

UBS Investment Research

Q-Series®: Asian Structural Themes



Which products have the most potential upside in India?

■ If China is more diverse than Europe, India is more diverse than China

Simple notions of economic underdevelopment and urban and rural differences dramatically oversimplify the wide differences in income, consumption and consumption preference across India. In this report, we try to ascertain the true addressable market in India for a variety of products and services.

■ The addressable market for different products in India varies markedly

We estimate the amount spent on various types of goods and services at different income levels, and examine entry and average prices, cultural and social preferences, and average usage. This allows us to estimate different addressable markets in India and calculate the implied upside from current market levels. We also identify the goods and services that appear to have the largest potential structural upside in India.

■ Biggest potential upsides include diapers, A/Cs, liquor, and life insurance

Sectors where significant increases in penetration are likely to occur include diapers and sanitary pads (more people using them), air conditioners (upgrades from air coolers to air conditioners), liquor and fast food (changes in societal expectations/customs), TVs (increased ownership), and white cigarettes and life insurance (greater affordability).

■ Stocks exposed to these sectors include United Spirits, ITC, ICICI and P&G

Companies with exposure to these sectors include UBS Buy-rated United Spirits (60% volume share of the Indian liquor market), ITC (80% share of Indian cigarette market), ICICI Bank (10% share of Indian life insurance market), and Procter & Gamble (c.50% share of both Indian diaper and sanitary pad markets).

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Summary

In this report we try to ascertain the true potential market in India for a variety of products and services.

Previous work examining upside potential for products typically used S-curves based on GDP per capita thresholds and international comparisons to forecast demand for products at various levels of GDP per capita. However, given the large differences in the contribution of consumption to GDP, demographics and cultural preferences across countries, and differences between consumers in various parts of India, we have not adopted this approach.

Instead, we replicate the approach of our recent *Q-Series®* report on addressable markets in China (*Q-Series®: Asian Structural Themes—Which products have the most potential upside in China?*, 20 April 2010). Specifically, we estimate how much is spent on various types of goods and services at different levels of Indian household income, and examine cultural or social impediments, entry level and average prices, average usage, wages and demographics.

This allows us to estimate different addressable markets in terms of people who could consume the products and potential revenues, calculate the implied upside from current market levels, and predict growth in the addressable markets over the next 10 years. We then use these findings to identify the goods and services that appear to have the largest structural upside potential in India and highlight stocks exposed to these products.

Table 1: Key conclusions

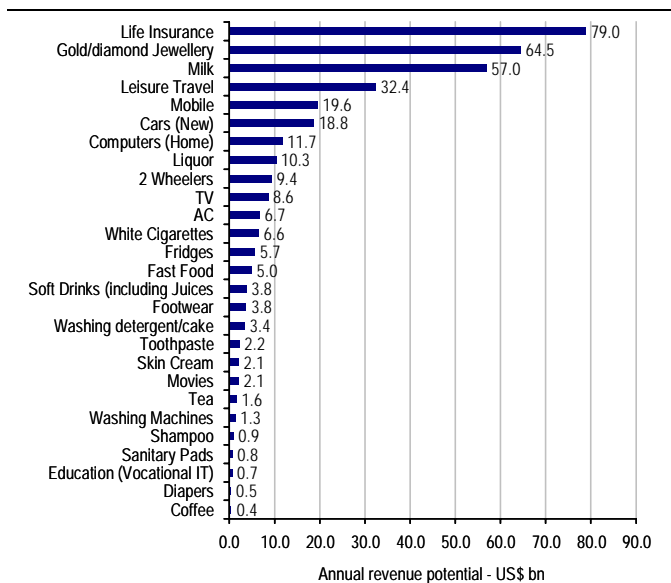
Sectors	Broad 'type'	Conclusion	Listed companies exposed to these sectors
Tea, washing powder, new cars, two-wheelers, mobile phones	'Staples' among consumers who can afford them	Revenues expected to grow above CPI but other sectors provide better upside.	Hindustan Unilever, Tata Global Beverages, Nirma, Maruti Suzuki, Tata Motor, Hero Honda, Bajaj, Nokia
White cigarettes, life insurance, soft drinks, skin cream, education	Early stage 'attainable luxury'	Relatively penetrated current market, but large increases in potential Indian customer base expected over next 10 years	ITC, ICICI Bank, Max India, Coca-Cola, Pepsico, Dabur, Hindustan Unilever, NIIT, Apteck
Diapers, air conditioners, liquor, sanitary pads, fast food, TVs	Second stage 'attainable luxury'	Significant upside potential from current Indian market revenues	P&G, LG Electronics, Samsung Electronics, United Spirits, Johnson & Johnson, Jubilant Foodworks, Yum! Brands, Videocon

Source: UBS

1) Estimated addressable markets

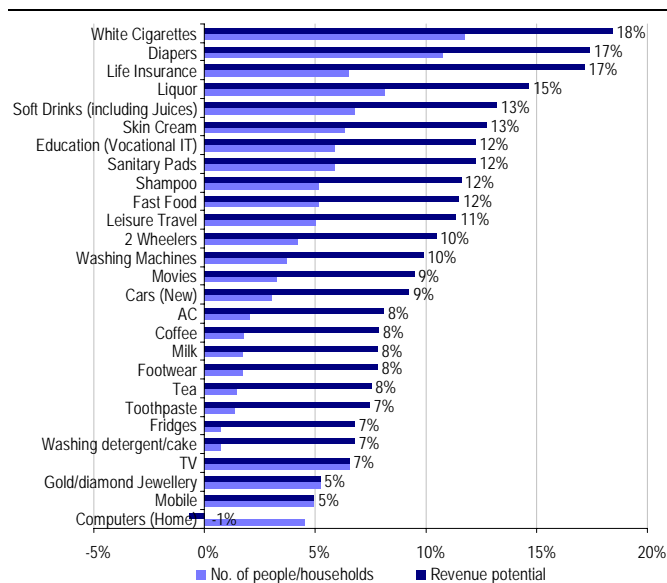
Liquor and, particularly, life insurance, stand out as sectors with relatively large current market sizes in India that are still expected to experience among the highest average growth rates over the next 10 years. Diapers, sanitary pads, and washing machines are markets that, while relatively small today, are also expected to experience strong secular demand growth over the next 10 years.

Chart 1: Estimated addressable market—2010, US\$ bn



Source: UBS estimates

Chart 2: Growth in addressable market, 2010-20E

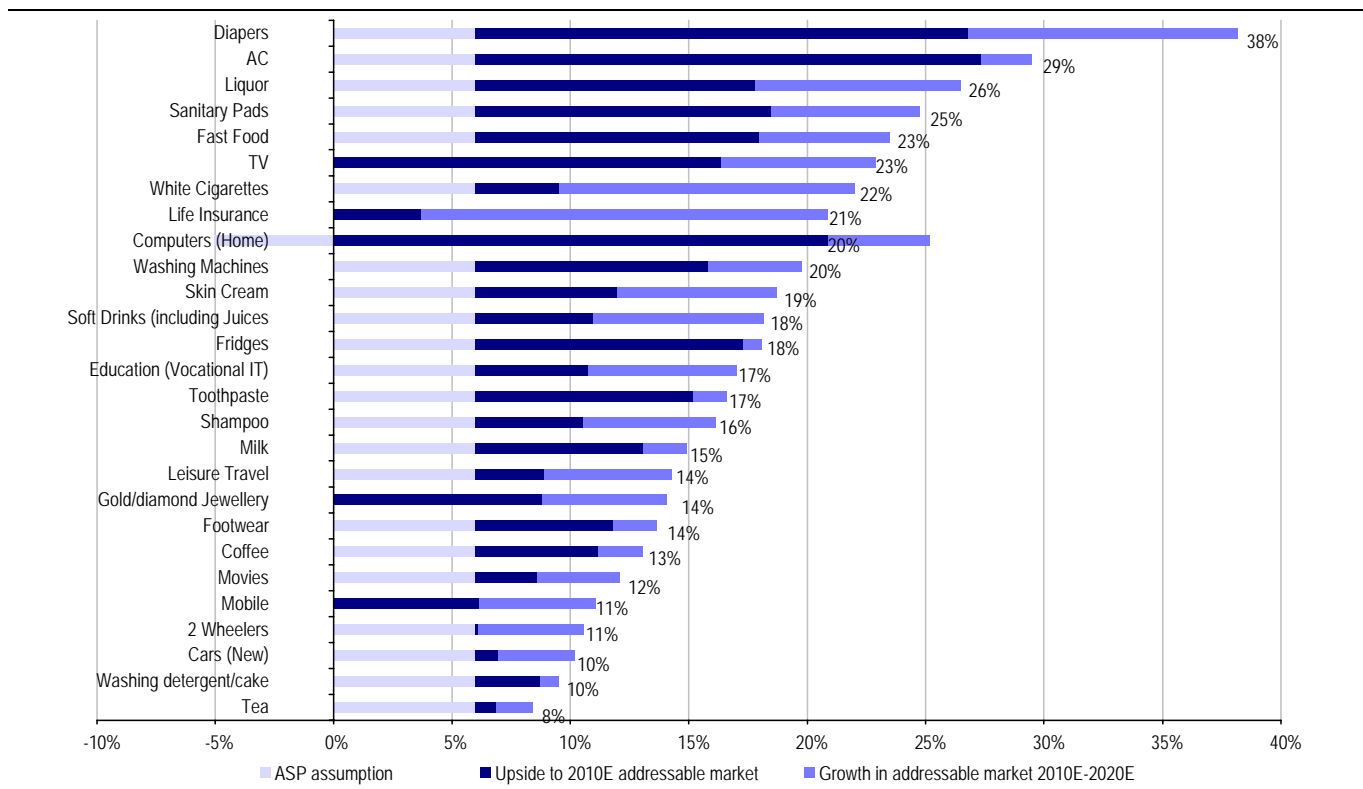


Source: UBS estimates

2) Largest implied upsides to current markets

We do not explicitly forecast the point at which demand for products could suddenly increase and approach their theoretically addressable market. However, products with large, relatively penetrated markets that are also expected to record strong growth in their potential customer base in India would appear most likely to experience this. On this basis, white cigarettes and life insurance stand out as potential beneficiaries.

