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# Overview of India's Bathroom & Kitchen Industry

July 2014



Event organized by:



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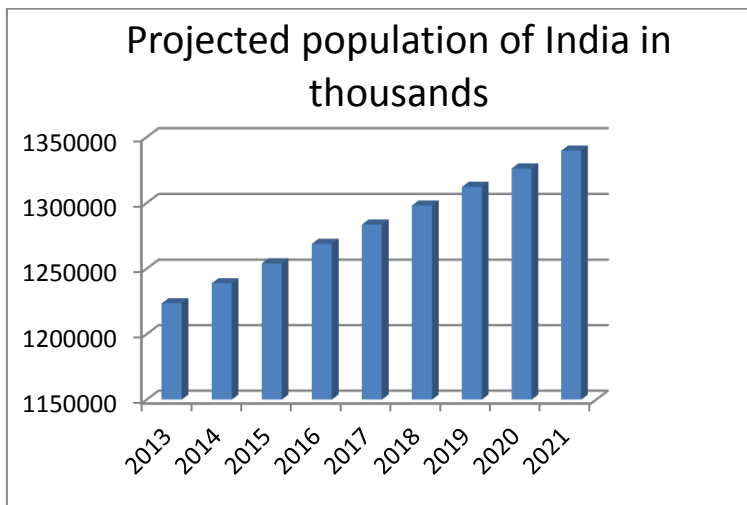
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## 1. Why India? – Market overview

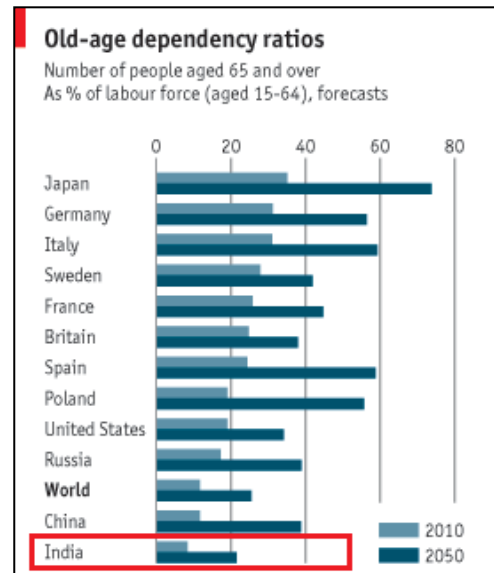
- India is the 2<sup>nd</sup> largest population in the world, a high percentage (65%) of which are income earning.
- Increasing level of income and growing spending rate.
- Rapid urbanization, strongly supported by newly elected Government.
- The member of BRICS: the fastest growing countries in the world.
- India, as it stands today, is on the trajectory of becoming the world's 3rd largest economy by 2020.

**With a population of 1.3 billion – 65% are income earning**  
– India offers a huge market for international corporations. Talent, one of the key elements for any business, is plentiful and available at a lesser cost compared to developing nations. In the past decade, when the economy was in good shape, the manufacturing and service sectors achieved a growth rate of 7.7% and 9.6% respectively. (Jones Lang Lasalle)



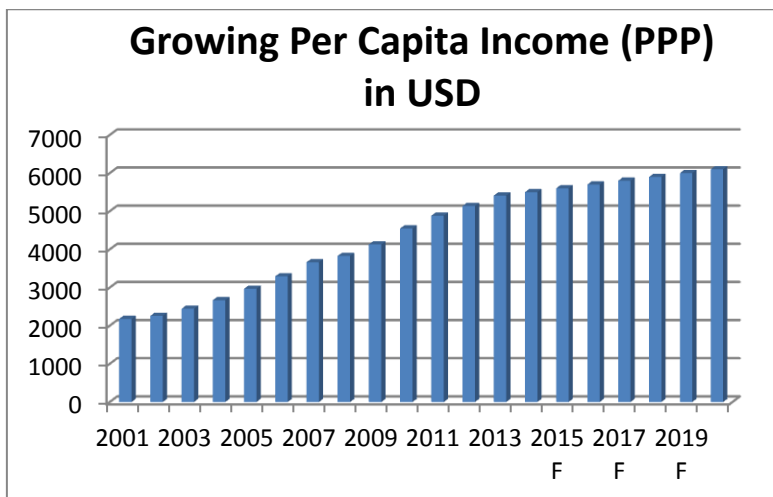
Source: Office of Registrar General of India, Ministry of Home Affairs.

