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MARC Insights Retail Sector Report

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Research by :Vinith D'souza



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Retail Industry Overview

Retail industry In India

India has become the world's fifth largest retail destination and is expected to reach as much as \$2000 billion by 2032, according to the Boston Consulting Group.



The Indian Retail industry has always been one of the most versatile and high growth industries in the country. A growing urban population, rising income level, connected rural consumers, and increased consumer expenditure, are all contributing factors.

There is a great deal of desire among multinational corporations to take advantage of the consumer base in India and to enter the market first. Increasing purchasing power has led to growing demand. Nearly 60 shopping malls encompassing a total retail space of 23.25 million sq. ft are expected to become operational during 2023-25.

According to the World Economic Forum, consumer expenditure in India will grow from **USD 1,500 billion** at present to **USD 6,000 billion** by **2030**

10%

8%

\$911 billion

\$2000 billion

Contribution to India's GDP in 2023

Share in India's Employment in 2023

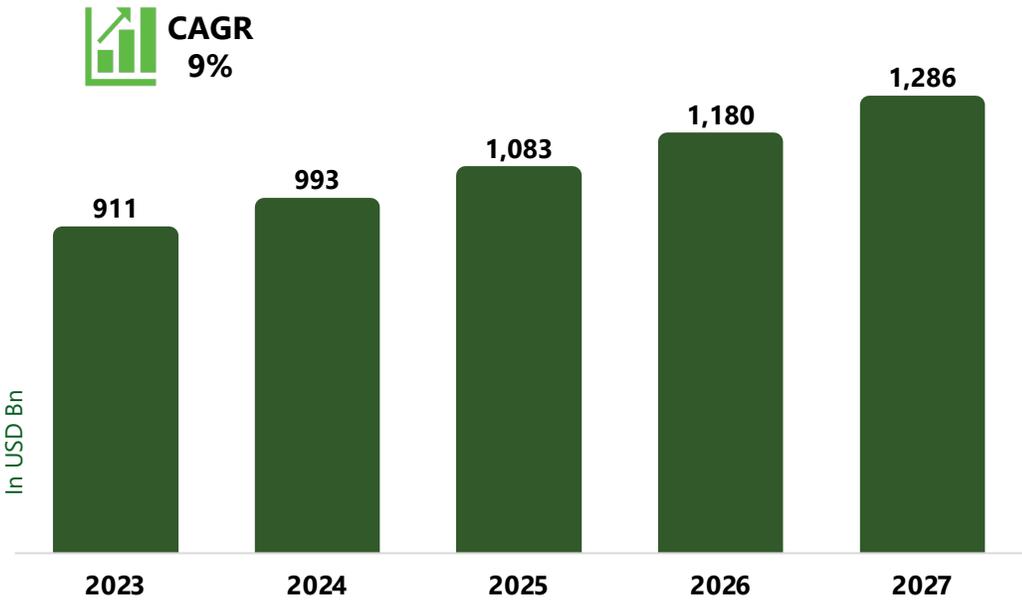
Market Size of the Indian Retail Industry in 2023

Projected Market Size by the end of the decade

Source: www.livemint.com , www.fortuneindia.com , www.ibef.org.com

Market Size & Drivers

Market Size of Indian Retail Industry



Source: www.globaldata.com

The Indian retail industry is growing at an exponential rate and is anticipated to grow at a CAGR of 9% to reach around USD 1,286 billion by 2027.

Market Drivers



Consumer-Focused Selling
Customer-focused selling prioritizes store location, assortment, personnel, and services to cater to diverse customer demands and preferences effectively.



Disposable Incomes
Disposable income drives retail. In rich countries, lower savings and higher debt slows sales, while growing economies boost retail turnover.



Demographics & Location
Demographics shape store locations; factors include traffic, accessibility, competitors, and population shifts, influencing trading areas and customer preferences.



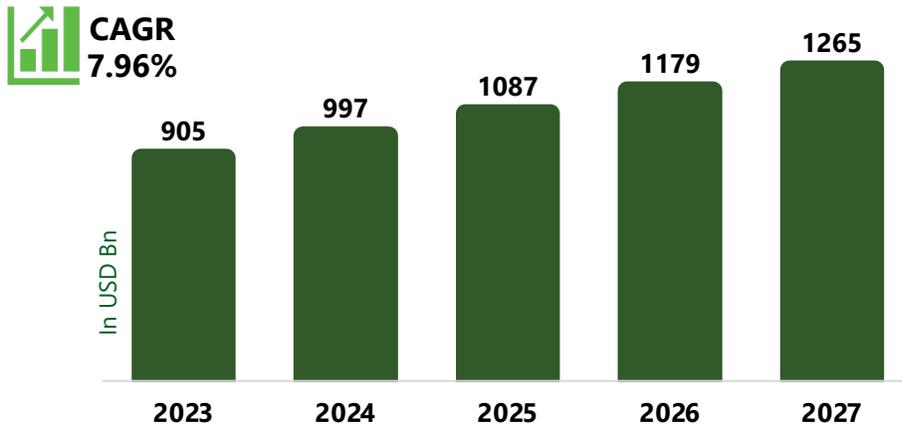
Multiple modes of payment
The digital payment ecosystem in India is flourishing. Users and businesses have a wide range of options such as Cards, UPI, Netbanking.

Top Segments in the Retail Industry

Food & Beverages



Market Size of Indian Food and Beverages



It is estimated that the F&B market is expected to reach USD 1265 billion by 2027

Source: [statista.com](https://www.statista.com)

Market Trends



There is a rising trend of online grocery shopping in India due to factors like changing lifestyle and the increasing tech-savvy population.



Due to changes in lifestyles and purchasing habits, buyers are preferring to shop at modern retail stores and prefer to shop in bulk.



Increased income levels along with increased number of bread earners in the family is driving the boom in the food and grocery business in India.



There is a prevailing inclination towards organic, healthy, and sustainable options, with trending terms including organic, gluten-free, dairy-free, vegan, non-genetically modified, and superfood.

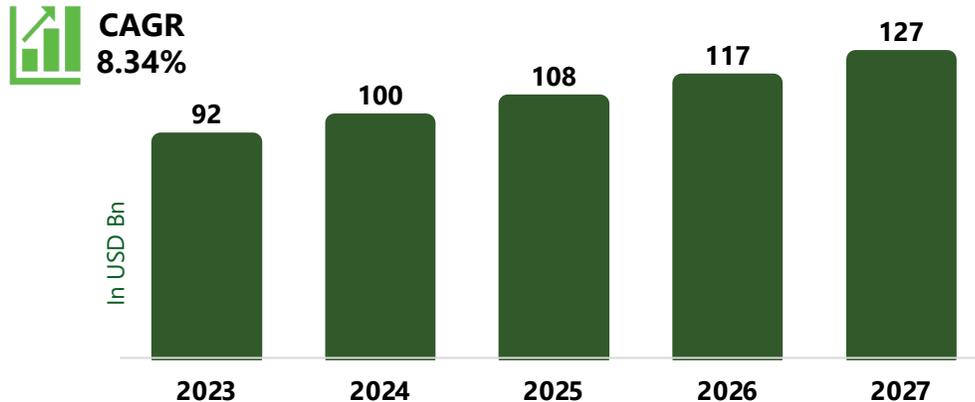


Home delivery of F&B items, online reservation within a few clicks, ready to eat ready to cook, packaged foods as well as frozen products have found greater favor with consumer considering.

Jewellery & Watches



Market Size of Indian Gems & Jewellery



The market is expected to grow at a CAGR of 8.34% to reach USD 127 billion by 2027.

Source: imarcgroup.com

Market Trends



The increasing income for disposal is also increasing the demand for luxury watches in India.



Consumers have become more comfortable in purchasing expensive jewellery online.



The sale of smartwatches has increased, and consumers are demanding more varieties in the sport watches section.



Growing popularity of upcycled and recycled gold reflects a commitment to sustainability without compromising beauty.

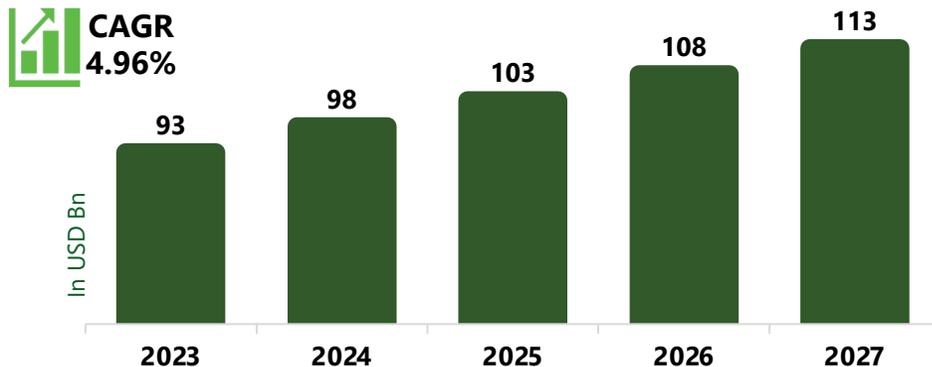


Nature-inspired pieces, especially those featuring intricate floral designs, gain attention, infusing jewellery with a touch of organic beauty.

Apparel & Accessories



Market Size of Indian Apparel Retail Market (USD Billion)



The market of apparel and accessories is projected to grow at a CAGR of 4.96% to reach USD 113 billion by 2027.

Source: Knowledgebridge, www.etretail.com

Market Trends



Consumers are becoming more conscious towards the environment which has made sustainable fashion a trend in the clothing space.



Apparel Brands are increasingly focusing on online sales and digital marketing as consumers are now using internet for their fashion shopping.



Consumers now look for comfort, durability, and versatile clothing e.g. Athleisure wear which combines both sports and leisure wear.



The social media effect has impacted on fashion sensibilities especially in tier 2 and 3 cities in India. Influencing the clothing preference of both women and men.

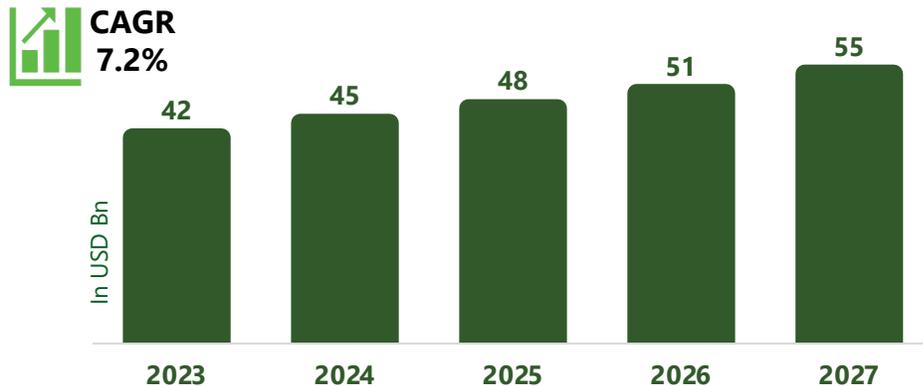


The emergence of D2C brands in the apparel industry has been a significant trend over the past decade. D2C brands sell their products directly to consumers.

Mobile Phones



Market Size of Indian Mobile Retail Market



The market is expected to grow at a CAGR of 7.2% to reach USD 55 billion by 2027.

Source: statista , www.deloitte.com

Market Trends



5G is said to become the fastest adopted mobile technology due to its various applications e.g. high speed gaming.



The average selling price of smartphones has increased which is an opportunity for earning more profits for the retailers.



India's mobile manufacturing industry is likely to create 150,000 to 250,000 direct and indirect jobs in the next 12-16 months.



India's smartphone market is experiencing a surge in demand for budget-friendly devices due to the country's large population and price sensitive consumer base.

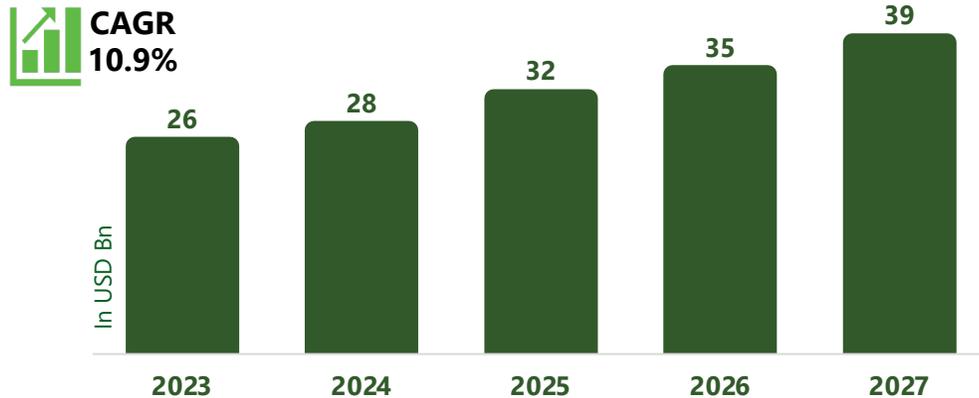


20% of consumers worldwide check their phone more than 50 times a day. The reliance on smartphone seems likely to increase as more features become available.

Furniture & Furnishing



Market Size of Indian Furniture Market



The Indian Furniture market is expected to grow at a CAGR of 10.9% to reach USD 39 billion by 2027.

Source: expertmarketresearch

Market Trends



Furniture shopping is now being done virtually which was traditionally a physical experience.



Higher disposable income and better living standards are increasing the demand for furniture in India.



There is an increased desire for state-of-the-art and modular furniture in the market.



Pandemic shifted furniture priorities towards health and home comfort. Ergonomic solutions like orthopedic mattresses and adjustable standing desks.

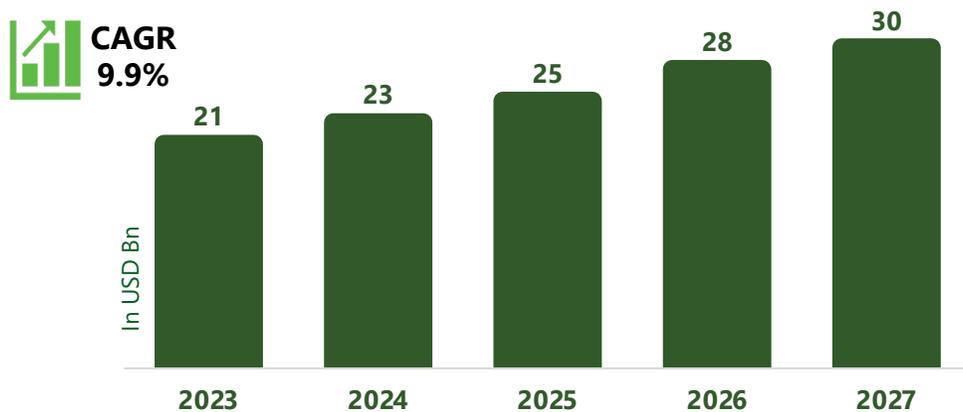


Widespread use of smart devices influences furniture preferences like seeking furniture integrated with USB ports, Bluetooth, and voice assistants.

Pharmacy



Market Size of Indian Retail Pharmacy Market



The Retail Pharmacy market is projected grow at a CAGR of 9.9% to reach USD 30 billion by 2027.

Source: insights10

Market Trends



Retail pharmacies are increasingly investing into Artificial Intelligence to improve their operations and cut down costs.



Pharmacies are also offering wellness products for general wellbeing of the consumers like vitamin supplements and energy bars.



Adoption of electronic prescriptions, telemedicine, online ordering, and home delivery services enhances accessibility and drives market expansion.



Rising health consciousness boosts demand for over-the-counter medications, vitamins, supplements, and wellness products.

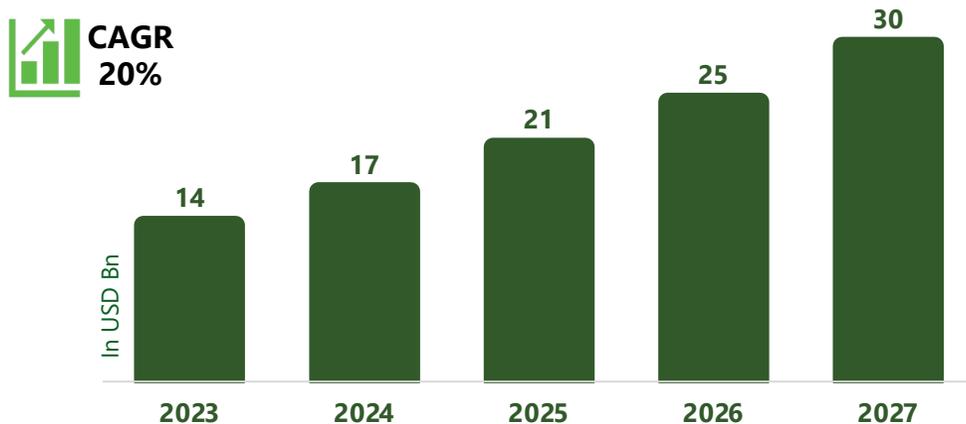


India's economic development leads to increased disposable income and investment in healthcare services, contributing to the growth of the pharmacy market.

Consumer Durables & Appliances



Market Size of Indian appliances and Consumer durables market



20% The market for appliances and consumer durables is expected to grow at a CAGR of 20% to reach USD 30 billion by 2027.

Source: ibef, www.timesofindia.com, www.businessinsider.in

Market Trends



Consumer demand products that are superior in technology, easy to use and easily accessible.



The air conditioner market in India has a low penetration of 7-9% of total urban households and there is huge potential for future growth.



The demand for consumer durables is increasing because of more and more consumers investing in their homes because of dual income groups.



More and more consumers are investing in appliances like room heater, electric coolers and air fryers in order to make their life simpler and healthy.

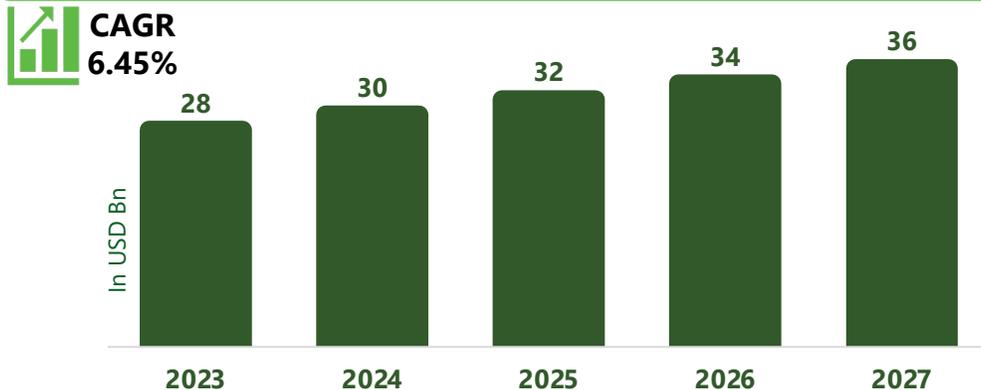


By 2025, India's Consumer Electronics and Appliances Industry is predicted to be the fifth-largest in the world which is currently sixth largest.

Beauty & Personal Care



Market Size of Indian Beauty & Personal Care market



The Beauty & Personal Care market is expected to grow at a CAGR of 6.45% to reach USD 36 billion by 2027.

Source: imarcgroup

Market Trends



The online beauty and personal care market is growing rapidly driven by the increasing penetration of e-commerce platforms in India.



The increasing awareness regarding harmful chemicals is increasing the demand for natural beauty and personal care products.



Established brands are looking to build up their operations through Direct to Consumer (DTC) route post the pandemic disruptions.



The demand for natural and ayurvedic beauty products is on the rise in India, as consumers prioritize traditional and organic ingredients.

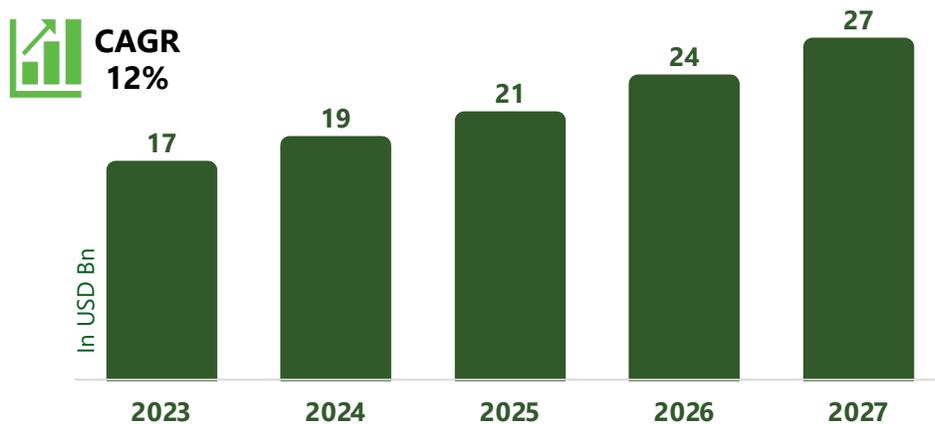


The trend of social media influencers showcasing their beauty regimens increased over the past few years lead beauty companies to turn to them for brand awareness

Footwear



Market Size of Indian Footwear market



The Footwear market is projected to grow at a CAGR of 12% to reach USD 27 billion by 2027.

Source: imarcgroup

Market Trends



Growth in the Indian fashion market is driving the growth in the footwear market as well.



The growth of e-commerce platforms in India has provided a convenient platform for footwear brands in India to extend their reach.



Companies now offer refurbished eco friendly shoes made out of recycled material.



The demand for healthy footwear with orthopedic recommendations that aid in ankle problems and inflammation in the foot is fueling the market



Small and local vendors are finding success in reaching premium customers by making their products online and thus available on a national scale.

Mergers & Acquisitions in the Retail Industry

Mergers & Acquisitions Activity

| Date | Acquirer | Acquiree | Deal Value (in USD billions) | Deal details |
|-----------|------------------------------------|------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Feb 2024 | Reliance Consumer Products Ltd. | Ravalgaon's Confectionery Business | 22.4 | Reliance Consumer Products Ltd. Acquired the trademarks, recipes and intellectual property rights of Ravalgaon Sugar Farm's Confectionery Business. |
| Sept 2023 | Agilitas Sports | Mochiko Shoes | 35.7 | Agilitas Sports acquired Mochiko Shoes in an all-cash deal after raising 35.7 billion USD from Convergent Finance LLP in May. |
| Sept 2023 | Reliance Retail Ventures Ltd. | Ed-a-Mamma | 124.5 | Reliance Retail Ventures Ltd acquired 51% of Ed-a-Mamma, aiming to expand the brand into different categories like personal care and baby furniture. |
| July 2023 | Sheela Foam Ltd. | Kurlon Enterprise Ltd. | 1784.5 | Sheela Foam Ltd. Acquired a 95% stake in Kurlon Enterprise Ltd. For 1784.5 billion USD. |
| May 2023 | Aditya Birla Fashion & Retail Ltd. | TCNS Clothing | 1369.5 | ABFRL acquired 3.29 crore equity shares constituting a 51% shareholding through an SPA(Share Price Agreement), followed by an open offer. |

Source: etretail.com, businessline.com, cnbctv18.com, moneycontrol.com, retailinsight.com

Competitor Analysis

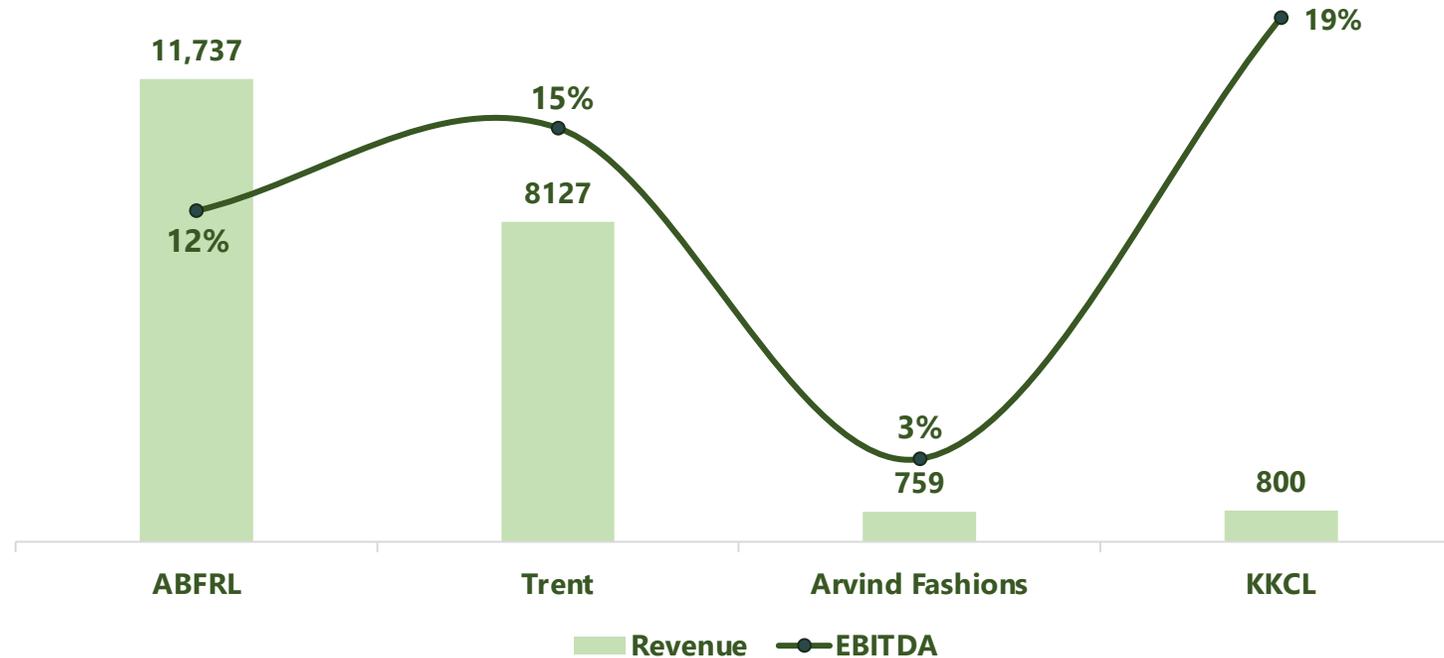
KPIs in comparison

| Particulars | ABFRL | Trent | Arvind Fashions | KKCL |
|-----------------------------------|-------|--------|-----------------|--------|
| Inventory Turnover Ratio | 3.62 | 3.90 | 21.63 | 5.60 |
| Current Ratio | 1.13 | 2.63 | 1.50 | 2.56 |
| Return on Capital Employed (ROCE) | 7.30% | 14.53% | 1.05% | 26.66% |
| Return on Investment (ROI) | 4.36% | 9.35% | -1.33% | 5.44% |
| Number of Stores | 4,008 | 802 | 1,300 | 500 |
| Revenue Growth (3 years) | 58% | 68% | 50% | 61% |

Source: www.economictimes.com, www.indiaretailing.com, Livemint.com, abfirl.com, trent.com, arvindfashions.com

Competitor Analysis

Profitability Analysis FY23 (INR in crores)



Source: www.moneycontrol.com

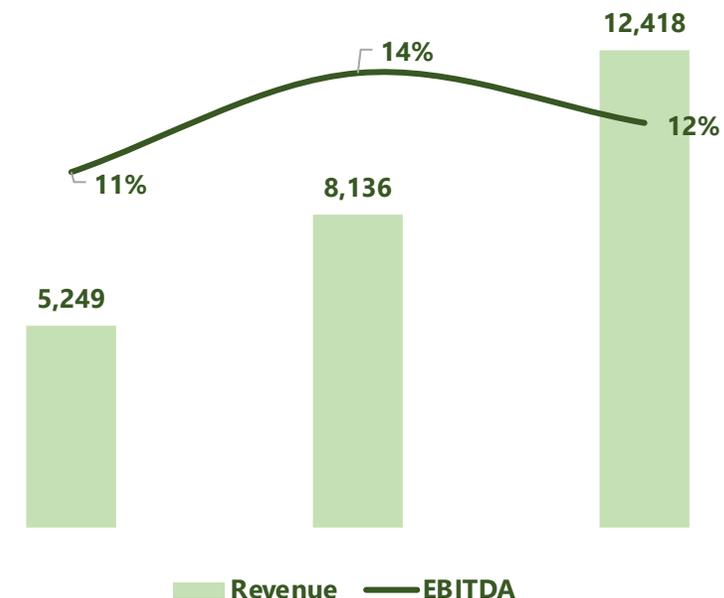
The Revenue for Aditya Birla Fashion & Retail Ltd. (ABFRL) stood the highest followed by Trent Ltd. while Arvind Fashions recorded the lowest revenue. However, as far as EBITDA as % to revenue is concerned, Kewal Kiran Clothing Ltd. (KKCL) stood the highest at 19% despite recording a lower revenue than ABFRL and Trent. It is also pertinent to note that Arvind Fashions recorded a significantly low EBITDA as a % of revenue in comparison to the other players.