Chart 3: CAGR to move from actual 2010E Indian market revenues to full penetration of the true potential market in 2020E



Source: UBS estimates

3) Key outcomes

Products

- Products with the lowest expected growth in our study (low absolute rankings): **tea, new cars, two-wheelers** (high penetration of current addressable market), **mobile phones**, and **washing detergent**.
- Products with significant implied upside to current market revenues (high absolute rankings): **diapers and sanitary pads** (more people using them), **air conditioners** (upgrades from air coolers to air conditioners), **liquor** and **fast food** (changes in societal expectations/customs), **TVs** (increased LCD ownership), and **white cigarettes and life insurance** (greater affordability).
- Products with relatively penetrated markets that are expected to record large increases in their potential Indian customer base over the next 10 years (improving relative ranking): **soft drinks, skin cream, and education**.

Potentially surprising out-trades

- **Coffee has higher expected growth than tea.** This is primarily because our estimates suggest that the penetration of the current addressable market for tea in India is higher than the current penetration of the true addressable market for coffee in India.
- **TV having higher estimated growth than computers.** We assume a continuation of the trend of computer price declines. But we assume Indians upgrade to LCD TVs over the next 10 years, and that while prices of LCD TVs remain flat (in line with UBS LCD analyst Sean Kim's expectations), the average prices of TVs sold in India will rise significantly. This is what has recently happened in the Chinese market, implying the Indian market is up to 10 years 'behind' the Chinese market.
- **Two-wheelers having (marginally) more growth potential than cars.** This is primarily because we estimate more people will be able to newly afford a two-wheeler than will be able to newly afford a car in 10 years time. This is a function of the much greater prevalence of consumer finance in the new car market. We also note that our 10% CAGR revenue estimate is in line with India Auto analyst Sonal Gupta's long-term Indian new car market growth estimates.

Stocks

Companies that are exposed to the products outlined above include:

- United Spirits (60% volume share in Indian liquor market)
- ITC (80% share of Indian cigarette market)
- ICICI Bank (10% share of Indian life insurance market)
- P&G (~50% market share in both the Indian diaper and sanitary pad markets)
- Whirlpool India (white goods)
- Max India (100% exposed to Indian insurance)
- Jubilant Foodworks (operates Dominos franchises in India).

Table 2: Highlighted stock exposures covered by UBS

	Market cap (US\$ bn)	PE—CY10E	PE—CY11E	ROE—CY11E	UBS rating
P&G	187.1	14.7x	14.1x	18.5%	Buy
United Spirits	3.8	33.5x	26.0x	10.7%	Buy
ITC	25.0	25.8x	22.4x	29.2%	Buy
ICICI Bank	23.0	22.6x	17.3x	12.4%	Buy

Source: UBS estimates

4) Sensitivity analysis

Our key assumptions in calculating addressable markets are price (future entry level and average prices), volume (average use, number per home, and replacement cycle), and future wage increases (we assume a 10% CAGR from 2010 to 2020). A detailed sensitivity analysis can be found on pages 110-115, but we include a summary of the key outcomes below.

- Our addressable market estimates are generally not materially impacted by our average 10-year entry price growth assumption. However, notable exceptions to this include relatively high-end items such as cars, two-wheelers, and washing machines. Cigarettes are also materially impacted by entry price assumptions.
- Because of the offsetting affordability and average revenue impacts, and because we are calculating 10-year growth rates, our forecasts are also relatively unaffected by changes in our typical use assumptions. A 50% change in our typical use assumptions (-25% to +25% of our base-case assumptions) generally only leads to a 5% swing in estimated CAGR to the 2020E addressable market.
- For hard goods, we also highlight sensitivity to our average number per home assumptions. In each case, changing our base-case assumption from one per home to 2.5 leads to approximately a 1,100bp increase in estimated CAGR to the 2020E addressable market.
- The most sensitive categories to changes in our wage growth assumptions include washing machines, cars, cigarettes, shampoo, and leisure travel ('luxury' items), while the least sensitive are fridges, toothpaste, washing detergent, milk and tea ('staples').

Consumption thresholds

Consumption at various income levels

While the National Sample Survey Organisation (NSSO) provides very granular data on the average urban and rural household spend across a wide range of items, it does not provide a combined Indian consumption spend across categories. The latest data available is for the year ending March 2008.

We aggregated the urban and rural data to arrive at overall consumption by income decile, and then combined this data with national income accounts data to derive disposable income and saving levels. Finally, we grew the consumption at UBS India economist Philip Wyatt's nominal wage growth estimate of c10% pa to reflect current consumption levels.

Table 3: Annual Indian per capita consumption forecasts by household consumption decile—FY10, Rs

Households covered	Consumption decile									
	0-10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	70-80%	80-90%	90-100%
Cereals	1,433	1,570	1,700	1,774	1,780	1,813	1,884	1,984	2,145	2,182
Gram	7	9	11	11	15	18	20	24	37	36
Cereal Substitutes	3	3	3	3	4	6	7	11	20	11
Pulses and their products	202	256	285	319	342	373	396	435	543	575
Milk and Milk Products	178	344	451	603	736	971	1,156	1,478	2,142	2,443
Edible Oil	286	360	400	444	489	539	572	629	749	865
Egg, Fish and Meat	147	209	255	303	354	399	485	572	800	797
Vegetables	453	530	596	647	697	745	813	899	1,046	1,221
Fruits: Fresh	38	60	76	94	120	153	195	252	452	630
Fruits: Dry	9	17	21	27	33	43	46	64	117	183
Sugar	90	119	127	155	171	194	211	239	307	258
Salt	16	18	19	21	21	23	24	26	29	32
Spices	143	174	195	217	239	257	278	304	360	359
Beverages, etc.	247	358	422	481	542	643	771	858	1,447	2,382
Food	3,252	4,027	4,569	5,101	5,544	6,177	6,859	7,775	10,194	11,974
Pan (betel leaf with areca nut)	17	25	31	37	42	43	48	59	65	56
Tobacco	76	94	111	134	138	152	156	175	214	185
Intoxicants	45	49	66	77	70	75	96	124	187	134
Fuel and Light	633	783	857	964	1,070	1,190	1,336	1,505	1,884	2,599
Clothing (CT)	404	481	543	604	662	725	836	967	1,282	1,793
Footwear	45	62	72	81	95	114	133	161	227	349
Education	80	131	153	200	252	349	440	592	1,692	3,131
Medical – Institutional	12	21	32	56	76	94	126	242	953	599
Medical – Non Inst.	138	197	254	318	386	450	560	725	1,440	1,436
Entertainment	12	26	30	41	67	92	142	176	306	737
Goods for Personal Care	9	11	16	17	23	23	29	35	55	77
Toilet Articles	145	185	209	239	275	312	360	415	537	773
Sundry Articles	118	150	173	196	232	260	300	356	485	696
Cons. Services excl. Conveyance	146	199	241	304	380	481	616	842	1,550	3,343
Conveyance	77	115	151	196	260	356	490	722	1,601	2,808
Durable Goods Total	114	129	163	186	215	259	327	458	1,543	1,944
Total Non-Food	2,076	2,696	3,121	3,684	4,324	5,121	6,209	7,842	14,558	23,597
Average per capita consumption	5,327	6,723	7,690	8,785	9,868	11,298	13,069	15,617	24,752	35,571
Average per capita disposable income	5,724	7,531	8,886	10,499	12,032	14,181	16,491	20,281	33,488	52,856
Average household disposable income	26,330	34,643	40,876	48,295	55,347	65,233	75,859	93,293	154,045	243,138
Average household disposable income US\$	585	770	908	1,073	1,230	1,450	1,686	2,073	3,423	5,403

Source: NSSO, www.bijapurkar.com, UBS estimates

Different thresholds for different types of goods

The consumption group most relevant in assessing maximum possible spend on a product will change depending on the nature of the product. Specifically, the characteristic of the good will determine whether the granular level consumption spend, grouped consumption spend, overall consumption spend or overall disposable income is the most appropriate measure against which to judge the total number of people who can afford an item, and hence its addressable market.

- **Items consumers are likely to substitute directly comparable items for (specific type of consumption threshold).** For shampoo, toothpaste, and other household products, people are unlikely to spend a materially larger proportion of their overall consumption than the average. However, as their overall income grows, they are likely to ‘trade-up’ to branded products. There is also no obvious timing/ordering of penetration for these items, in our view. Hence, we believe comparing affordability based on the entry level price of each type of item relative to average spend across household products makes the most sense.

We assume people will make a choice of how to allocate their spend on sub-categories (i.e. ‘even more granular’ consumption) if their total household spend only allows for a minimum spend on one. So, to some extent, we will be double-counting potential expenditure but: a) if a sub-category is successful all consumers will indeed spend on it; b) most consumers will not fall into the marginal category of only being able to afford one or other item; and c) we have no way of breaking down consumption to an even more granular level (except in the case of footwear) than the sub-types we have already broken out.