**Old-age dependency ratio**, which measures the number of elderly people as a share of those of working age, will rise sharply in most countries over the next 40 years, according to the European Commission. The biggest absolute increase will be in Japan, where the ratios of 35.1% in 2010, already the world's highest, will more than double, to 73.8%, by 2050. India has the lowest old-age dependency in 2010 and is projected to hold its leading position in 2050. (The Economist, from the print edition: Economic and financial indicators)

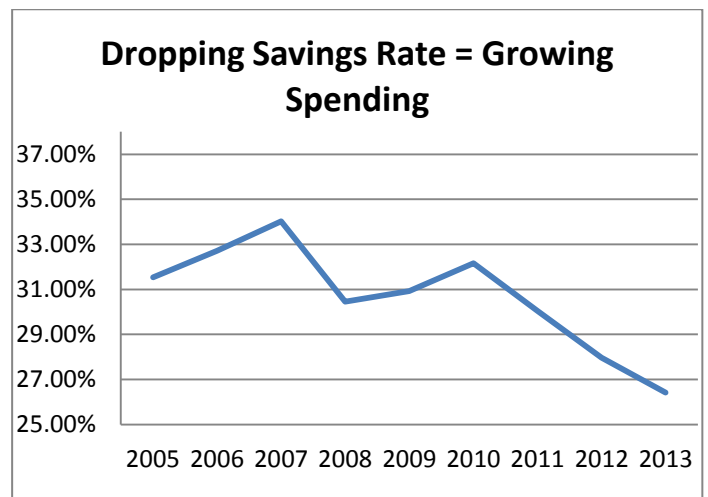


Source: European Commission

When combined with the **growing Income Per Capita (PPP)**, **urbanisation rate**, an increasing number of nuclear families and an increasing focus on spending, the consumer market potential is clear. The diversity in spending patterns, eating habits and lifestyle changes (**focused on higher spending**) in various parts of the country offer a sizable market for a range of industries wanting to set up their office in India.

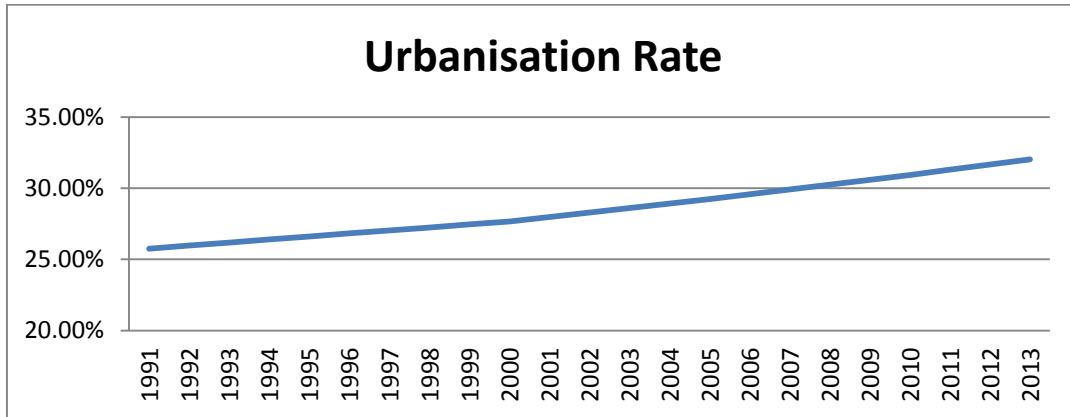


Source: International Monetary Fund



Source: World Bank

**Growing Urbanisation Rate in India is observed every year.** Mumbai is the most populous city in India, and the fourth most populous city in the world. Mumbai accommodates 18.4 million people, and is the largest metropolis by population in India, followed by Delhi with 16.3 million inhabitants. According to a survey by UN State of the World Population report in 2013, by 2030, 40.76% of country's population is expected to reside in urban areas. India will lead the world's urban population surge by 2050 as per World Bank.

