



INDIA RETAIL SECTOR – A TUG OF WAR FOR GROWTH AND PROFITABILITY



April 2025





Economy Overview

Economic Indicators													
Particulars	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
GDP Growth Rate (%)	5.46	6.39	7.41	8.00	8.26	6.8	6.45	3.87	-5.78	9.69	7.61	9.19	6.48
Per capita GDP (Rs)	74599	78348	83091	88616	94751	100035	105448	108387	101038	109762	116892	126528	133488
Repo Rate (%)	7.50	8.00	7.50	6.75	6.25	6.00	6.25	4.40	4.00	4.00	6.50	6.50	6.25
CPI Inflation (annual %)	9.86	9.46	5.93	4.92	4.51	3.59	3.41	4.80	6.15	5.47	6.65	5.38	4.9**
USD-INR Exchange Rate*	54.39	60.1	62.59	66.33	64.84	65.04	69.17	75.39	73.50	75.81	82.22	83.37	85.58
Crude Oil Prices*	108.46	105.95	53.69	36.75	52.20	69.02	67.93	14.85	63.52	107.29	79.19	86.17	77.23
IIP*	3.30	3.30	4.00	3.30	4.60	4.40	3.80	-0.80	-8.40	11.40	5.20	5.90	5.00#

*At the end of financial year. **For FY2025 up to February 2025. # For FY2025 up to January 2025.