- **Items with cultural or social impediments.** For example, health concerns in the west result in the practical addressable market for tobacco and alcohol being well below what affordability and age may imply. Similarly, in parts of small town and rural India, it is still socially unacceptable for women to smoke and drink. Theoretical affordability-defined addressable markets will need to be adjusted to account for these practical limitations on the true addressable markets for these items. And, unlike in our China report, we do not include toilet tissue.
- **Items with no cultural or social impediments that still have very low penetration levels.** Items such as diapers and sanitary pads have no cultural limitations. However, usage is very low, predominantly due to income growth.
- **Items consumers are willing to spend savings on (individual item spend + savings).** For ‘big ticket’ items such as white goods, computers and fridges that are purchased relatively infrequently, we believe consumers will be willing to use savings. And, in the extreme, for major purchases such as gold jewellery, which is both practical and aspirational, we believe consumers might potentially be willing to use even more than one year of savings.





However, given personal finance (excluding auto financing) has very low penetration in India (for example, Indians have 0.02 credit cards each, Americans have 2.2), we do not believe that being even more extreme and using aggregate income is an appropriate metric for Indian consumers in the same way that it may be for US consumers. Hence, the most appropriate affordability metric for these types of goods, in our view, is household spend on individual item consumption (i.e. durable consumer goods) plus annual savings (or more than one year of savings in the case of gold).

Caveats to our analysis

- **Use of survey data.** We are using consumption data obtained from a sample of households by the NSSO. Survey data can potentially have disadvantages including people under-reporting expenditure (especially for items such as tobacco and alcohol), and recall lapse in the case of non-food items, food items consumed out of home, or items that are less frequently consumed. However, this remains the best estimate of consumption data by decile that is available.
- **Items consumers may buy irregularly.** Our concept of affordability assumes a certain minimum usage throughout the year. However, low-income consumers might buy items such as shampoo, diapers, and skin cream at irregular intervals, when there is a sudden increase in disposable income or for a special occasion. If the number of such purchases is large, we might potentially be underestimating the addressable markets for these categories.
- **We are calculating the household consumption of products.** However, some of these items also cater to corporate and institutional customers. Wherever possible, we have deducted the corporate/institutional market from market revenue (for example, in computers and vocational IT training). However, due to data limitations, we cannot do this for all categories (for example, TVs bought by institutions such as hospitals, hotels etc, and milk bought by sweet vendors). In such cases, there might be potential upside to the addressable markets we have calculated.
- **Items in the China report that are not examined here.** 1) Toilet tissue—most Indians do not use toilet tissue. 2) Beer—because of equal taxation for beer and liquor, Indians prefer liquor over beer given its higher alcohol content. 3) Sports footwear—scale efficiencies have not yet kicked in in sports footwear manufacturing and it is still a niche market. Instead, we use all footwear. 4) Luxury—very nascent market in India. 5) Education (tutoring)—although a big and emerging market in India, there are no listed companies catering directly to students. Instead we cover the vocational IT training market.
- **Items not in the China report.** 1) Movies—after Hollywood, the Indian film industry is the biggest in the world, and watching movies is a favourite leisure activity for Indians. 2). Two-wheelers—the primary means of personal transport in India. 3) Soft drinks—in retrospect, we probably should have been included this in the China report. 4) Tea and coffee—common beverage options in India. 5) Gold—Indians are the largest consumers of gold in the world.

In the next section we present three to four pages of assumptions, estimates and findings for each of the 27 products we examine in this report, ranging from diapers, to life insurance, cars, fast food and air conditioners. Next to each product we have also put symbols representing the size of the estimated upside to the current and future addressable market.

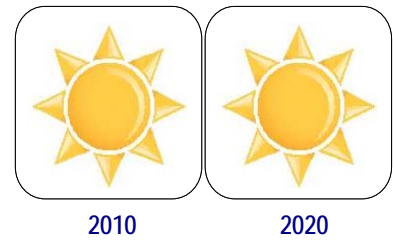
Figure 1: Key for addressable market symbols—total growth needed to reach 2010E addressable market from current market levels, revenue CAGR to reach 2020E addressable market from current market levels

			
<p>Highest upside 2010 – 150%+ total 2020 – 20%+ CAGR</p>	<p>Relatively high upside 2010 – 75-150% total 2020 – 15-20% CAGR</p>	<p>Relatively low upside 2010 – 50-75% total 2020 – 12-15% CAGR</p>	<p>Lowest upside 2010 – <50% total 2020 – 11% or lower CAGR</p>

Source: UBS

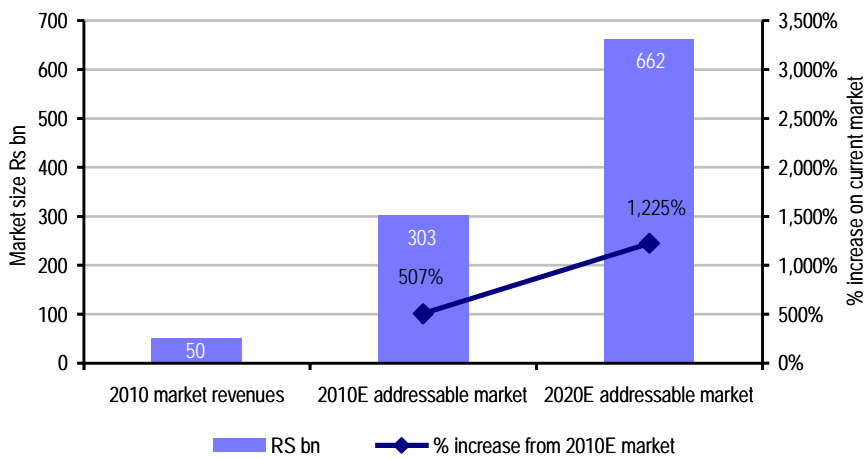
Air conditioners (residential)

Chart 4: Comparison of current and addressable market revenues—Indian air conditioners



2010

2020

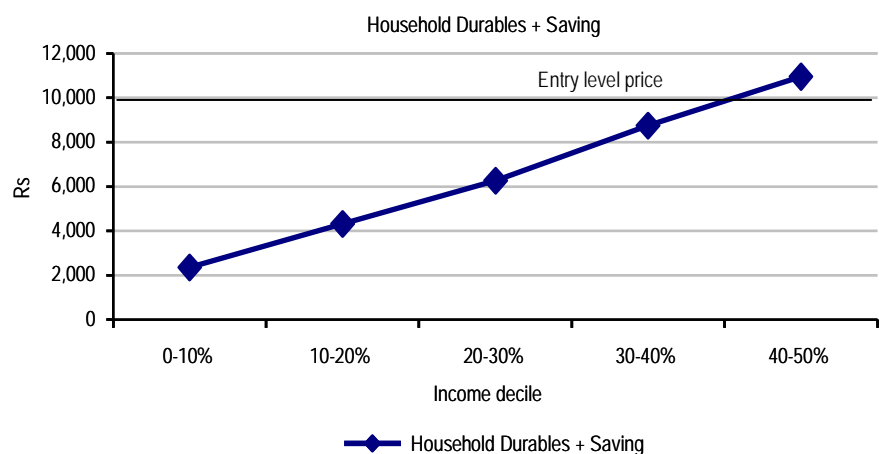


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs10,000 (US\$222).
- Average price: Rs20,000 (US\$444).
- Average purchase cycle: less than annual. We assume 10 years (people move house on average every seven to 10 years). If you buy a house, you typically buy new air conditioners, whereas you typically bring your old fridge with you.
- Cultural or social impediments: in parts of India, air conditioner use is considered unhealthy as there is limited fresh air circulation, but this view is not widespread and is slowly changing with westernisation and exposure. Households that own air coolers (average price Rs5,000) usually upgrade to air conditioners. (The air coolers used in India are typically evaporative coolers that cool air through the simple evaporation of water and are suited to climates where the air is hot and humidity is low, such as in inland parts of India.) Penetration of air conditioners stands at 0.9% (air coolers at 7%) according to *Business World—Marketing Whitebook*, and we therefore assume only one per household (versus our 1.5 assumption for China). It is not uncommon for all members of a family in India to sleep in the room with the air conditioner in summer.
- Maximum spend threshold: we believe air conditioners are a low-frequency, relatively high-value purchase. As such, we think consumers would be willing to use their savings to make these purchases and, hence, comparing affordability against total consumer durable consumption and household savings may make the most sense.

Chart 5: Estimated household durable goods consumption & savings and entry level cost of an air conditioner



Source: UBS estimates

- Potential consumers: all households.
- Average number per household: one.
- Binding determinant: Indian households in the top 60% by income.

What is the addressable market?