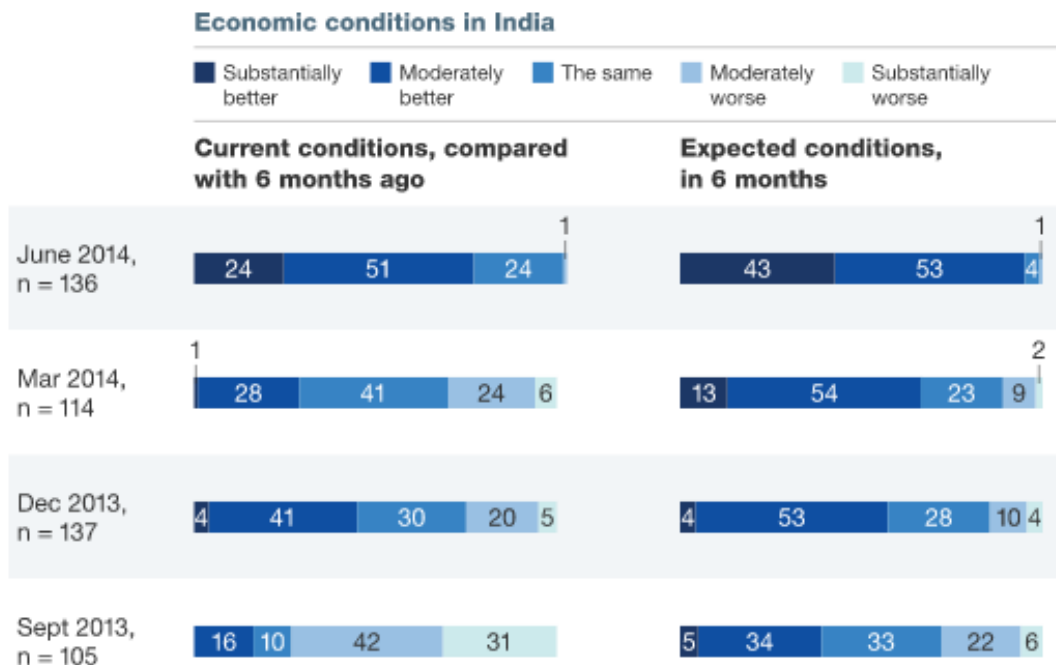


Source: World Bank

**After sweeping political changes in recent elections in May 2014,** executives in India report dramatically renewed optimism for their country's economic prospects, even as pessimism persists in other emerging markets. In McKinsey's latest survey on economic conditions, many respondents believe domestic and global conditions have improved and will improve in the coming months. The victory of Prime Minister Narendra Modi's Bharatiya Janata Party in May 2014, 96 percent of executives in India now expect the country's economy will improve during the next six months.

### Surging optimism in India after newly elected Government

% of respondents<sup>1</sup> located in India



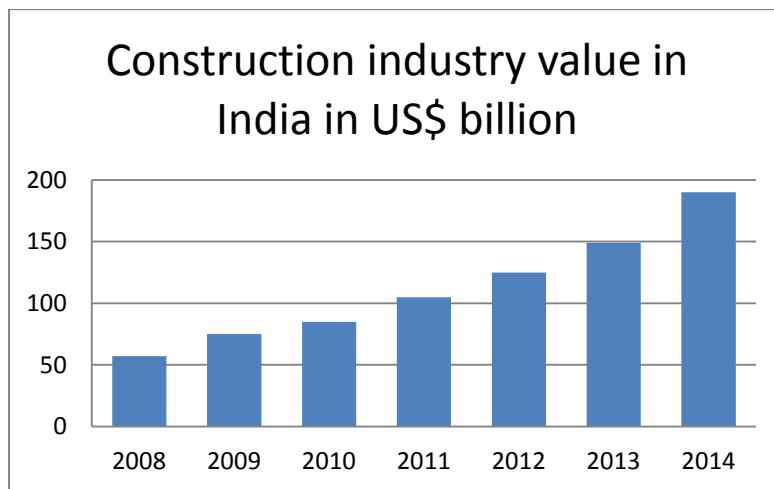
<sup>1</sup>Figures may not sum to 100%, because of rounding.