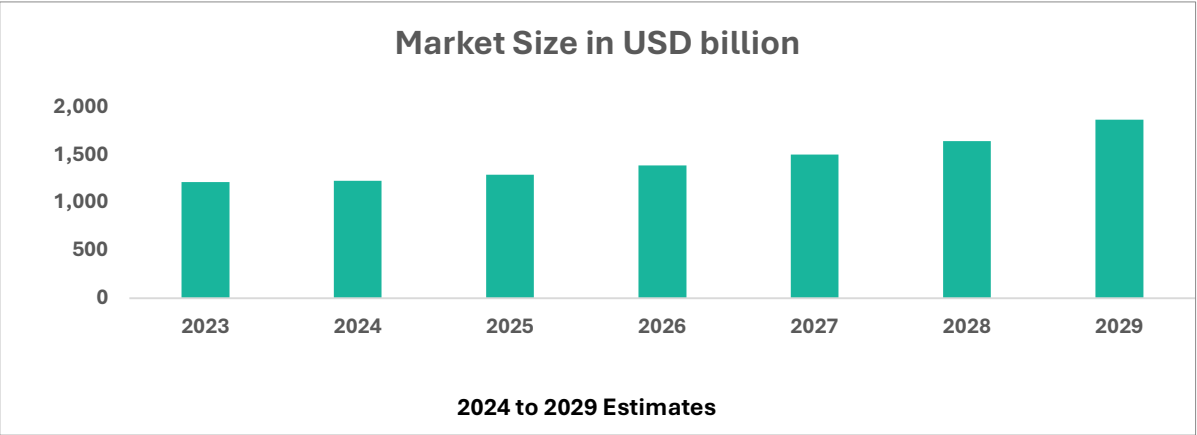
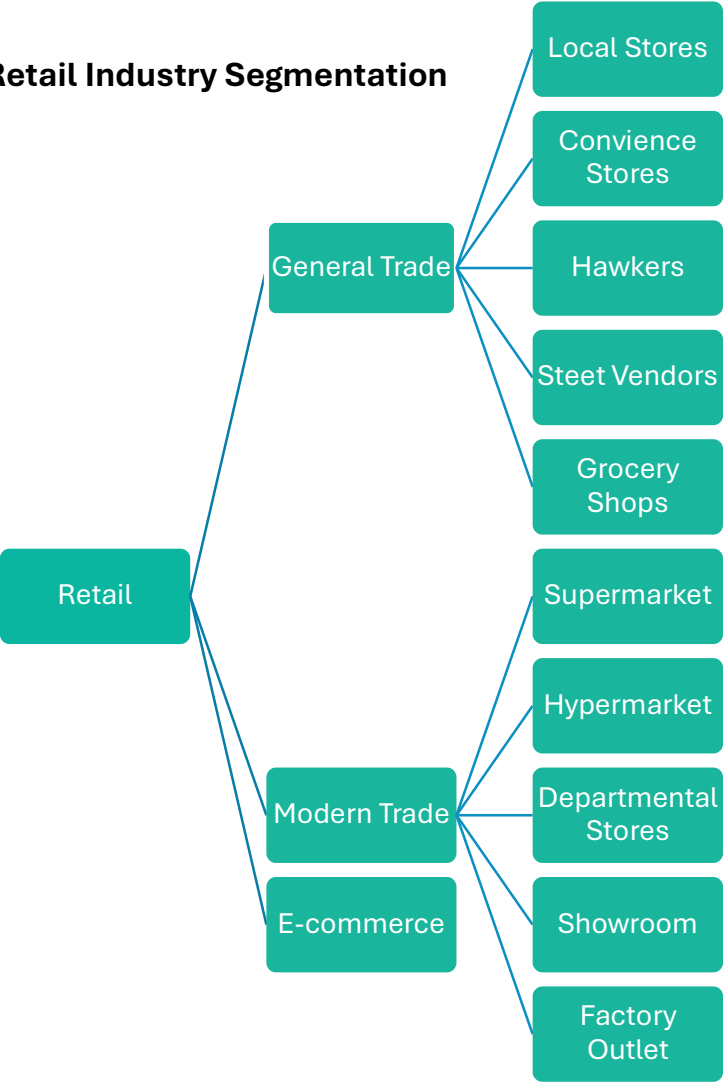
Consumer Goods and Retail Sector Upstream Indicators, % change y/y												
Particulars-IIP	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Food Products	3.30	1.30	6.0	-5.60	-5.50	9.30	12.20	2.00	-2.70	5.90	3.80	1.60
Beverages	6.70	-1.80	3.20	1.40	-3.10	-0.80	3.60	-2.60	-26.00	11.50	19.90	5.10
Tobacco Products	7.50	8.30	12.60	4.00	-15.00	-17.90	-0.90	1.30	-14.00	8.70	-0.60	-8.30
Textiles	8.00	4.30	3.80	2.10	-1.70	-0.30	1.40	-2.50	-21.00	29.30	-8.70	0.10
Wearing Apparel	-1.00	16.00	-0.30	14.50	15.80	-9.40	12.10	0.30	-30.00	27.40	-7.40	-14.00
Leather and Related Products	10.60	2.20	8.80	0.50	-1.10	1.30	0.90	-1.80	-18.00	1.30	-5.80	-1.00
Furniture	12.90	11.10	-7.80	41.8	7.50	11.60	8.10	-7.20	-28.00	23.30	16.40	-5.50
Consumer Durable Goods	4.90	5.60	4.00	3.4	2.90	0.80	5.50	-8.70	-15.00	12.50	0.60	3.60
Consumer Non-Durable Goods	6.10	3.70	3.80	2.60	7.90	10.60	4.00	-0.10	-2.20	3.20	0.70	4.00

The Indian economy showed a strong growth in FY2024, however, inflation remained above the RBI's targeted rate of 4%. RBI continues to maintain the repo rate at 6.5% similar to FY2023. The exchange rate weakened amid strong US dollar. Post COVID, the IIP showed strong recovery reflected in consumer goods and retail sector in FY2022. In FY2024 apparel showed negative growth (yoy) because of lower export demand, increase in cotton prices and high base effect.