Today—number and revenue

Table 4: Estimated addressable market for air conditioners—number and annual revenue (Rs)

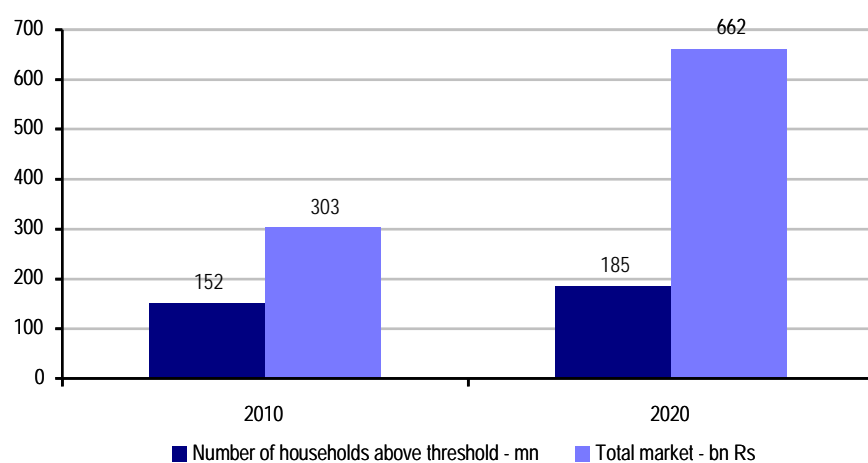
Entry level price - Rs	10,000
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	10,000
Threshold	households in the top 60% by income
Number of households above threshold - m	152
Average level price - Rs	20,000
Average units per household - number	1
Frequency of purchase - pa	1/10
Total market - Rs bn	303

Source: <http://ezone.futurebazaar.com>, UBS estimates

10 years time—number and revenue

- We assume the average cost of air conditioners grows at 6% pa (UBS India economist Philip Wyatt's inflation estimate for the next 10 years), approximately equivalent to CPI, and wages grow at around 10% pa (Philip's nominal wage growth estimate for the next 10 years). As a result of this, affordability falls to the 65% of homes that currently have access to electricity.
- The current addressable market estimate does not include demand for residential air conditioners from small retail stores and offices in residential areas. Therefore, there could be further upside to our addressable market estimates.

Chart 6: Estimated addressable market for residential air conditioners—2020



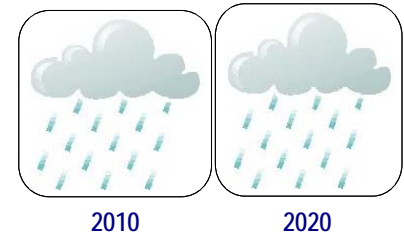
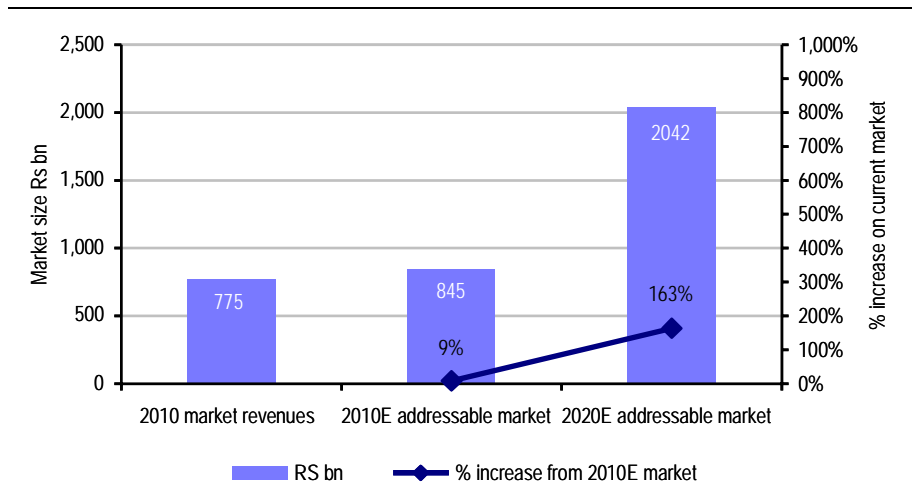
Source: UBS estimates

Listed stock exposures

- **LG Electronics**—LG Electronics specialises in the provision of telecommunication and electronics products. The air conditioning division provides air conditioners and central air conditioning systems, as well as building management solutions. The company estimates it has a c.30% market share in India.
- **Samsung Electronics**—Samsung Electronics provides consumer electronic products. Its digital media & communication (DMC) division is involved in the manufacture of digital media and communication products, such as televisions, monitors, printers, air conditioners, refrigerators and washing machines, as well as cell phones, network systems and computers. The company estimates it has a c.30% market share in India.
- **Hitachi**—Hitachi Home & Life Solutions (India) Limited (HHLI) is engaged in the manufacture and marketing of air conditioners in the domestic and international markets, as well as trading of home appliances. It manufactures a range of room air conditioners and packaged air conditioners in India. The company estimates it has approximately a 7% market share in India.
- **Voltas**—Voltas Limited offers cooling products through its Unitary Cooling Products for Comfort and Commercial Use segment, which includes cooling appliances and commercial refrigeration.
- **Whirlpool**—Whirlpool of India, a 75% owned subsidiary of Whirlpool US, manufactures and markets home appliances. The company's products include refrigerators, washing machines, air conditioners and water purifiers. Its brands include Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and Gladiator. The company estimates it has approximately a 5% market share in India.

Cars (new)

Chart 7: Comparison of current and addressable market revenues—Indian autos



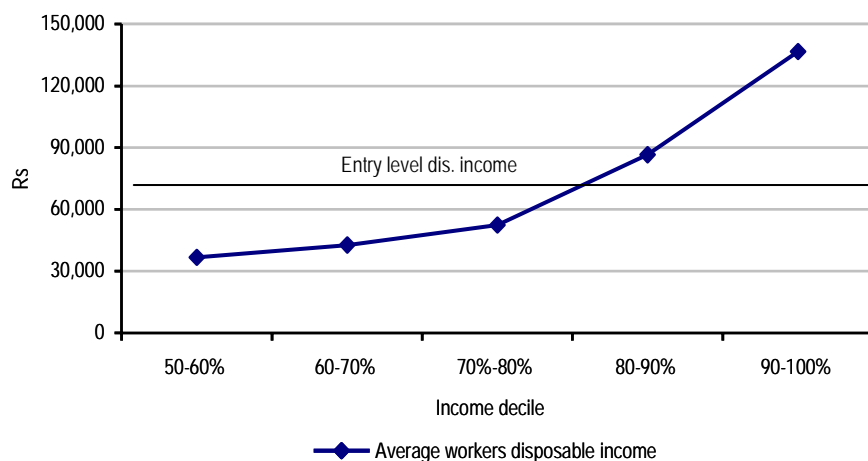
Source: SIAM, UBS estimates

What determines the addressable market

- Entry level price: Rs100k for a five-year old used car.
- Average price: ~Rs400k.
- Average use: given how new the mainstream Indian car market is, there is no real history on which to base this. We have assumed one per household (few households have multiple cars, with most having a single car) purchased every 10 years as our base-case assumption. India's used car market is as big as the new car market in terms of volume. And, unlike other personal finance markets in India, auto finance is a relatively mature market with around 75% of cars being bought through auto financing. Therefore we check for affordability with respect to a used car with an auto finance option.
- Cultural or social impediments: none
- Maximum spend threshold: we believe cars are a low-frequency, relatively high-value purchase with both practical and aspiration characteristics. Due to the availability of car financing in recent years, disposable income has become a primary determinant of car affordability. We assume (after checking with UBS's India auto analyst, Sonal Gupta) any worker whose first year loan payment is less than 30% of their disposable income will get a car loan (with around 80% of the car value funded by a loan of five years, with an interest rate of 15%). However, eligibility for a car loan is a function of income and any outstanding loans already taken (home loans, personal loans etc). So we assume 80% of those eligible will eventually get a car loan.
- Potential consumers: households with income earners.

- Binding determinant: households in the top 20% by disposable income. While we check affordability against workers, we believe a car purchase is a household affair, and hence derive the addressable market size using the top 20% of households.

Chart 8: Average disposable income and entry level disposable income to be eligible for a car loan—2010E



Source: UBS estimates

What is the addressable market?

Today—number and revenue

Table 5: Estimated addressable market for new cars—number and annual revenue (Rs)

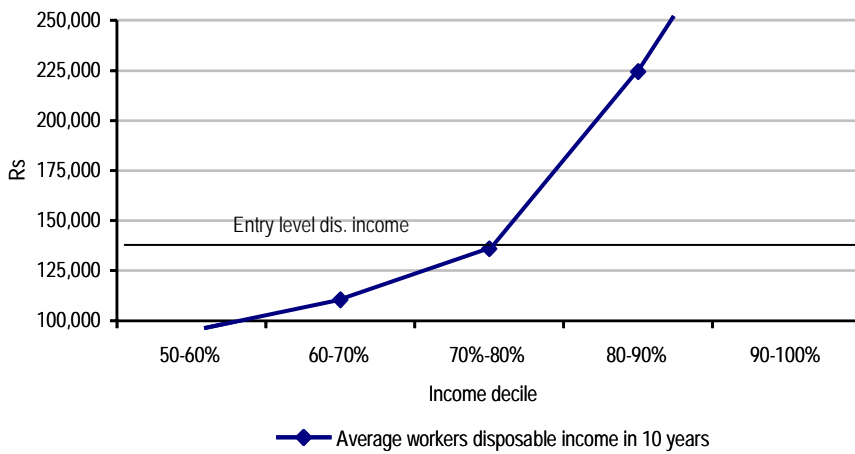
Entry level price - Rs '000	100
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	100
Threshold	Households in top 20% by disposable income
Number of households above threshold - m	42
Average level price - Rs '000	400
Average units per household - number	1
Frequency of purchase - pa	1/10
Total market - Rs bn	845

Source: UBS estimates

Please note, this addressable market estimate is only for individual consumers. It does not include institutional demand (for example from the government, corporates, travel companies, etc), which could provide upside to these estimates.