Source: McKinsey Global Survey: Economic Conditions Snapshot, June 2014

## 2. Construction and Real Estate industry in India

- India is poised to be world's 3<sup>rd</sup> largest construction market by 2025.
- The construction industry is the second largest industry of the country total market size is estimated at US\$ 190 billion.
- The real estate market is one of the fastest growing sub-sectors of construction industry in India and its market size is expected to touch US\$ 180 billion by 2020.
- Nearly 290 000 residential units are under construction in Mumbai residential market. (Jones Lang Lasalle)

Government of India is actively striving towards stimulating construction activities in the country as the construction sector is the second largest employer and contributor to economic activity, after agriculture sector.



Source: Construction Industry Development Council

## 3. Bathroom fittings & Sanitary ware industry in India

Indian sanitary ware market to witness robust growth due to rising sanitary awareness enhanced by increased level of income and government programs for educating households about safe sanitation. (Techsci Research)

Abundant availability of raw material and low labour cost = India is emerging as a sanitary ware manufacturing hub. **HSIL, Cera India, Roca India, Kohler India, Toto India, Jaquar and Company** and many others have set up manufacturing facilities in the country. (Techsci Research)

“Around 69% households in rural areas and about 19% households in urban areas in India do not have access to safe sanitation. This indicates the latent opportunity in the country's sanitary ware market.” **Karan Chechi, Research Director of TechSci Research**

“India is no longer a testing ground, but a lucrative market for premium brands. It's increasingly willing to spend on premium quality and are becoming extremely value conscious. People are also aware of leading global brands in the space with high growth potential.” **Mathew Job, CEO of GROHE India**

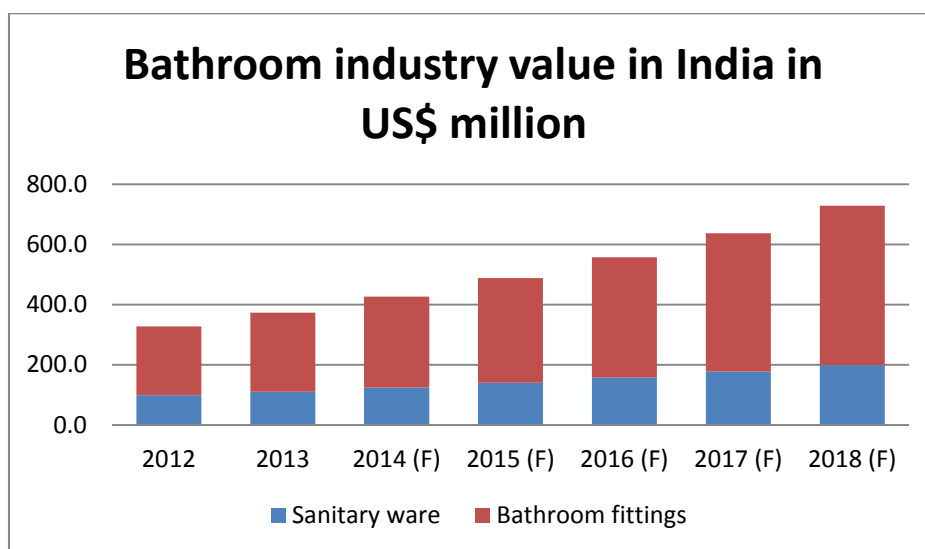
“Rapid urbanisation is leading to increased standards of living, which has resulted in escalated demand for super-premium or luxury bathroom products.” **Ajit Singh, Vice President Sales of Bath Division of H&R Johnson**