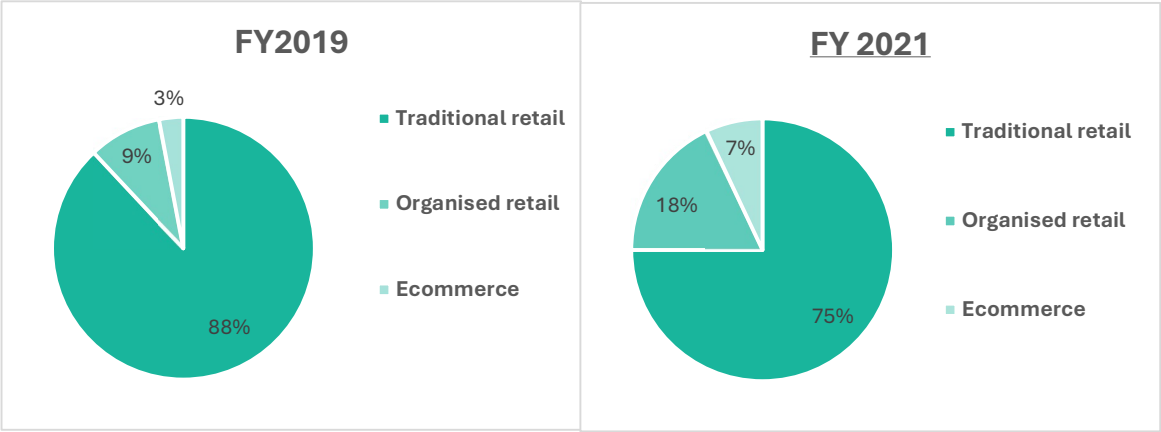
Market Overview

Retail Industry Segmentation



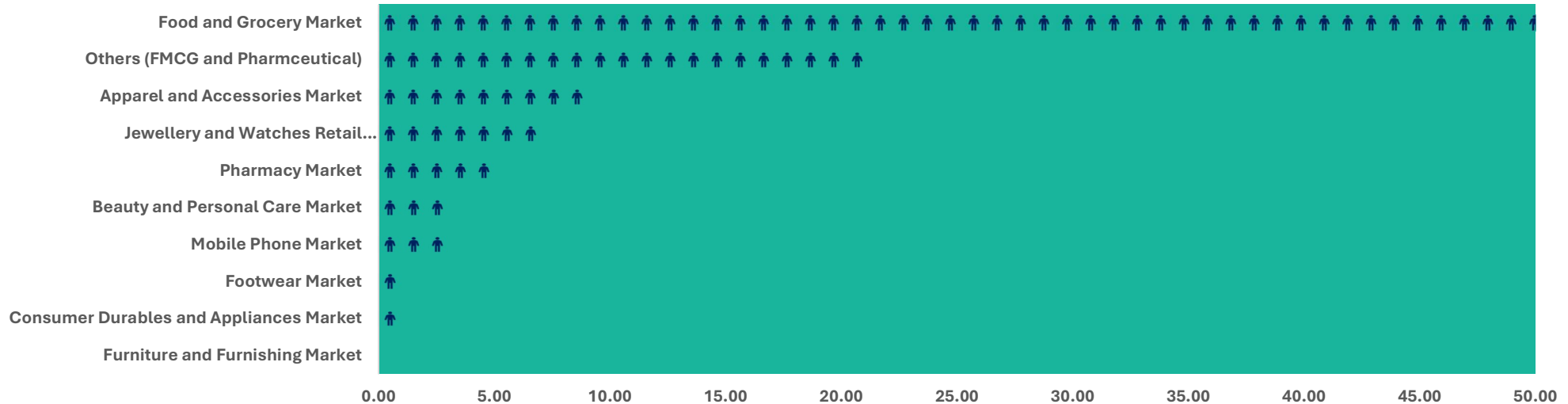
Source: EMIS, Netscribes Data & Insights Private Limited

Retail Industry- Organised Vs Unorganised



Source: IBEF

Market Share %



Source: EMIS, Netscribes Data & Insights Private Limited

Market Drivers

- **Rising Disposable Income-** India per capita GDP has increased by 1.62 times between FY2014 and FY2024.
- **Infrastructure Growth-** Transportation infrastructure improving supply chain and logistics.
- **Technological Advancement-** Growth in digital infrastructure and cheaper internet access.
- **Demographic Dividend** - 65% of India's population is below 35 years, which are also tech savvy.
- **Government Policies-** 100% FDI in single-brand retail, and up to 51% in multi-brand retail under certain conditions.

