

ISSUE #1



April 2024

REALESTATE

Monthly Newsletter



In this newsletter

Market Size

Market
Drivers

Investment
Framework

Major Players &
Investment

Challenges

Impact on Real
Estate



INDIAN LUXURY RETAIL INDUSTRY



INDIAN LUXURY RETAIL INDUSTRY – AN OVERVIEW

INTRODUCTION

Over the next decade, India is pegged as one of the fastest growing economies in world owing to its strong domestic demand, physical and digital infrastructure and improved global competitiveness. Although major economies in the world are witnessing recessionary trends, Indian economy is estimated to grow by 7% - 7.5% y-o-y in next few years. India's GDP is projected to reach \$26 trillion and its per capita income will touch \$15000 by year 2047.

Even though India is a relatively smaller market, its robust growth rate of 33% as of 2022, positions it as the fastest growing Asian markets and the second fastest in the world. India ranks as the third largest luxury markets in Asia, surpassing countries like Thailand, Vietnam and even South Korea.

The number of millionaires in India are projected to grow by 105% by 2026, as per Credit Suisse report. The number of ultra-rich grew 11 times in the last decade in India. It's estimated that by 2027, the number of millionaires in India will increase by 69%, with over 19,000 ultra-high-net-worth individuals whose wealth exceeds \$30 million.

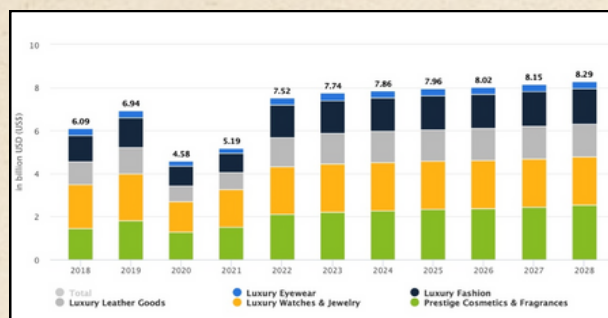
MARKET SIZE

As per Bain & Company report, India's luxury market is expected to grow to 3.5 times the current size and reach US\$200 billion mark by 2030, propelled by rising number of UHNWI's (net assets with USD 30 million or more), growing entrepreneurship, strong middle class, greater penetration of E-commerce and demand from Tier 2 and Tier 3 cities.

As per Statista, the Luxury Goods industry in India is anticipated to yield a revenue of \$7.86 billion by 2024. It is expected to experience an annual growth rate of 1.34% (CAGR 2024-2028).

- The largest segment in this market is Cosmetics & Fragrances, which is estimated to have a market volume of US\$2.28bn in 2024.
- Online sales are projected to contribute 2.6% of the total revenue in the Luxury Goods market by 2024.

REVENUE BY SEGMENT



Source: Statista Market insight 2024



INDIAN LUXURY RETAIL INDUSTRY – MARKET DRIVERS

India's luxury market stands at a crossroads, poised for unprecedented growth and transformation. Previously, luxury meant only big houses and expensive cars. But now the story is changing. Owing to the changing lifestyles and increasing disposable incomes, the focus of Indian consumers has shifted from cheap ephemeral products to long-lasting luxurious ones. The idea is to seek an exceptional experience when interacting with a prestigious brand.

Given the growing demand for luxury products and services in India, an increasing number of international businesses are eyeing the Indian market with positive plans to establish operations and flourish in the nation.

Some key Luxury sectors in India include:

- **Fashion:** According to Statista, the revenue of the luxury fashion market in India is estimated to reach \$1.56 billion by 2024. With the increasing demand for luxury brands, this could be an attractive sector for investors.
- **Jewellery:** The revenue of India's luxury jewellery market is estimated to reach \$1.70 billion by 2024, according to Statista.
- **Hospitality:** There is increasing demand for luxury hotels in India, making it a sector worth tracking for investors interested in the housing market.
- **Automobile:** The sales of luxury cars in India are increasing, making it an attractive area for investors.

ADVANTAGE- LUXURY RETAIL INDUSTRY

- India's luxury market is expected to grow to 3.5 times the current size and reach US\$200 billion mark by 2030
- Increasing disposal income and growing brand conscious middle class.
- Strong market in terms of domestic demand and exports. Rise in middle class income and young population may result in strong growth.
- The number of ultra-rich grew 11 times in the last decade in India. It's estimated that by 2027, the number of millionaires in India will increase by 69%, with over 19,000 ultra-high-net-worth individuals whose wealth exceeds \$30 million
- Technological advancement. Easy access to E-retail platforms and social media penetration.
- Growing entrepreneurship has created group of people having higher disposal income.
- Increasing demand from Tier II and Tier III cities due to accessible E-commerce platforms
- People have started investing in experiential luxury rather than building long term assets. This phenomenon is triggered by YOLO (you only live once) approach to life.
- Indian consumers, on a global stage, are one of the fastest growing segments. Despite many statutory ongoing challenges in terms of ease of doing business, no luxury brand can afford to overlook the market because it's a huge untapped market.