“With consumers evolving across the country and New Delhi being the capital, consumers are inclined towards experiencing luxurious and aesthetically designed homes. This 25th outlet in Delhi, is designed to offer consumers a range of bathroom products that are world class and durable. The launch of this store adds to Kohler's aggressive expansion plan in India. 'Bathways' brings forth the best in Kohler's portfolio of bathroom products and offers an elevated experience to discerning consumers.” **Salil Sadanandan, Managing Director, Kohler Kitchen & Bath India**

Increasing presence of foreign players: Initially, domestic players dominated the market in this segment. However, foreign players are gaining popularity as more and more customers wish to purchase imported products. There have been some tie ups between foreign players and domestic players in this segment. (PwC)

Indian customers are gradually **purchasing more premium and high technology products** for their bathrooms due to increase in the spending power with increasing environmental awareness, customers are moving towards eco-friendly sanitary-ware and bathroom fittings that help in the conservation of water. The premium segment is estimated to comprise about 10 to 12% of the total market. (PwC)

The sanitary ware and bathroom fittings industry in India together is estimated to be valued around **427 million USD in 2014**. The sanitary ware segment is estimated to be valued approximately 124 million USD in 2014 while the bathroom fittings segment is estimated at approximately 303 million USD in 2014. The Indian sanitary-ware market accounts for **8% of the global production** and ranks second in terms of volume in the Asia-Pacific region. The government initiatives and boom in the real estate sector will further contribute to the growing demand of sanitary ware and bathroom fittings products in the country with the **grow at the CAGR** (compound annual growth rate) of about **12.5% and 15%** respectively between 2012-2018. The demand for sanitary ware is highest in residential sector followed by demand from commercial sector including malls, hotels, and hospitals.



Source: PwC

### Trends in Bathroom fittings & Sanitary ware industry in India

**Complete bathroom solutions:** Due to the rising popularity of concept washrooms and coordinated sanitary-ware, fittings and accessories, some manufacturers are offering a one-stop shop solution for all sanitary-ware and fittings requirements. The in-store experience has grown in importance, and manufacturers have established 'Experience-Centres', which are one-stop shops where a customer can view a virtual version of their bathrooms, post renovation.

**Water conservation technology:** Bathrooms constitute the primary source of water and water usage. With increasing environmental awareness, customers are moving towards eco-friendly sanitary-ware and bathroom fittings that help in the conservation of water. These eco-friendly products offer a 20% savings in water as compared with other

products. Solutions such as high efficiency flushing systems, infrared controls, and sensor taps and showers are gaining popularity.

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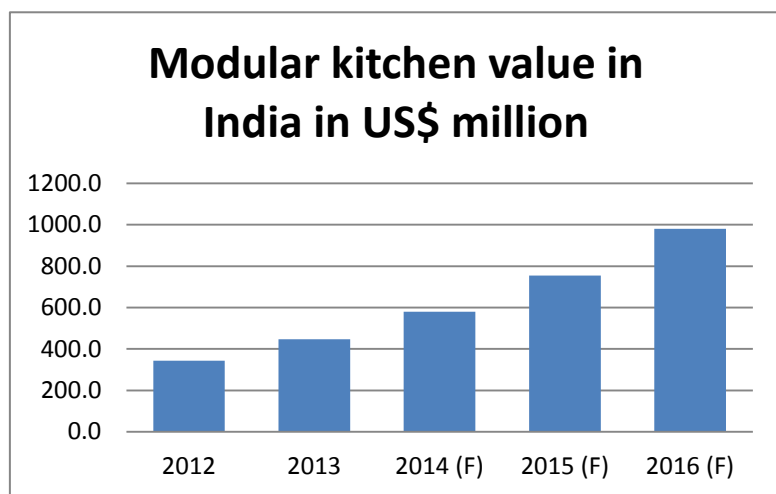
**Rise in premium segment products:** Indian customers are gradually purchasing more premium and high technology products for their bathrooms due to increase in the spending power. The premium segment is estimated to comprise about 10 to 12% of the total market.