10 years time—number and revenue

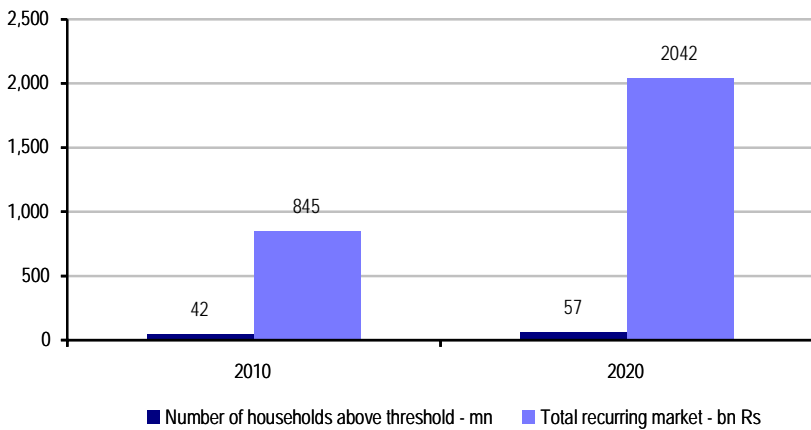
Chart 9: Estimated average disposable income and entry level disposable income to be eligible for a car loan—2020



Source: UBS estimates

- We assume the average cost of new cars grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This suggests the 10-year forward threshold will fall from the top ~20% of households today to the top 25% of households.

Chart 10: Estimated addressable market for new cars—2020



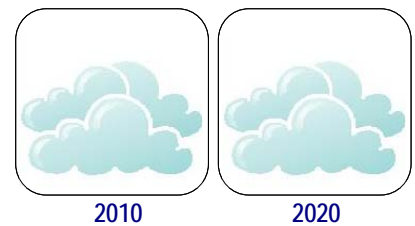
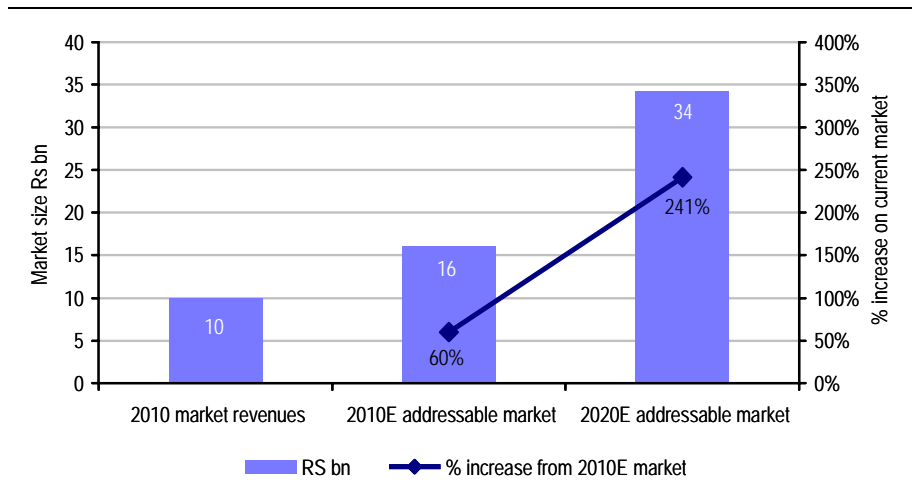
Source: UBS estimates

Listed stock exposures

- **Maruti Suzuki**—Maruti Suzuki, a subsidiary of Suzuki Motor Corporation of Japan, is the largest passenger car manufacturer in India with a c.50% market share in FY10 (as per company estimates). The company sold over 0.7m cars in India in FY10. Some of the popular brands in India include the Alto, Wagon R, Estilo, SX4, Swift, Dzire, Grand Vitara, and Maruti 800.
- **Hyundai Motor**—Hyundai Motor, a Korean automobile manufacturer, has the second largest share of the Indian domestic car market—c.21% in FY10 according to company estimates. It sold c.0.3m cars in India in FY10. Brands in India include the Santro, Sonata, Elantra, Accent, Getz, i20, and i10.
- **Tata Motors**—Tata Motors, a 37%-owned associate of the Tata Group, manufactures and sells commercial vehicles, utility vehicles, and passenger cars in India. Passenger cars contribute 25-30% of revenue. Brands are Indica, Indigo and Nano (the cheapest car in the world). The company estimates it has a c.13% market share in India.
- **Honda Motor**—Honda Motor manufactures and distributes motorcycles, automobiles and power products. It has manufacturing facilities in Japan, the United States, Canada, Mexico, the United Kingdom, Italy, China, India, Thailand, Vietnam, Argentina, Brazil and Turkey. The company operates in India through a JV with Siel Limited—Honda Siel Cars India Ltd. Brands in India include the Jazz, City, Civic, Accord and CR-V. The company estimates it has a c.4% market share in India.

Coffee

Chart 11: Comparison of current and addressable market revenues—Indian coffee

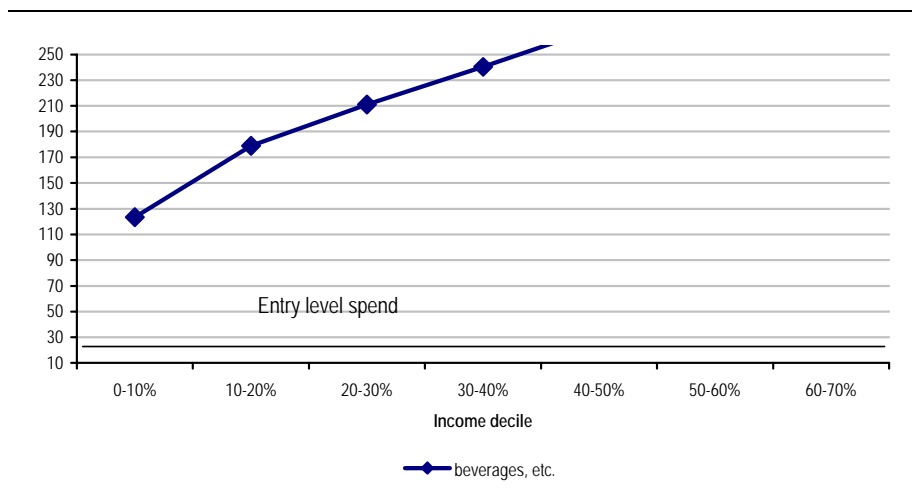


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs75 per kg (~5gms of coffee for a 75ml cup).
- Average price: ~Rs150 per kg.
- Average use: ~25 cups per year (coffee drinking is more prevalent in south India, while tea is more popular in the rest of India. But the Coffee Board of India estimates that around 90% of the population had coffee at least once in 2008. In 2008, 94,400 tonnes of coffee were consumed in India, implying an average consumption of ~25 cups per year).
- Cultural or social impediments: none.
- Maximum spend threshold: beverage consumption per capita.

Chart 12: Average beverage consumption per capita and entry level cost of coffee



Source: UBS estimates

- Binding determinant: population over 15 years.

What is the addressable market?

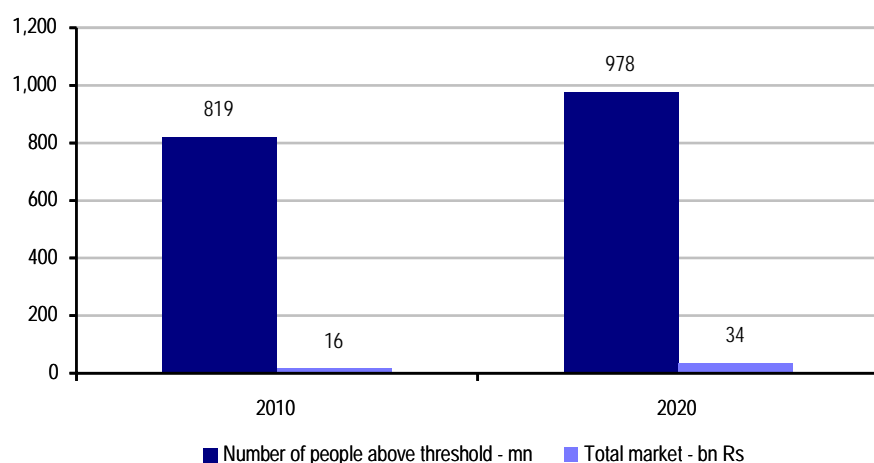
Today—number and revenue

Table 6: Estimated addressable market for coffee—number and annual revenue (Rs)

Entry level price - Rs per kg	100
Minimum consumption per person	25 cups per year
Minimum spend - Rs pa	13
Threshold	People above 15 years of age
Number of people above threshold - m	819
Average level price - Rs per kg	150
Average consumption per person	25 cups per week
Total market - Rs bn	16

