this investment, Puig enters an emerging market with the vast growth opportunity for beauty and personal care products, as well as fragrances.
- Shoppers Stop, India's oldest department store, is focusing on the beauty segment for the next phase of growth. The company's current revenues mix between apparel, accessories and beauty is 65, 19 and 16 percent, respectively; beauty being the faster growing category at 12%. The company sells both via its standalone beauty stores, currently at a little over 100 in terms of store count, as well as shop-in-shops and beauty counters within its department stores.
- Samara Capital has bought 65% of Nature's Essence Private Limited (NEPL). NEPL is a mid sized player in the beauty and personal care space with present turnover of approximately Euro 30 Million.
- Pureplay Skin Sciences, which sells skin and hair care products under brand Plum, will soon be launching Phy, a men's grooming brand. The company is looking to reach around 800 stores over the next two years.

FOOD & GROCERY

- The packaged food market crossed INR 5 Trillion (~ Euro 64 Billion) for the first time, according to 2018 figures. Interestingly, pasta has now elbowed its way to being clubbed within the third largest sub-category, the rice-pasta-noodles market, which actually saw the fastest growth at 23.9% in 2018. Driven by a host of locally produced pasta brands, and expanding organized retail for imported products, the product is now becoming a staple in urban India homes.

FOOD SERVICE - HoReCa

- Jubilant FoodWork's, franchisee of Domino's and Dunkin Donuts for the Indian market, has opened its first own restaurant brand. Hong's Kitchen, a fast casual Chinese dining restaurant, has opened its first store in Eros mall, Gurugram.
- Zomato will open warehouses in nine cities across India by the end of this year which will supply restaurants fresh ingredients at competitive prices.
- Mexican fast-casual restaurant chain California Burrito has plans to open 15 restaurants across India by the end of 2019 as part of its expansion plans in the country, currently they are operating 31 restaurants across Bengaluru and Delhi/ NCR.
- Yellow Tie Hospitality is planning to open 60 outlets of various restaurant brands under its portfolio in India by the end of 2019.
- Future Group will launch 7-Eleven convenience stores across India after signing a master franchise agreement with the Japanese-owned, U.S.-headquartered business.

ITALIAN BRANDS IN INDIA – Other Sector(s)

- Vespa, which has finally hit a good spell after struggling in its previous attempts before coming back to the Indian market seven years ago, is looking to ramp up its dealer count to 400 by the end of the year, from the existing 250. The company has hit a couple of sweet spots within the spectrum of target consumers. Aiming at the discerning your Indian that looks for differentiation from the mass market, the recently launched Aprilia scooter model has had a runaway success in spite of its premium pricing. The Vespa brand on the other hand is a style statement for city commuters.