Some of the brands related to bathroom presented in India:

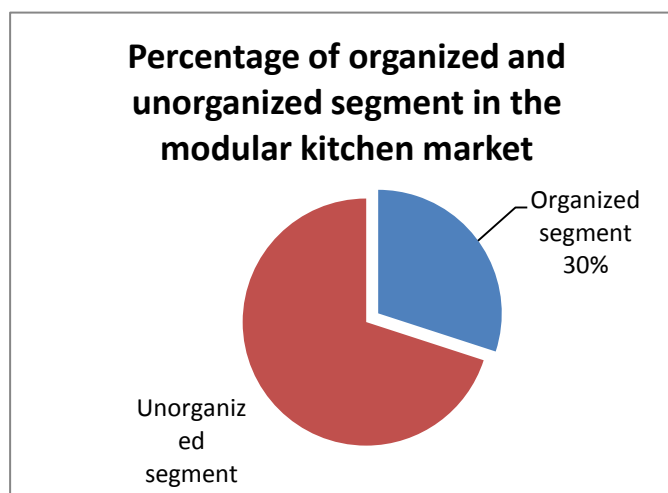


#### 4. Modular kitchen industry in India

The modular kitchen market in India has been **growing** at a rapid rate **30% per annum**, albeit from a low base. According to industry experts, the market was approximately **343 million USD in size in 2012**, and could grow to about **980 million USD by 2016**. The market is largely unorganised with the presence of local and small players. The unorganised market (estimated at 70 to 75% of the total) includes carpenters making custom-designed kitchens based upon the requirements of the households. Modular kitchens account for an estimated 25% of the organised home interior market. The market is expanding as the demand is no longer restricted to the upper middle class, but is gaining popularity among other socio-economic classes also.



Source: PwC



Source: PwC

More than **85% of interest and investments** in modern kitchens comes from Top cities like Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Pune, and Kolkata.

“The demand for modular kitchens is growing particularly for branded quality products. As the demand for apartments grows and lifestyles change, style, convenience and efficient use of space drive the demand for prefabricated kitchens” **Sushil Matey, COO, H&R Johnson.**

“The modular kitchen industry has great potential and is growing in excess of 30% per annum. As per estimates, modular kitchens’ penetration in large towns is less than 10% so the opportunities are immense.” **Subodh Mehta, Assistant Vice President, Godrej**

## Trends in the modular kitchen market in India

**European design:** There has been an increase in the demand of European style modular kitchens as the design is seen to be clutter-free, trendy and modern and the colour palette is subtle compared to Indian kitchens.

**Key convenience and trendy features:** Incorporated lighting, soft closing doors and high end accessories have become common in modular kitchens in India. The current trend includes handle-less doors, soft closing drawers, top open-able glass doors, rust proof and grease resistant counter tops, water-proof cabinets and built-in appliances. Pastel shades and wooden finish kitchens are the fastest growing trends in the modular kitchen segment

**New players:** Several European companies (particularly from Italy, Germany and Austria) as well as the Middle East have recently entered the Indian market.

**Tie-ups:** Companies engaged in the modular kitchen segment are setting up joint ventures with international players who are engaged in the similar line of business. Domestic players benefit from the technological expertise provided by international players. International players are entering the market through tie-ups with domestic firms for the distribution of their products in India.

"Though the size of the market in India is difficult to state due to the presence of unorganized players, industry data pegs it an estimated Rs 1,500 crore. The year-on-year growth is about 35 per cent." **Pawan Malhotra, Managing Director, Cucine Lube India**

"We started the modular kitchen business in 1994, we made not more than 10-15 kitchens per month. Then the realty boom changed the rules and numbers of the game drastically. At present we are catering to a demand of 60-70 kitchens per month" **Surjit Kumar Sharma, Director, Lispo Kitchens**

"On the growth strategy we would keep on focusing on our kitchen appliances segment which would remain our main stay for our retail business. We also have almost accumulated business of Rs 550 crore in the project business, which we would deliver in next 2-3 years. Miele is planning to expand its network in tier 2 cities and increase its point of sales to 60 in the next two years from 40 at present." **Dhananjay Chaturvedi , Managing Director, Miele India**