Source: UBS estimates

Chart 13: Estimated addressable market for coffee—2020



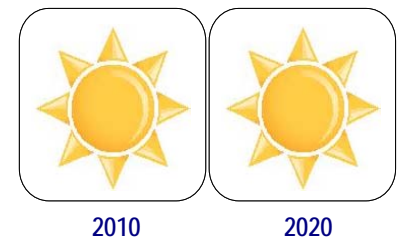
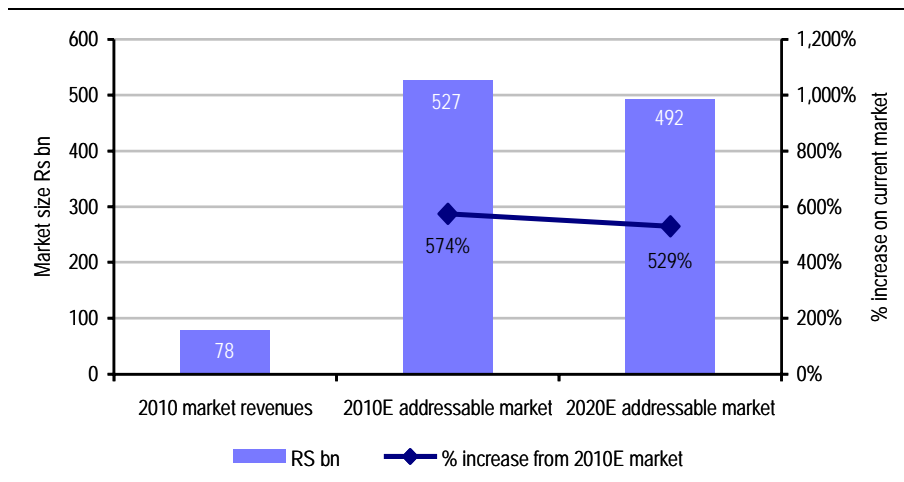
Source: UBS estimates

Listed stock exposures

- Hindustan Unilever (HUL)**—HUL is India's largest consumer goods company, with more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: soaps and detergents, personal care products, beverages, foods, and ice creams. Tea brands include Lipton, Brooke Bond Taj Mahal, Brooke Bond Taaza and Red Label. AC Nielsen estimates HUL has approximately a 44% share of India's coffee market.
- Nestle India**—Nestle India is a 62% owned subsidiary of Nestle SA, Switzerland. The company is the market leader in its key product categories of infant nutrition, coffee, noodles and chocolate. Its diversified product portfolio is sold primarily in urban markets to middle and high-income households. AC Nielsen estimates Nestle has approximately a 40% share of India's coffee market.

Computers (Home)

Chart 14: Comparison of current and addressable market revenues—Indian computers*

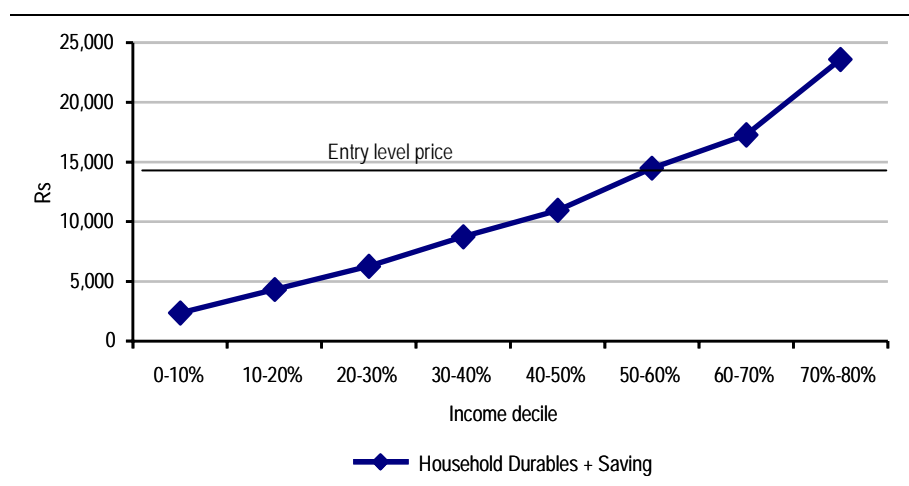


* Market for home computers; does not include corporate computer demand. Source: IDC, UBS estimates

What determines the addressable market

- Entry level price: ~Rs14,000.
- Average price: ~Rs20,000.
- Average use: one per household bought every 4.5 years (since there is no data available on the Indian home computer replacement cycle, we assume 4.5 years, the same as in our China report).
- Cultural or social impediments: none.
- Maximum spend threshold: like white goods, we believe computers are a low-frequency, relatively high-value purchase. They also offer additional educational and communications benefits. As such, we think consumers will be willing to use their savings to make these purchases and, hence, comparing affordability against total household consumer durables consumption and household savings may make the most sense.

Chart 15: Estimated household durable goods consumption & household savings and entry level computer price



Source: UBS estimates

- Potential consumers: households with electricity. According to the IEA, India's electrification rate was 65% in 2008.
- Binding determinant: the top 45% of Indian households by income.

What is the addressable market?

Today—number and revenue

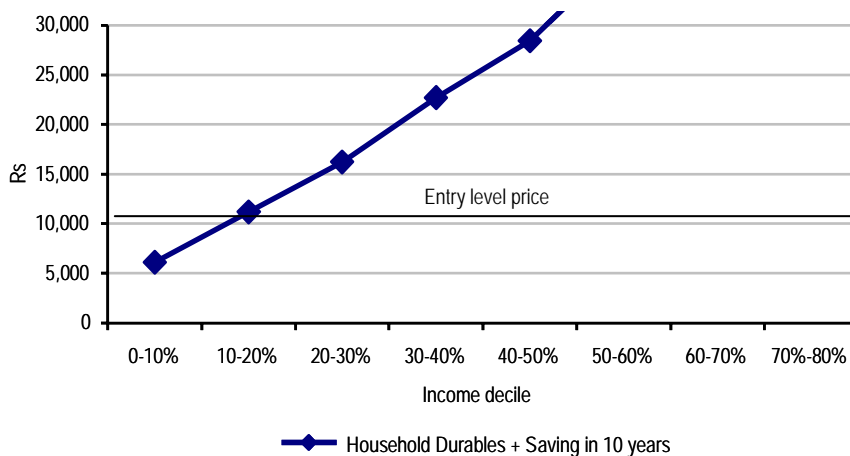
Table 7: Estimated addressable market for computers—number and annual revenue (Rs)

Entry level price - Rs	14,000
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	18,000
Threshold	Households in top 45% by income
Number of households above threshold - m	119
Average level price - Rs	20,000
Average units per household - number	1
Frequency of purchase - pa	1/4.5
Total market - Rs bn	527

Source: UBS estimates

10 years time—number and revenue

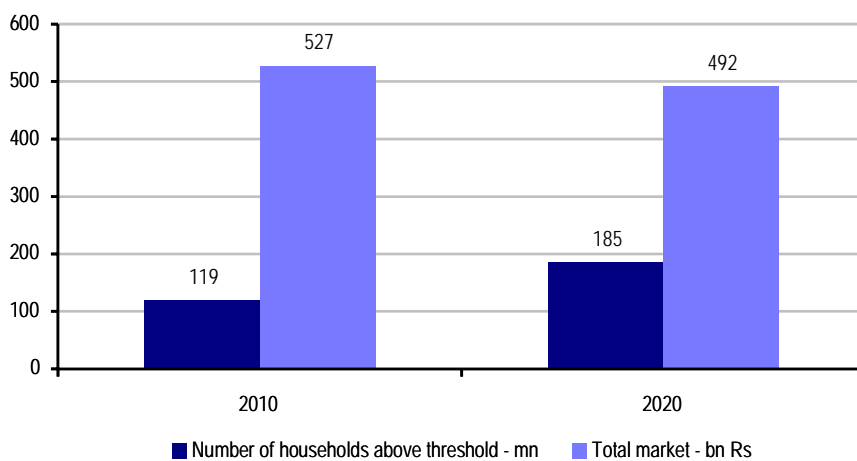
Chart 16: Estimated household durable goods consumption & household savings and entry level computer price—2020



Source: UBS estimates

- We assume the average cost of computers falls 5% pa (declines of 5-10% pa have been quite normal over the past five years), with the average price at around Rs12,000 in 2020. We also assume that households grow in line with the United Nations’ population growth and urbanisation forecasts over the next 10 years, and wages grow at 10% pa. Together, this suggests the addressable market for computers in India will increase from the top 45% of households by income to 65% (current estimate of households with electricity).

Chart 17: Estimated addressable market for computers—2020



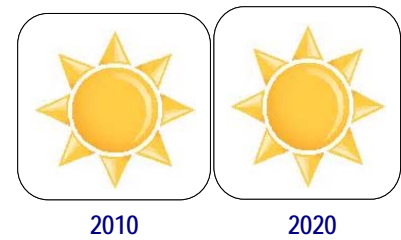
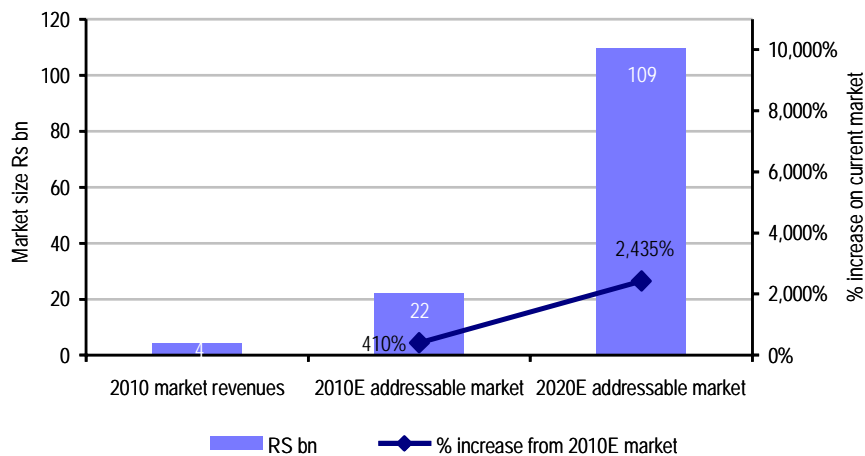
Source: UBS estimates

Listed stock exposures

- **Hewlett-Packard**—Hewlett-Packard Company (HP) is a global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses (SMBs), and large enterprises, including customers in the government, health and education sectors. IDC estimates HP has approximately a 17% market share in India.
- **Dell Inc**—Dell offers a range of product categories, including mobility products (laptops), desktop personal computers (PCs), software and peripherals, servers and networking, and storage. It operates in four global business segments: large enterprise, public, small and medium business, and consumer. IDC estimates Dell has approximately a 14% market share in India.
- **Acer Incorporated**—Acer is a Taiwan-based company engaged in research, design, manufacture and distribution of computers and mobile phones. The company provides desktop PCs, notebook computers, servers, storage products, liquid crystal display (LCD) monitors, high-definition televisions, projectors and handheld/navigational devices. IDC estimates Acer has approximately a 13% market share in India.

Diapers

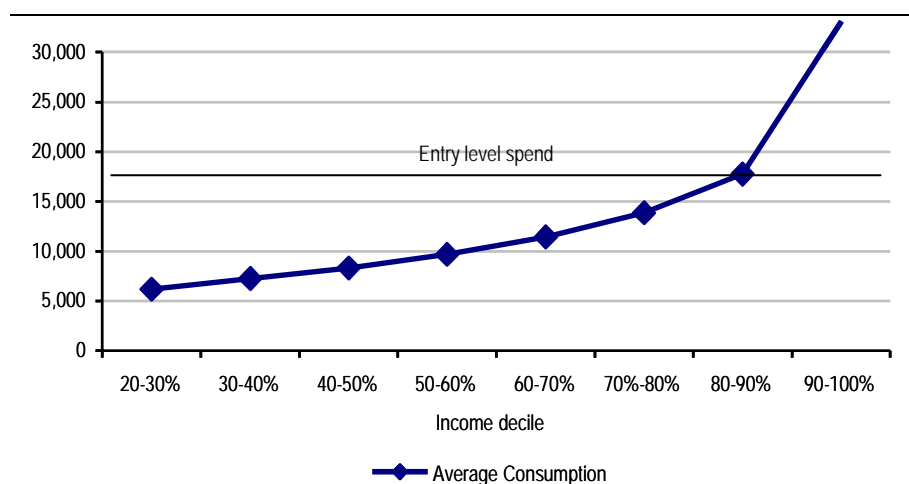
Chart 18: Comparison of current and addressable market revenues—Indian diapers



Source: AC Nielsen, UBS estimates

What determines the addressable market

- Entry level price: ~Rs8 per diaper.
- Average price: ~Rs15 per diaper. Average use: in western markets, 12 per day for 0-1 year olds, c8 per day for 1-2 year olds, and 4 per day on average for 2-3 year olds. We assume half of this usage in India based on a non-exhaustive sample survey.
- Cultural or social impediments: although there are no cultural reasons not to use diapers, use is limited to affluent households in urban areas. Availability of cheap domestic help and a relatively low percentage of working women mean that even though affordable, diapers have not assumed the status of a necessary item, as at-home mothers typically use cloth nappies. We believe this should change with income growth and availability.
- Potential consumers: urban population under 24 months with working mothers.
- Maximum spend threshold: diapers are one of a baby's main consumption items. Hence, we assume the maximum spend threshold is two thirds of the (baby's) per capita overall consumption. (This is slightly different to China, where we take entire consumption, but usage was also less at 18 months. And since babies' consumption of other items increases in the second year, we are taking two thirds of consumption spend in India.)

Chart 19: Average per capita consumption (66%) and entry level consumption of diapers

Source: UBS estimates

- Binding determinant: population under 24 months in urban households with working women in top 15% by income. We use the female participation rate of 33.1% in 2008 as per World Bank estimates.

What is the addressable market?

Table 8: Calculation of addressable market for diapers—assuming no income and usage constraint

	Born in 2008	Born in 2009	Total
Birthday in 2009	1	0	
Number – m	26.7	27.1	31.9
% in diapers	100%	100%	
% in urban areas	30%	30%	30%
Diapers per day – of a user	4	6	
Total potential diapers per annum bn	11.7	17.8	29.5

Source: United Nations, UBS estimates

Today—number and revenue

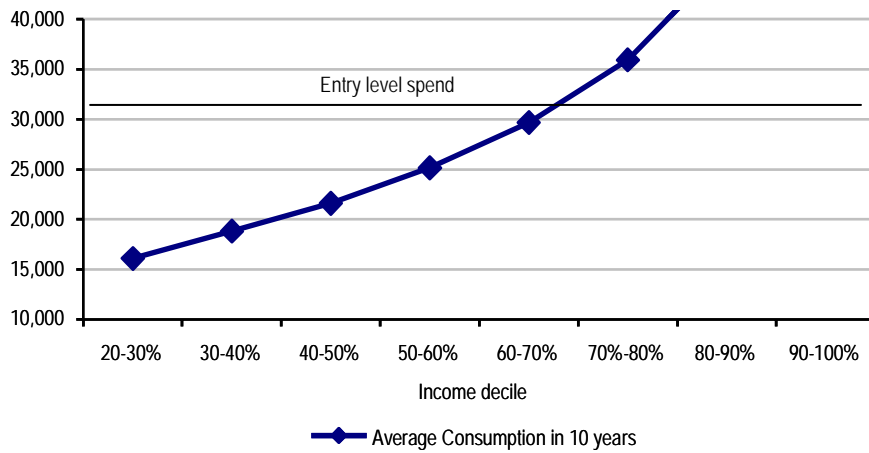
Table 9: Estimated addressable market for diapers—actual number and annual revenue

Entry level price – Rs		8
Threshold	Children under 24mth in top 15% of urban households by income with working women	
Number implied diaper use – bn pa		1.5
Average level price – Rs		15
Total market – Rs bn		22

Source: UBS estimates

10 years time—number and revenue

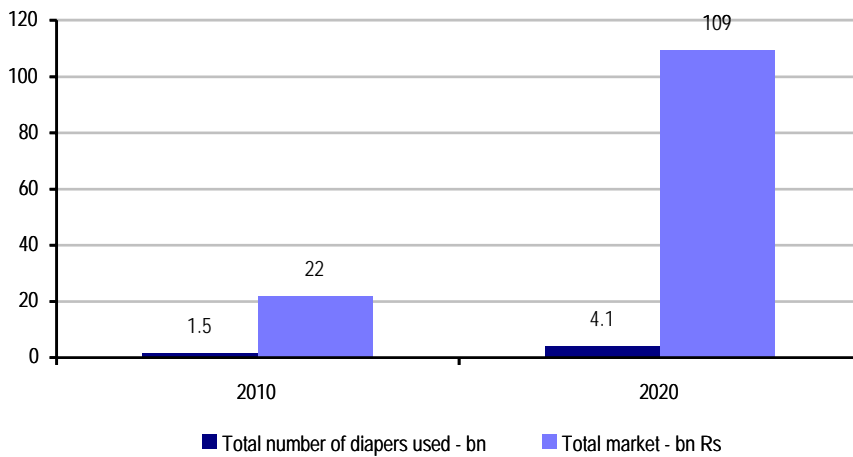
Chart 20: Estimated average per capita consumption (66%) and entry level consumption of diapers—2020



Source: UBS estimates

- We assume the average cost of diapers grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in affordability in the poorest urban households quickly increasing. Hence, we assume the 10-year forward threshold will fall from the top ~15% of urban households today to the top ~32.5% of households by 2020.

Chart 21: Estimated addressable market for diapers—2020



Source: UBS estimates

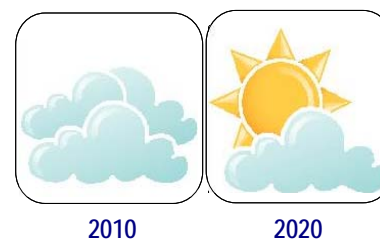
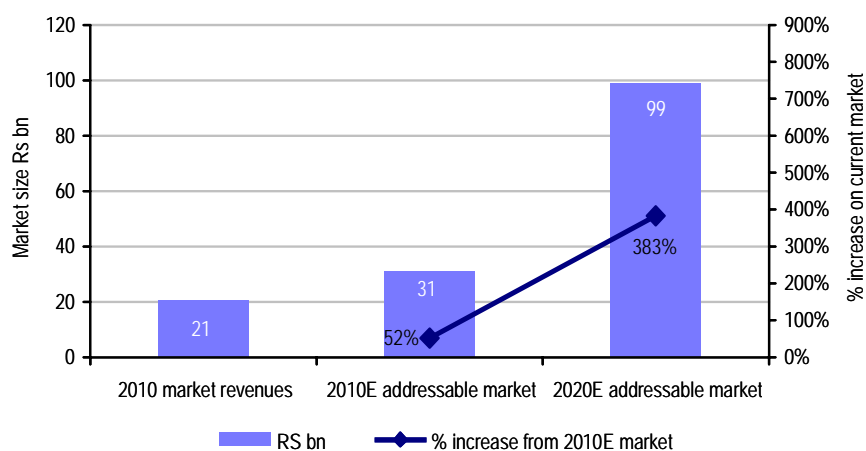
Diaper prices have come down in the past few years. Our 6% ASP growth assumption could be aggressive if that trend continues. We provide sensitivity to our ASP assumptions on page 111.

