



The Luxe Avenue Charter

10 Key Pillars to unravelling the Indian Luxury Boom

MI**L**LIONAIRE

Number of millionaire Indian households worth 250 million rupees (\$3.8 million) grew by 17% from 2014 to 2015. That figure is expected to more than triple to 348,000 households over the next five years, with a combined net worth of 415 trillion rupees (\$6.3 trillion).

O**U**TSHINING RIVALS

Fuelled by consumer spending, India's economy expanded steadily by 7%, making it one of the fastest growing in the world as China downshifts. Consumer spending grew by 7.4% year-on-year according to official figures. Despite withering demand in other large economies, Indians are still willing to spend.

TA**X**

Luxury brands face import duties of 20% - 150% as well as regulatory issues. To increase the attractiveness, amid global market volatility concerns, India will not go through with the plans to apply further controversial taxes to international investors. Investors used Indian Prime Minister Mr Modi's visit to the USA in September 2015 to ask for simplification in the red tape and confusing tax laws to reduce the ambiguity they face when looking to put money in to India.

EMBRACING LUXURY

While luxury growth is slowing down in China and other big markets, brands are increasingly looking in to cash in on patches of unexpected wealth sprouting in parts of India. 44% of millionaires are outside the megacities in second and third tier cities, which contain consumers seeking to spend on big name brands.

AHMEDABAD

Historically known for hosting textile factories, Ahmedabad, is now of the key cities where luxury brands are seeking to sell handbags and high heels. Although the Indian buyer is traditional in his/her preferences (jewellery and clothing), such penetration of brands in to India's heartland gives the luxury industry optimism.

FOREIGN INVESTORS

Indian Finance Minister Arun Jaitley announced the potential Minimum Alternate Tax applicable to investors abroad would be dropped. The prospect of such a tax resulted in institutional investors yanking out a total \$2.5 billion out of the Indian stocks in August, the largest withdrawal since the financial crisis.

GOODS & SERVICES

Despite its recent economic growth, India has struggled to sell more to the world. In the current share of world trade in goods and services India supplies 2.2% while China contributes 10.1%. Mr Modi's latest visit to USA concluded with a trip to Silicon Valley to meet with the heads of America's largest technology companies. Internet and smartphone usage is growing rapidly, providing new opportunities for American companies.

CHINA

China was a success story for most luxury brands, growing steadily at 27% in the first 10 years. China has no structural barriers in terms of foreign investment or import duties. Louis Vuitton has 35 stores in China while only 4 have been opened in India. With the current increase of consumer spending and growing brand awareness the Indian population is increasing its demand for luxury goods.

OVERTURN

Although India has been attracting capital it was faced with foreign institutional investors withdrawing \$1.6 billion from Indian financial markets last quarter. To compensate for weak private investment, New Delhi is planning increase infrastructure spending.

ON THE RISE

India's luxury market is set to more than double to \$5.9 billion by 2019. Luxury sales in India rose 25% in 2014 from a year earlier, compared with the 7% in China.

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