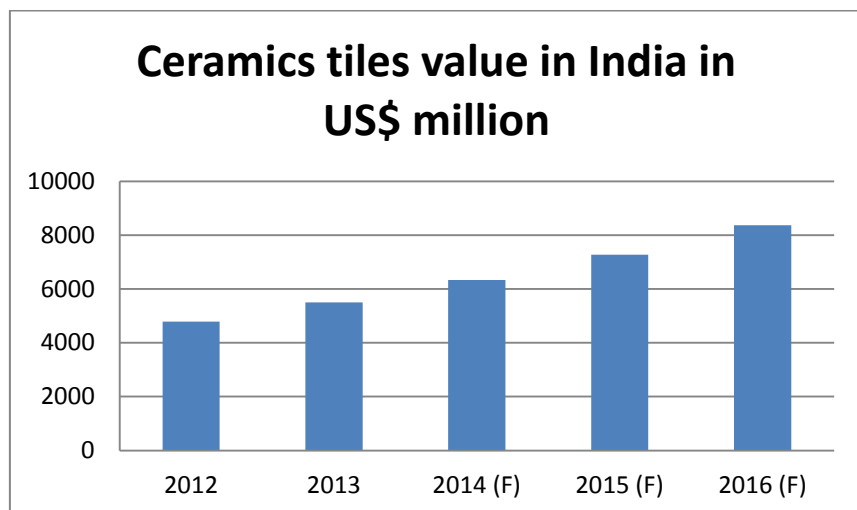
Some of the brands related to kitchen presented in India:



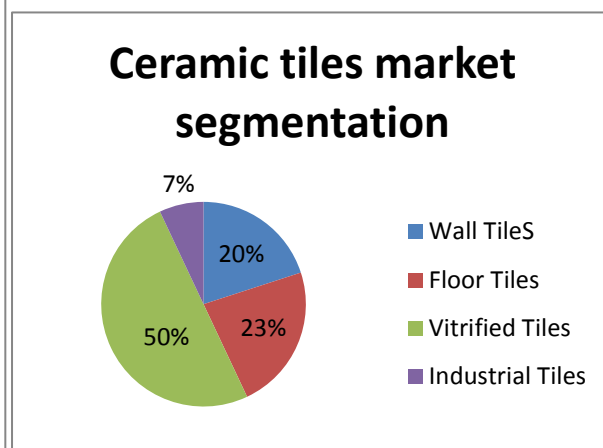


## 5. Ceramic tiles industry in India

The Indian ceramic tiles market size is estimated to have been 4785 million USD in 2012 and is expected to reach 8369 million USD by 2016 growing at a CAGR of 15%. The Indian ceramic tiles market ranked third globally and accounted for over 6% of the total global production in 2012. The organised segment makes up approximately 50% of the sector, and the top eight manufacturers constitute over 75% of the organised market. A large number of small or medium-scale manufacturers operate in the unorganised segment, mainly through plants in Gujarat. Nearly 50% of the market consists of vitrified tiles followed by floor tiles with 23%.



Source: PwC



Source: PwC

### Trends in ceramic tiles market in India

**Introduction of nanotechnology:** Use of nanotechnology helps enhance the shelf life and strength of the tile and can make tiles resistant to dirt and bacteria. These tiles are gaining popularity in areas where hygiene is important, such as hospitals, laboratories, food processing plants, etc.

**Eco-friendly tiles:** Usage of eco-friendly tiles is expected to increase as consumers become more environment-conscious. Recycled eco-friendly tiles are usually made from natural and renewable substances.

**Designer tiles and introduction of 3-D tiles:** Tiles are now becoming a style statement and are used for bedroom and living room walls as well. 3D tiles are also being used for outdoor cladding, wall cladding, elevation, etc.

**Shift towards vitrified tiles:** Vitrified tiles, comprising nearly 50% of the ceramic tiles market have witnessed robust growth in the last five years with increasing demand due to their high durability and easy maintenance.

Some of the brands related to ceramic tiles presented in India:

