Reverse Logistics

Opportunities & Challenges in India

India Focus Committee
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Agenda

- Business Estimates
  - IT Industry
  - Telecom Industry
  - Software Industry
  - Gaming Industry

- India Opportunities & Advantages
- Challenges of Reverse Logistics in India
- About RT Outsourcing
Business Estimates – IT Sector

**IT Services Growth**
- Till 2009 – 19.8%
- Next 5 years – 25%

**SMB Share**
- Domestic IT spending – 38%
- Will be 50% by 2015
  (Source: Network Computing)

**PC Shipments**
- CY 2008-7.979 mn
  (Source: IDC)
Growth in Indian Revenue: Year 2008 (Source: Dataquest)
Business Estimates – Telecom Industry

Monthly Trend
- Five million phones are added in India in every 25 days (source: TEMA)

2008
- Indian Structured Cabling Solution Shipments to exceed US$ 10 mn in 2008 (source: IDC)

2010 Estimates
- Indian Mobile users to cross 500 million
- India will require 330,000 telecom network towers
- Rural India will account for 35~38% of the total mobile handset sales (source: RNCOS)

Estimate 2012
- Corporate mobile devices to grow at 42% by 2012 (Source: IDC)
Business Estimates – Software Industry

Revenue growth in last 3 years
- Indian software product businesses has grown at a CAGR of 44% (source: Network Computing)

Revenue growth by 2015
- Indian software product industry to touch US$ 9.5 to 12 billion (source: Nasscom)
- India a 3rd largest EAS enterprise market in Asia Pacific Region

Market for SaaS
- Software as a service in India to touch US$ 165 mn by 2010 (source: Springboard Research)

EAS - Enterprise Application Software
Business Estimates – Gaming Industry

Indian Gaming industry by 2010

- To cross $424 million (Source: Nasscom)
- Mobile segments to grow at CAGR 30% (Source: RL)
- Online gaming segments to grow at CAGR 25 percent (Source: RL Magazine)

2012 Estimates

- Mobile gaming is predicted to touch $450 million dollar by 2012 (Source: Gartner)

Current Trend

- Currently the mobile and console gaming together amount to approximately 77% of the total gaming market
Revenue Growth

The gaming industry is expected to grow to $250 million by 2010

IAMA has predicted that the Indian gaming industry would be around $200 Million

Revenue & Market Sharing

GSM has a market share of 70% as far as downloads are concerned and 79% for revenue split.

Airtel has the largest share in games followed by Vodafone and Reliance

Trend & Coverage

Gujarat is top GSM circle followed by Mumbai and Karnataka

40% of mobile gamers belong to 22-35 years of age, followed by 13-21 years and most of them are males.
INDIA

Opportunity
India is a huge country with a population of over 1.2 billion people.

73% of the population lives in villages.

By late 2020, Indian population will be more than that of China.

Literacy levels are low (below 70%).

There are 30 states and 5 union territories.

Source: Population Reference Bureau.
Glimpse of Indian Demography

Poverty Levels high. Majority belong to lower & Middle income group

There are 18 official languages and 840 regional dialects

Diverse Cultures, traditions and regional sentiments

Borders surrounded by 7 countries
India Opportunities

India one of the most dynamic & promising Reverse Logistics markets of the world

IT, telecom, electronic security & CE markets growing exponentially

Growing Disposable income resulting in increased spends

Indian consumer is tech-savvy & easily adaptable to new technology

Technically skilled, easily available workforce

Government provides incentives & tax benefits

Stable financial economy of India *(Not too dependent on exports)*

Real estate moving into tier-3 cities
India Opportunities

Total Construction Spread in Cities

Growth Drivers

- High real estate costs in Tier I and Tier II cities
- Availability of low cost talent and cheap real estate in Tier III cities
- Cost advantages of 15-30% in Tier III cities vis a vis Tier-I cities

Large & Fast Growing Segments

- **Tier I** - Delhi, Mumbai, Bangalore
- **Tier II** - Pune, Chennai, Hyderabad, Kolkata
- **Tier III** – NORTH(5): Ludhiana, Chandigarh, Jaipur, Lucknow, Kanpur
  WEST(6): Nagpur, Kohlapur, Ahmedabad, Baroda, Surat, Indore
  SOUTH(8): Mysore, Mangalore, Kochi, Madurai, Thiruvananthapuram, Vishakhapatnam, Vijayawada, Coimbatore
  EAST(3): Guwahati, Bhubaneswar, Jamshedpur

Discretionary income increasing in tier-3 cities
Geographical spread will hold the key to growth
REVERSE LOGISTICS

Challenges in India
Challenges of Reverse Logistics in India

**Meeting Customer’s Expectations**
- Meeting customer demands with effective and efficient use of resources including distribution capacity, inventory and labour.

**Managing Expenses**
- Substantial high investment to set up a Reverse Logistics centre. Costs hike up by 7 to 8% of the material cost. The entire operation is labour intensive as well.

**Disposition of Products**
- An uphill task to find a suitable place/resource to handle, destroy or to donate the product.

**Infrastructure**
- Lack of basic infrastructural facility for new business set up. Major hurdles are roads, power and efficient telecommunication, IT Infrastructure in smaller towns and villages.

**Complicated Rules and Regulations**
- Mandatory Knowledge of waste management laws, regulations and processes. Proper understanding of taxation laws which might vary from one state to other in India.
Major growth will come from small towns & villages for IT & Telecom

There are more than 50,000 villages & 350 mid size towns

There are over 650 district headquarters

Transportation network connecting tier-2 & tier-3 cities poor

95% of sales happen through un-organized retail channel

Telecom infra far from developed - still not on Wimax & 3G

Electricity shortages/ fluctuations in all parts of the country
Indian Tax laws are very complicated.

Every state Govt. and Union Territories are free to decide own tax laws on VAT, local sales tax rates etc.

Material Movement from one state to another has many restrictive regulations.

Indian customs laws are very complicated. GST still not in place.

There are over 35 different state laws applicable state wise.

The Central Govt. levies additional taxes like Tax on services called as service tax (currently at 12.36% of the value of invoice).
Indian currency is not fully convertible

Indian postal system supports all locations, but is not considered as reliable and efficient

Due to large size, no single courier or logistics company who can service entire geography of the country

Import of used, old, obsolete & refurbished goods are not permitted

Indian business share is only 1.5% of the global trade

India still do not have a defined e-waste policy framework
CHALLENGES ARE FINE....

BUT THERE ARE WAYS TO DO BUSINESS
About RT Outsourcing Service Limited

India's Leading Reverse Logistics Co. offering:
complete array of activities with
customized solution for all companies
selling any electronic products in India

Integrated services including:
Project delivery, Logistics & warehouse Mgt.
Products deployment, Tech-support Helpdesk,
Repair & Refurbishment services, RMA Mgmt,
Managed Services, Training etc

Nationwide presence in
400+ locations with a team of over
3500+ technically qualified engineers and technicians
Proven RT Logistics Capabilities

- Leading integrated SCM (Supply Chain Management) player
- Formidable IT, Telecom, Electronic Security & CE services giant with proven regional presence in the high-growth
- Plans to leverage its distribution expertise into new verticals with high margins and negative working capital
- 400+ locations covering entire India, as well as Singapore, Bangladesh and Sri Lanka
- Developed sound and scalable business architecture
RT Clients
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**Business Estimation IT Sector**
- Growth in Notebooks 59% (August 2008 Dataquest Page 31)

**Business Estimates - IT Sector (SMB Share)**
- Domestic IT spending 38% (Source Network Computing September 2008, Page 17)
- 50% by 2015 (Source Network Computing September 2008 Page 17)
- PC Shipments Fiscal Year 2008 2.085 mn (Source IDC New Delhi September 12, 2008)

**Business Estimation Telecom Sector (Monthly Trend)**
- Five million phones are added in India in every 25 days (Source TEMA http://voicendata.ciol.com/content/vNd100/2007/107061522.asp)

**Business Estimation Telecom Sector (2010 Estimates)**
- Indian Mobile users to cross 500 million source (RNCOS http://www.rncos.com/Report/IM567.htm)
- Rural India will account for around 35-38% of the total mobile handset sales (Source RNCOS http://www.rncos.com/Report/IM567.htm)
- Corporate mobile devices to grow at 41% by 2012 (Soucre IDC - September 2008 Network Computing Page 29)

**Business Estimates - Software Industry (Revenue Growth by 2015)**
- Indian software product industry to touch US $ 9.5 to 12 billion (Source Nasscom September 2008 Network Computing page 17)

**Business Estimates - Software Industry (Market for software as a service (SaaS))**
- Software as a service in India to touch $165 million by 2010 (Source Springboard Research - Software as a service in the India HRIS Market Summary Report)

- To cross $ 424 million (Source Nasscom - September 2008 Network Computing Page 40)
- Mobile segments to grow at CAGR 30% (Source Nasscom - September 2008 Network Computing Page 40)
- Online Gaming Segments to grow at CAGR 25% (Source Nasscom -September 2008, Network Computing Page 40)
- Mobile gaming industry expected to grow to $ 250 million by 2010 (Source Mobile Gaming Industry in India, www.Indiagames.com)
- GSM has market share of 70% as far as no of downloads is concerned, and 79% for revenue split. (Source Mobile Gaming Industry in India, www.Indiagames.com)
- Airtel has the largest share in games followed by Vodafone and Reliance Communications. (Source Mobile Gaming Industry in India, www.Indiagames.com)
- Gujarat is the top GSM circle followed by Mumbai and Karnataka(Source Mobile Gaming Industry in India, www.Indiagames.com)
- 40% of all mobile gamers belong to 22-35 years of age, followed by 13-21 yrs and 35+ (each 25%) and most of them are male. (Source Mobile Gaming Industry in India, www.Indiagames.com)

- Mobile Gaming is expected to touch $ 450 million by 2012 (Source Gartner - September 2008 Network Computing Page 41)