

Set for shift to brand

Indians are becoming more and more brand conscious, and that will be the next big trend

SUNIL SINGHANIA

India is on the cusp of a new growth trajectory and our economy is expected to grow manifold from current levels. Indian investors can benefit most if they concentrate on the two emerging trends—quantum jump in financial savings and people becoming brand conscious—that will drive India in coming years.

Traditionally, India is a country of savers. However, that did not result in big economic growth because most of this savings used to go to unproductive physical assets like real estate and gold. The shift from physical assets to financial savings has already started and this trend is expected to gather pace in coming years.



India's current GDP is \$2 trillion and our historical average growth rate is in the range of 13%-15%. Now assume that our nominal GDP will grow at a modest 10% in the next 5 years. So the GDP will be \$2.2 trillion in 2016, \$2.4 trillion in 2017, etc and the total of the next 5 years will be \$12 trillion. Even if we assume a modest 20% savings rate (Indian average savings rate is much higher than 20%) in future, the total savings in the next 5

years will be \$2.4 trillion.

Since an increased proportion of this \$2.4 trillion savings will be coming to financial assets, there will be quantum jump in all sectors related to finance and companies from there will be the big gainers. There is large number of sectors here and the most important among them are banks, NFBCs, asset management companies, insurance companies, wealth management companies, other financial intermediaries, etc. All of these sectors are very big in other countries and there is no reason why they can't be big in India.

Indians are slowly getting brand conscious and the shift from unbranded products to branded products is the next big trend. Everyone now wants to use branded products—be it soaps, shirts, watches, shoes and even innerwear. Paint was just a commodity earlier, now it has already become a strong branded product.

How will the shifting to brand and increased consumption help companies from this space? Let me explain this with the example of shirts. Of the 130 crore people in India, half of them are males and if we assume that they buy one extra shirt per annum, it will be 65 crore additional shirts. And at an average cost of ₹800, this works out to be more than ₹50,000 crore in sales. The current size of India's biggest shirt brand, Van Heusen, is just ₹1,200 crore. So if we get our acts together, the sky is the limit for Indian brands. Note that the \$70 billion Zara brand is from Spain, a country with a population of less than 5 crore.

To benefit from the emerging 'shift to brand' theme, investors need to concentrate on companies that have their own brands or are in the process of establishing new brands.



The writer is CIO, Equity Investments, Reliance Mutual Fund