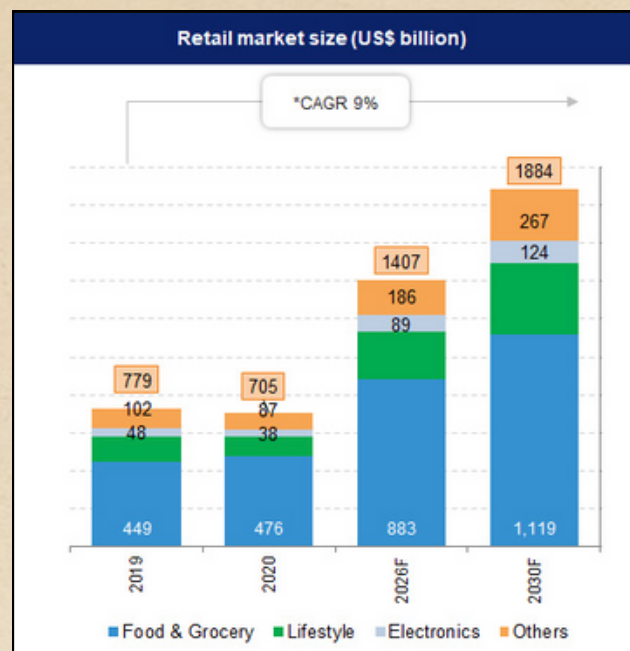
INDIAN LUXURY RETAIL INDUSTRY – INVESTMENT FRAMEWORK

India's Luxury Retail Market is experiencing rapid growth as the country's economy moves toward being the fastest-growing in the world. With the evolving appetite of Indian consumers, the demand for premium and luxury products is witnessing a significant rise.

The urban Indian consumer's purchasing power is increasing, and branded goods in categories like apparel, cosmetics, footwear, watches, beverages, food, and even jewellery are gradually evolving into business and leisure that are well-liked by the urban Indian consumer.

Previously, luxury meant European brands and their classic styles. But things are evolving. Awareness of luxury among Indian youth is increasing, and they prefer brands that understand their tastes and traditions.

- India is the world's fifth-largest global destination in the retail space. India ranks among the best countries to invest in Retail space.
- In the FDI Confidence Index, India ranked 17 (after US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy).
- Cumulative FDI inflows stood at US\$ 4.56 billion in the retail trading sector between April 2000-September 2023.
- Approval of FDI limit in multi-brand retail up to 51%
- Sourcing and investment rules for supermarkets relaxed
- 100% FDI in single-brand retail under the automatic route



BOOMING E- RETAILING

India's retail industry is projected to grow at 9% over 2019-2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030.

E-Retail has been a boon during the pandemic and according to a report by Bain & Company in association with Flipkart 'How India Shops Online 2021', the E-retail market is expected to grow to US\$ 120-140 billion by FY26, increasing at approximately 25-30% p.a. over the next 5 years.

India has the third-highest number of E-retail shoppers (only behind China, the US).

The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030.



INDIAN LUXURY RETAIL INDUSTRY – MAJOR PLAYERS & INVESTMENT

PREFERRED LOCATION AND PLAYERS

For decades, Delhi and Mumbai have competed for the title of India's luxury fashion capital. Louis Vuitton, Dior, Chanel and Hermès arrived in India via Delhi and opened their second stores in Mumbai. Gucci, Jimmy Choo and Bottega Veneta, on the other hand, prioritised Mumbai first. Christian Dior Couture showcased its Fall 2023 collection in Mumbai, becoming the first fashion house to unveil the latest lines in India.

Brands are looking for the next city hotspots to tap into the local luxury consumer and expand. Bengaluru, Hyderabad and Chennai are emerging markets for Luxury Brands.

Most luxury brands in India have opted for joint ventures with local luxury retailers rather than establishing exclusive brand outlets (EBOs).

Reliance Industries Ltd (RIL) is the single largest retailer of luxury couture brands in India, currently with nearly 35 popular names under its umbrella, including Tiffany & Co., Salvatore Ferragamo, Jimmy Choo, Ermenegildo Zegna, Tory Burch, Tod's, Versace & Bottega Veneta.

Aditya Birla Fashion and Retail Limited (ABFRL) is another major player that has partnered with Galeries Lafayette and will also launch a dedicated E-commerce platform for Galeries Lafayette in India.

INVESTMENTS IN LAST THREE YEARS

- In July 2022, Reliance Brands Limited (RBL) partnered with Maison Valentino to bring to India, the most established Italian Maison de Couture.
- In June 2022, Reliance Brands Limited inks a JV with plastic legno spa to strengthen toy manufacturing ecosystem in India.
- In June 2022, Aditya Birla Group formally launches TMRW – a Digital First 'House of Brands' venture in the Fashion & Lifestyle space.
- In May 2022, Reliance brands limited (RBL) partnered with Tod's S.p.A, the iconic Italian luxury brand to become the official retailer of the brand across all categories including footwear, handbags and accessories in the Indian market.
- Tanishq, Shoppers Stop and Bestseller India (sells fashion brands Vero Moda, ONLY and Jack & Jones) plan to add 10-35 stores in FY22.
- Aditya Birla Fashion and Retail Limited (ABFRL) has partnered with Galeries Lafayette, the Parisian brand, to bring about 200 luxury and designer brands in a massive flagship store of 90,000 square feet spread across two historic buildings in south Mumbai from 2024.