Challenges

- **High Competition:** Intense competition among large players to gain market share is leading to the closure of unorganised players
- **Financial Strain:** E-commerce and Q-commerce companies are incurring huge losses due to rising operational costs and competition, thus prompting consolidation of businesses.
- **Digital Disruption:** Rapid expansion of technology driven E-commerce and Q-commerce platforms have created a serious threat to existing modern retailers and unorganised players.
- **Shifting Consumer Behaviour:** Preference towards digital shopping is reducing footfall in physical stores, especially for **small retailers**.



Porter 5 Forces Analysis

		General Trade	Modern Trade	E-commerce
The Threat of New Entrants	Supply side economics- Economies of scale	No	Yes	Yes
	Demand side economics-Network affect	No	Yes	Yes
	Customer switching costs	Low	Low	Low
	Capital costs	Low	High	Low
	Incumbency advantages	Low	High	High
	Unequal access to distribution channels	No	High	High
	Restrictive government policy	No	No	No
	High barriers to exit	No	No	No
	Industry growth	High	High	High
	Overall Risk	Very high	Moderately low	High
The Bargaining Power of Suppliers	Supplier concentration	Low	Low	Low
	Supplier switching cost	High	Low	Low
	Differentiated products	Low	Low	Low
	Few or no substitutes for supplier products	No	No	No
	Credible threat of forward integration	Yes	Yes	Yes
	Dependence on the industry	High	High	High
	Overall Risk	Moderately High	low	Moderately low
The Bargaining Power of Buyers	Customer concentration	High	Low	Low
	Low customer switching costs	High	High	High
	Undifferentiated industry products	Yes	Yes	Yes
	Industry purchases represent a significant fraction of their cost	Yes	Yes	Yes
	Overall Risk	Very high	High	High
Threat of Substitutes	"Closeness" of the substitute	High	High	High
	Performance/price ratio of the substitute	High	High	High
	Overall Risk	Very high	Very high	Very high
Rivalry Among Existing Competitors	Product lacks differentiation	Yes	Yes	Yes
	Fixed costs are high and marginal costs are low	Yes	Yes	Yes
	Product is perishable	Yes	Yes	Yes
	Competitors are numerous and roughly equal in size	Yes	Yes	Yes
	Industry growth is slow	No	No	No
	Exit barriers are high	No	No	No
	Rivals have diverse approaches	Yes	Yes	Yes
	Overall Risk	Very high	Very high	Very high



Competitive Landscape- Companies Covered in Analysis

Modern trade companies -



E-commerce company -



Q-commerce company -



Legal name of the companies covered for below charts:

Avenue Supermarts Limited- Dmart	Flipkart India Private Limited- Flipkart	Avenue E-Commerce Limited- Dmart ready
Reliance Retail Limited- Reliance Retail	Amazon Seller Services Private Limited- Amazon	Kiranakart Technologies Private Limited- Zepto
Vmart Retail Limited- Vmart	Supermarket Grocery Supplies Private Limited - Big basket	Blink Commerce Private Limited- Blinkit
Aditya Birla Fashion and Retail Limited- Aditya Birla fashion	Brainbees Solutions Ltd - First cry	Dunzo Digital Private Limited- Dunzo
Shoppers Stop Limited- Shoppers Stop	Nykaa E- Retail Limited - Nykaa	
Trent Limited- Trent	Myntra Designs Private Limited- Myntra	

Note: Standalone financial statement of the companies is considered for below graphs