Profit & Loss Snapshot - ABFRL

| PL Snapshot (ABFRL) Particulars (in Crores) | Actuals | | | Common Size | | |
|------------------------------------------------|--------------|--------------|---------------|-------------|-------------|-------------|
| | FY21 | FY22 | FY23 | FY21 | FY22 | FY23 |
| Revenue From Operations | 5,249 | 8,136 | 12,418 | 100% | 100% | 100% |
| Total Income | 5,249 | 8,136 | 12,418 | 100% | 100% | 100% |
| Expenses | | | | | | |
| Cost Of Materials Consumed | 421 | 867 | 1,246 | 8% | 11% | 10% |
| Purchase of Stock in Trade | 1,527 | 3,793 | 5,547 | 29% | 47% | 45% |
| Changes in Inventories | 615 | -940 | -1,241 | 12% | -12% | -10% |
| Employee Benefit Expenses | 865 | 1,159 | 1,563 | 16% | 14% | 13% |
| Other Expenses | 1,266 | 2,158 | 3,809 | 24% | 27% | 31% |
| Total Expenses | 4,694 | 7,037 | 10,924 | 89% | 86% | 88% |
| EBITDA | 555 | 1,099 | 1,494 | 11% | 14% | 12% |
| Finance Costs | 503 | 351 | 472 | 10% | 4% | 4% |
| Depreciation | 963 | 997 | 1,227 | 18% | 12% | 10% |
| Other Income | 73 | 101 | 116 | 1% | 1% | 1% |
| EBT | -837 | -148 | -89 | -16% | -2% | -1% |

Source: www.moneycontrol.com

Revenue - EBITDA Comparison (ABFRL)



- ABFRL's revenue is growing significantly, with a jump from ₹5,249 crore in FY21 to ₹12,418 crore in FY23 representing a strong growth of 137%.
- Purchase of stock in trade has seen a significant increase as a percentage of revenue, rising from 29% in FY21 to 45% in FY23. This suggests that ABFRL is investing more heavily in inventory.
- EBITDA has grown steadily from ₹555 crore in FY21 to ₹1,494 crore in FY23, indicating an improvement in operational profitability.
- The EBITDA as a % of revenue has reduced from 14% in FY22 to 12% in FY23 which could be because of rising expenses in cost of materials or other expenses.

Conclusion

Conclusion

1. Impact of Urbanization

- The rapid urbanization of Indian cities and the penetration of international brands into the Indian markets has created a relevant demand for branded and quality products. The awareness of the variety of products and their easy availability has indicated that Indians hold the capacity to buy and consume things beyond basic necessities.

2. Consumer Preference

- India's per capita GDP increased to USD 2,578 in 2024 which has led to more consumers shifting towards premium brands.

3. Increased Preference for Healthcare Products

- Health consciousness has become an essential part of Indians. There are more people spending on health and wellness, availing of services like regular health checkups, gym memberships, etc. This trend is having an impact on both health and non-health-related industries. The rise in awareness about overall health and sleep has encouraged people to make mindful choices leading to an overall increase in preference for products that boost health.

4. The Future of Shopping

- Artificial intelligence is being integrated in the retail industry with companies such as Lenskart with "AI Lens", Reliance retail using AI for seamless online and offline experience.

Source: www.timesofindia.com , www.theeconomictimes.com



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RESEARCH CONSULTING

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Contact



+91-9359628675



contact@marcglocal.com



www.marcglocal.com



2nd floor, CMM bldg. Rua de Ourem,
Panaji Goa 403001