INDIAN LUXURY RETAIL INDUSTRY – CHALLENGES

INTEGRATION OF LOCAL CULTURE

The technology trained digital native population with rising disposable income presents attractive growth opportunities for global luxury brands, but at the same time, requires deep knowledge of local culture to navigate this market successfully.

The luxury goods market in India remains relatively small due to cultural preferences for traditional and handmade products. High-end brands should introduce India-exclusive collections to create deeper connection with Indian centric preferences.

CUSTOMISED INDIAN EDITIONS

Indian luxury consumers are evolving and use brands as an expression of self rather than just signalling logos. They understand true meaning of luxury and associate it with quality and craftsmanship. Demand for personalization and growing expectations for service levels make it imperative for brands to create a seamless shopping experience at every touchpoint of consumer journey.

COMPLEX REGULATORY FRAMEWORK

The industry must navigate complex regulatory landscapes, address supply chain vulnerabilities, and confront evolving consumer preferences.

They face another obstacle with the mandatory 30 percent local sourcing requirement, despite the permission for 100 percent foreign direct investment (FDI) in single-brand retail and 51 percent in multi-brand retail. However, with resilience and ingenuity, these challenges can be transformed into opportunities for differentiation and competitive advantage.

A SHIFT TOWARDS SUSTAINABILITY

As the luxury sector continues its upward trajectory, there is a palpable shift towards sustainable practices and ethical sourcing.

This shift is not only a response to consumer demand but also a proactive measure to mitigate environmental impact and uphold corporate responsibility.



VERSACE



PRADA
MILANO



truetales.in

Paul Smith



CHANEL



GIORGIO ARMANI

Dior



HERMÈS
PARIS

GUCCI



DKNY
DONNA KARAN NEW YORK



INDIAN LUXURY RETAIL INDUSTRY – IMPACT ON REALESTATE

India is witnessing a steady influx of international luxury brands establishing their presence in the market, entering through different routes. Most luxury brands in India have opted for joint ventures with local luxury retailers rather than establishing exclusive brand outlets (EBOs). Several global, regional, and local brands are leveraging these assets to sell to customers. Partnering with these local giants will help luxury brands quickly gain foothold and increase customer touchpoints.

Further, e-commerce platforms are providing luxury brands Pan-India outreach. During 2022, Myntra, an ecommerce fashion platform onboarded 25 international fashion labels and 50 foreign beauty brands. Today across the platform, a user can buy from over 400 international brands like Bvlgari, Movado, Tissot, etc.

Collaborations were the preferred route in the past. For instance, in 2018, Ralph Lauren entered into a license agreement with Aditya Birla Fashion and Retail Limited (ABFRL) to open its franchise stores in India. Italian luxury house Valentino launched its first store in Delhi in partnership with Reliance Brands Limited in November 2022

It is expected that this trend will drive demand of premium grade A retail space in major markets. Exclusive Mall Space is also an option that is set to grow in future.

Online stores through E-commerce platforms is expected to develop the whole value chain required for establishment of Luxury Brands in India.

Thank you for reading!

| | |
|--------------|--|
| CIRIL | info@ciril.in |
| www.ciril.in | Oyster Plaza, Somajiguda, Hyderabad, Telangana. |

Monthly Newsletter

CIRIL OFFICES

City Estate Management India
AHMEDABAD

Trinity Partners
HYDERABAD

Property Terminus
PUNE

Silverline Realty LLP
BENGALURU

Asha Realty
INDORE

AB Realtors
RAJKOT

Bluetick Realty
BHOPAL

Click4Flats LLP
JAIPUR

Shakti Property
RANCHI

Orimark Services
BHUBANESWAR

Sthapatya Leasing & Consultant
JAIPUR

GFS Realtors
SILIGURI

Raheja Associates
CHENNAI

Surana Realtors Pvt. Ltd.
JODHPUR

Deep Consultancy
SURAT

Synergy Realtors
COIMBATORE

NK Realtors Pvt.Ltd
KOLKATA

Samruddhi Realtors
SURAT

Guptasons Infra Pvt. Ltd.
NEW DELHI

Prop Solutions
KOCHI

Grow Big Leasing & Real Estate
UDAIPUR

RPZ9 Futurepreneurs Pvt. Ltd.
NEW DELHI

Sure Shot Suggestions (I) Pvt Ltd.
MUMBAI

Komfort Key
VADODARA

Geo Spaces India
GURUGRAM

**MumbaiProperties Consulting
Pvt.Ltd**
MUMBAI

V Realty
VADODARA

Sidvin Realty Network
GUWAHATI

Tanvi Real Advisory
NAGPUR

RateperSQFT
GUWAHATI

DJ Realtors
NASHIK

XEA Commercial Leasing
GOA

Anchit Space Solutions
NAVI MUMBAI