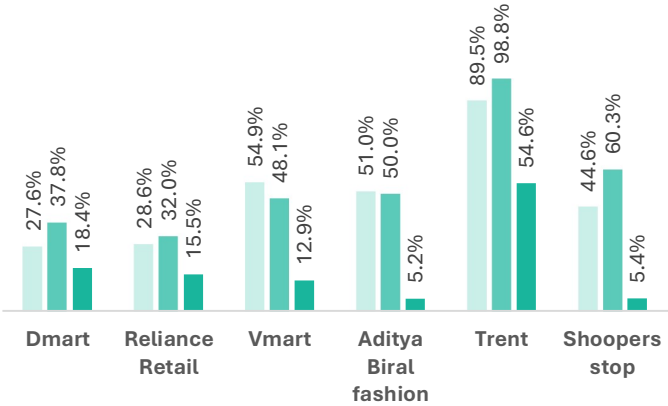
Source-EMIS



Modern Trade: Financial Analysis

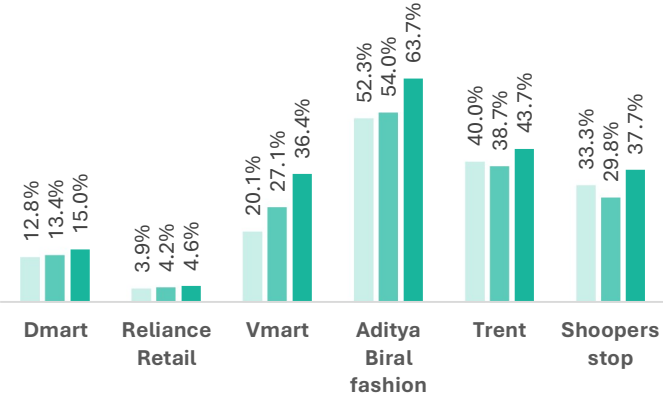
Sales Growth

2022 2023 2024



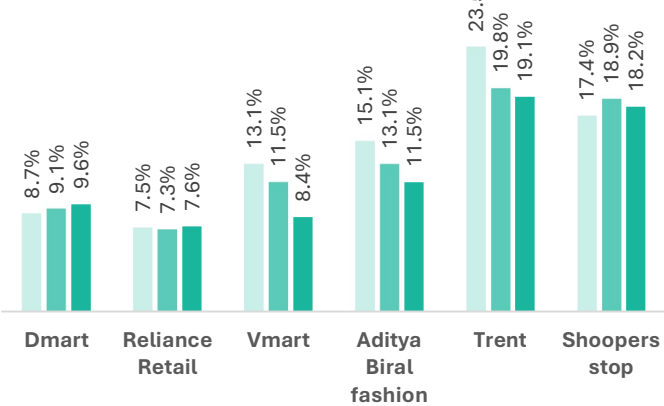
Gross Profit

2022 2023 2024



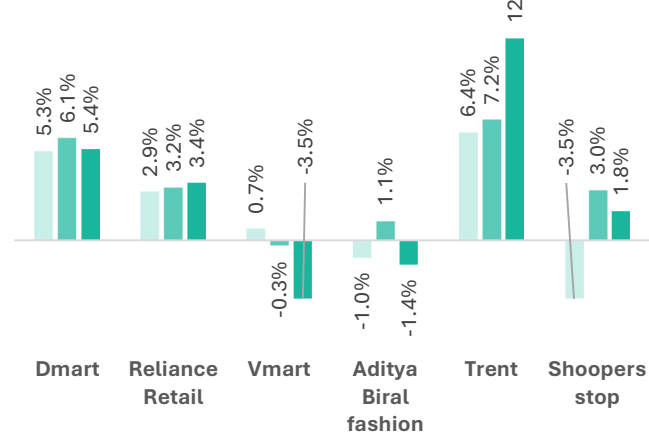
EBITDA

2022 2023 2024



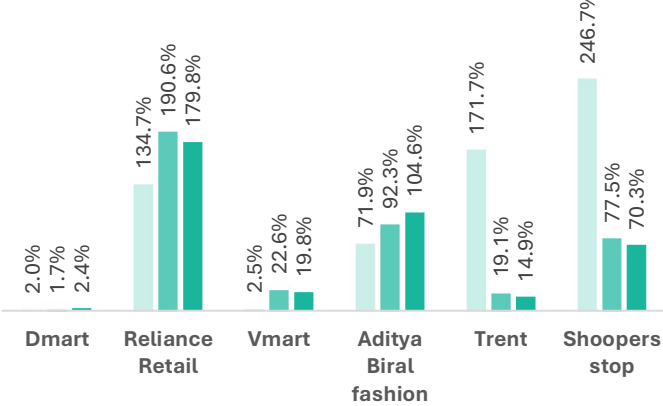
Net Profit

2022 2023 2024



Debt to Equity

2022 2023 2024



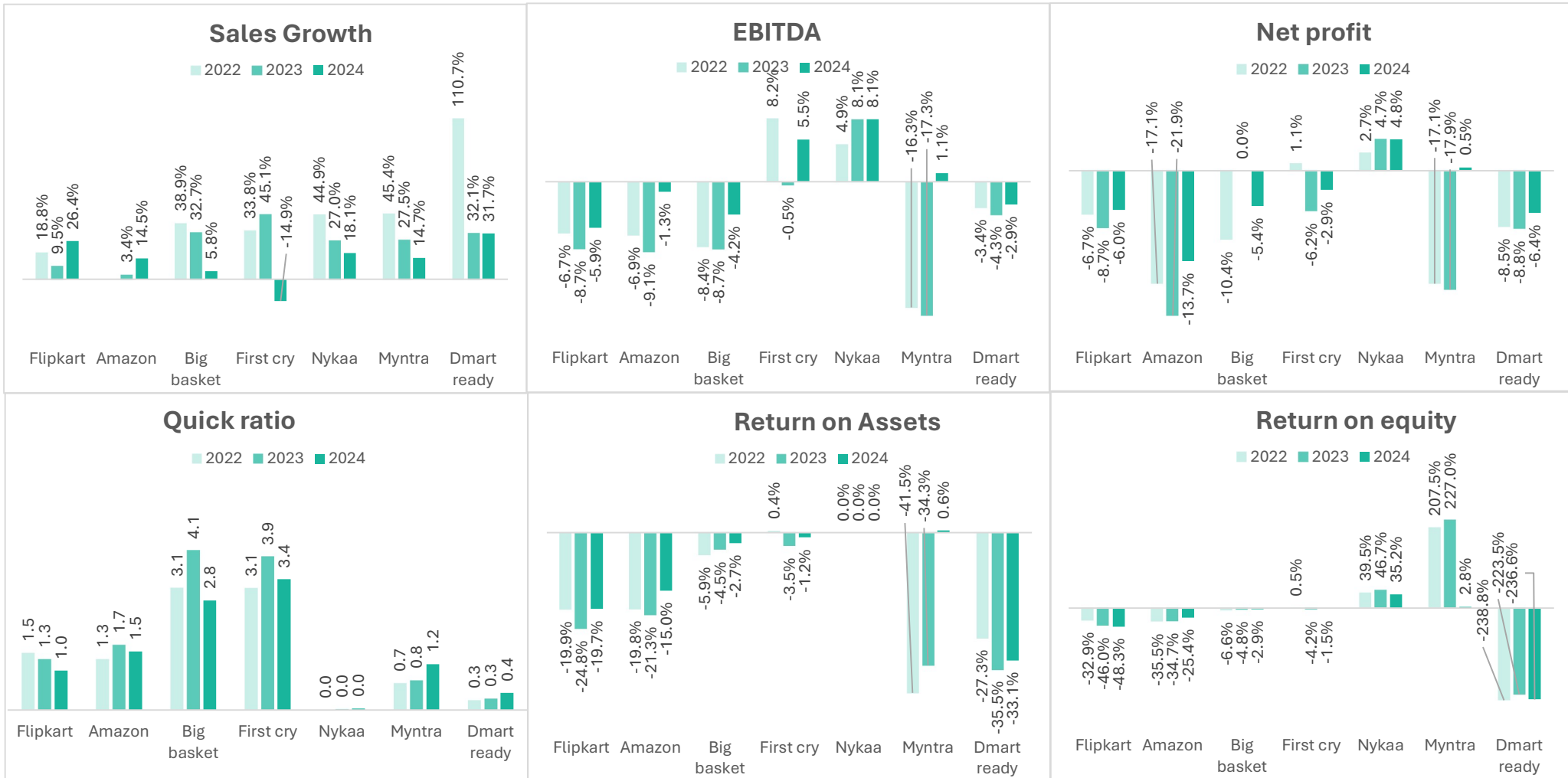
Working Capital days

2022 2023 2024





E-commerce: Financial Analysis



The TATA Digital Private Limited had sales growth rate of 105.78% , Return on asset of -6.72%, Net loss of 285.56% , EBITDA at 262.21%, Quick ratio of 0.18 and Return on equity of -7.92% in FY 2024. Due to extreme financial changes, the same is not considered in the above charts.



Quick Commerce: Financial Analysis





Analysis

Modern Retailers - Modern retailers are showing stable growth and profitability as compared to E-commerce and Q-commerce players. The aggregate average sales growth for Avenue Supermarts Limited, an Indian hypermarket chain and Reliance Retail Limited which is one of the India’s largest and diversified, was 16.97% in FY2024 and aggregate average EBITDA margin of these two companies was at 8.56%. Aditya Birla Fashion and Retail Limited and Shoppers Stop Limited both focuses on middle to premium fashion customers and has the aggregate average sales growth rate for these companies in FY2024 was 5.30% and aggregate average EBITDA margin was 14.80%. Vmart Retail Limited which is a value retail fashion chain in tier-2 and tier-3 cities has sales growth rate of 12.89% and EBITDA margin of 8.40% in FY2024. Trent Limited operates multiple brands under food and grocery and fashion lifestyle reported sales growth rate of 54.59% and EBITDA margin of 19.10% in FY2024 majority because of high sales growth rate in “Zudio” brand which is their value fashion segment. Reliance Retail Limited has entered a partnership with China’s fast fashion brand “Shein” to sell Shein’s fast fashion economical products in India, which is likely to increase competition in value fashion segment.

E-commerce-E-commerce players are showing high growth but facing challenges in achieving profitability. The aggregate average sales growth rate for Amazon Seller Services Private Limited, Avenue E-Commerce Limited, Flipkart India Private Limited, Myntra Designs Private Limited, was 21.80% in FY2024 and aggregate average EBITDA margin was negative at 2.26%. Supermarket Grocery Supplies Private Limited had sales growth of 5.77% and negative EBITDA margin of 4.23% in FY2024. Brainbees Solutions Ltd. has negative sales growth of 14.90 % and positive EBITDA margin of 5.48% in FY2024. Nykaa E- Retail Limited has sales growth of 18.10% and positive EBITDA margin of 8.1% in FY2024.

Q-commerce- Q-commerce players are showing very high growth in sales but with steep losses in profitability. The aggregate average sales growth rate for Kiranakart Technologies Private Limited, Blink Commerce Private Limited and Dunzo Digital Private Limited was 614.37% in FY2023 and aggregate negative EBITDA margin of 1039.89% in FY2023.

Cross-Category Analysis

Particulars	Sales	Profitability	Remarks
Modern retailers	Stable growth rate	Stable profitability	Value fashion in modern retail is having high sales growth rate
E-commerce	High growth rate	Facing challenges to make profit	Beauty and cosmetics segment is enjoying high sales and high positive EBITDA margin in E commerce
Q-commerce	Very high growth rate	High losses	Expenditure/cash burn is high to capture market share and expand



Technological Changes in the Retail Industry in India

Technology	Description	Advantages
Automation and Robotics	Automated processes and robots handle inventory management, order fulfilment, and customer service	Increased efficiency, reduced errors, lower labour costs
Artificial Intelligence (AI) and Machine Learning	Algorithms analyse consumer behaviour, predict demand, and optimise inventory and pricing strategies	Improved forecasting accuracy, personalised shopping experiences, operational efficiency
Big Data Analytics	Collection and analysis of large consumer datasets to gain insights and drive data-based decisions	Better consumer insights, targeted marketing, improved decision-making
Internet of Things (IoT)	Connected devices and sensors enable real-time monitoring and data collection	Real-time inventory tracking, supply chain transparency, enhanced customer experience
Augmented Reality (AR) and Virtual Reality (VR)	Virtual try-ons, product visualization, and immersive shopping experiences	Higher customer engagement, reduced return rates, brand loyalty
Omnichannel Retail Technology	Integration of online and offline channels for a seamless shopping experience	Higher customer satisfaction, increased sales opportunities, brand consistency
Blockchain Technology	Secure and transparent transaction records and supply chain tracking	Supply chain transparency, reduced fraud, enhanced consumer trust
Sustainable Technology	Use of eco-friendly materials, energy-efficient equipment's, and renewable energy	Reduced environmental impact, lower operational costs, improved brand image

Key Regulations - 100% FDI in single-brand retail since 2006 and 51% in multi-brand retail since 2012 under certain conditions.

India retail industry stands at 5th rank in Global retail industry space. In FY 2021 India received highest FDI under retail trading from the FY 2014 to FY 2025 till December 2024 of Rs.10,018.82. crores.

FDI in Retail Trading (Rs crore)

Particulars	FY2014	FY2015	FY2016	FY 2017and FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 till December2024
Retail Trading	69.07	1,021.30	1,725.36	3,275.28	3,092.00	3,326.14	10,018.82	3,730.18	4,049.05	1,371.96	3,742.56

Source: dpiit.gov.in



Key Industry Risk

Risk	Description	Impact
Intense Competition	High competition among existing players	Price wars, reduced margins, and increased customer acquisition costs
Changing Consumer Preferences	Rapidly evolving consumer tastes and preferences	Need for constant innovation and adaptation to stay relevant
Supply Chain and Logistics Challenges	Complex supply chain management and logistics issues	Delays, increased costs, and potential customer dissatisfaction
Macroeconomic Volatility	Fluctuations in economic conditions, inflation, tariff and foreign exchange rates	Impact on consumer spending power and operational costs
Regulatory and Compliance Risks	Frequent changes in regulations and compliance requirements for e.g frequent change in GST compliance and rates	Increased operational complexity and potential legal issues
Technological Disruptions	Rapid technological changes and digital transformation	Risk of obsolescence for companies not adapting to new technologies
Sustainability and Environmental Risks	Growing consumer and regulatory focus on sustainability	Pressure to adopt eco-friendly practices and comply with environmental regulations



Outlook

- Indian retail sector is seeing a significant shift from unorganised markets to organised markets as Indian consumers are price sensitive and unorganized players in India's retail sector are not able to offer similar discounts as compared to modern retailers and E-commerce players.
- The rising presence of the modern retailer and E-commerce players in tier 2 and tier 3 cities due to increase in disposable income, causing a threat to unorganised small players in these locations.
- Modern retailers are enjoying stable growth rate and stable profitability but facing a significant threat from E-commerce and Q-commerce players, as technology adoption among users in India is very high and it is convenient for the consumer to buy online rather than visiting a store thereby forcing existing modern retailers to operate in Multichannel /Omnichannel mode.
- E-commerce and Q-commerce players are enjoying a high Sales growth rate, but are not able to make a profit because of the high operating cost and cash burn in the form of higher discounts on their products to gain market share.

As per our analysis, we expect that India's retail sector will become more organised in coming years. It is likely that modern retailers will operate in Multichannel/Omnichannel mode to retain their market share and compete with E-commerce /Q-commerce players. The E-commerce and Q-commerce player will continue to burn cash to earn a greater market share but will depend on the availability of funding from investors with the current economic scenario of the Russia-Ukraine conflict and increase in tariffs by the US making availability of capital difficult which will affect the growth rate of E-commerce/Q-commerce players.



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