Listed stock exposures

- **Procter & Gamble (P&G)**—P&G is an US\$80bn revenue company with products sold in over 180 countries. It has six business segments: Beauty; Grooming; Health Care; Snacks and Pet Care; Fabric Care and Home Care; and Baby Care and Family Care. Diapers are sold under the Baby Care segment under the Pampers brand name. AC Nielsen estimates P&G has approximately a 51% market share in India.
- **Kimberly-Clark**—Kimberly-Clark provides health and hygiene products in more than 150 countries. The company operates in four segments—Personal Care; Consumer Tissue; K-C Professional & Other; and Health Care. Diapers are sold under the Huggies brand name in the Personal Care segment, in a JV agreement with Unilever. AC Nielsen estimates Kimberly-Clark has approximately a 40% market share in India.

Education (vocational IT)

Chart 22: Comparison of current and addressable market revenues—Indian IT training services*

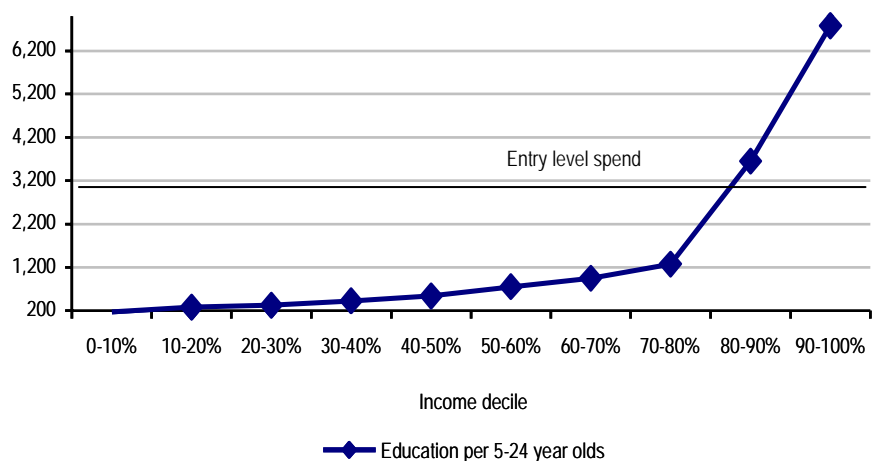


* The market includes only training done by individuals and does not cover IT training provided by companies to their employees. Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs3,000 for a basic Microsoft Office course.
- Average price: ~Rs10,000 for a mid-level IT course.
- Average use: one course per person taken between the ages of 15 and 24 (education is largely free in India until the 10th standard (secondary school). In poorer households, people over 15 years of age are expected to contribute to household income, and taking a basic course (such as desktop publishing) increases their employability in low-end IT jobs).
- Cultural or social impediments: our previous research has shown that Asians in general, and Indians in particular, have a greater propensity to spend on education than the global average and relatively low levels of government spend on education. For more details, please see *Asian Structural Themes—Themes for 2010—Education*, dated 13 January 2010.
- Potential consumers: we assume students aged under 15 are not significant recipients of IT training, especially vocational IT training. We believe the most appropriate assumption for potential consumers is all literate people aged 15-24.
- Maximum spend threshold: while we focus on students aged 15-24, education spend is also directed towards school and college courses for people aged 5-24. Hence, we believe the most appropriate spend threshold is education spend per child of schooling age, 5-24.

Chart 23: Average education consumption per person 15-24 years old and entry level consumption of vocational IT training services



Source: UBS estimates

- Binding determinant: literate people (as per UNESCO, 80% of people in India aged 15-24 were literate in 2006) aged 15-24 in households in the top 17.5% by household income.

What is the addressable market?

Today—number and revenue

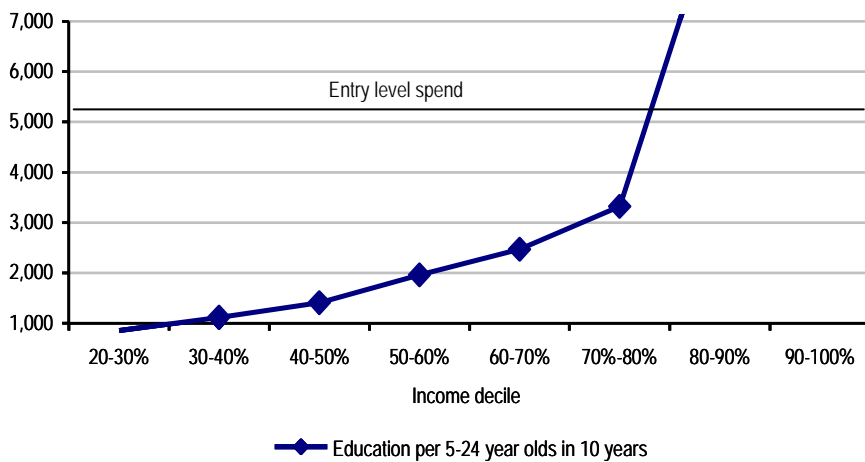
Table 10: Estimated addressable market for tutoring services—number and annual revenue (Rs)

Entry level price - per course	3,000
Minimum course per year	1
Minimum spend - Rs bn	3,000
Threshold	People aged 15-24 in the top 17.5% by household income
Number of people above threshold - m	31
Average price - per course	10,000
Average courses per student	1/10
Total market - Rs bn	31

Source: UBS estimates

10 years time—number and revenue

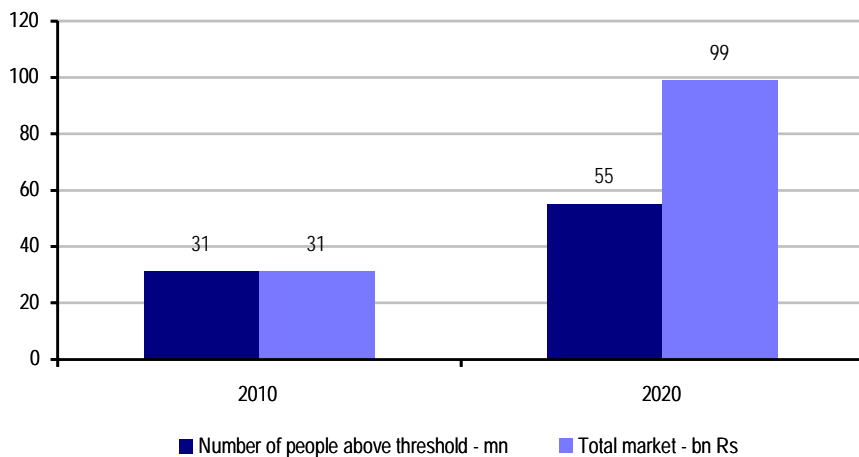
Chart 24: Estimated average education consumption per person 15-24 years old and entry level consumption of vocational IT training services—2020



Source: UBS estimates

- We assume the average cost of training grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in the 10-year forward threshold falling from the top ~17.5% of households today to the top 22.5% of households.
- We also assume the United Nations’ forecasts of age group and population growth.

Chart 25: Estimated addressable market for IT training services—2020



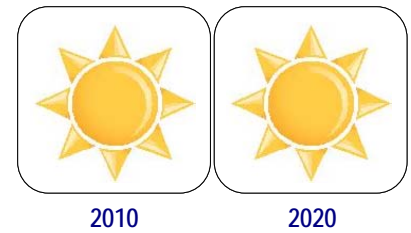
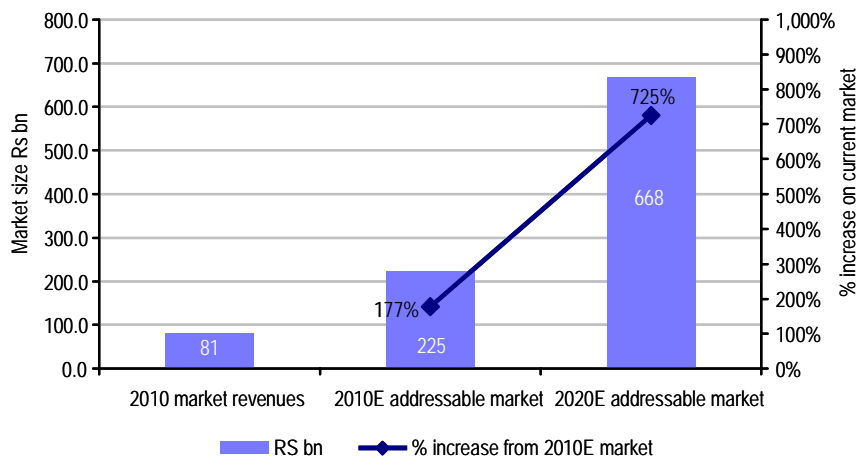
Source: UBS estimates

Listed stock exposures

- **NIIT**—NIIT provides training solutions in IT, Business Process Outsourcing, banking, finance and insurance, executive management education, and communication and professional life skills. It also provides computer-based learning solutions to schools. NIIT's user base includes over 5m learners across 40 countries. UBS estimates it has approximately an 18% market share in India.
- **Aptech**—Aptech is a global retail and corporate training solutions provider with a presence across five continents. The company provides training in IT, multimedia & animation, and hardware & networking in the retail segment. In the corporate segment, it provides training solutions, assessment solutions to universities and custom content development. UBS estimates Aptech has approximately an 11% market share in India.

Fast food restaurants

Chart 26: Comparison of current and addressable market revenues—Indian fast food

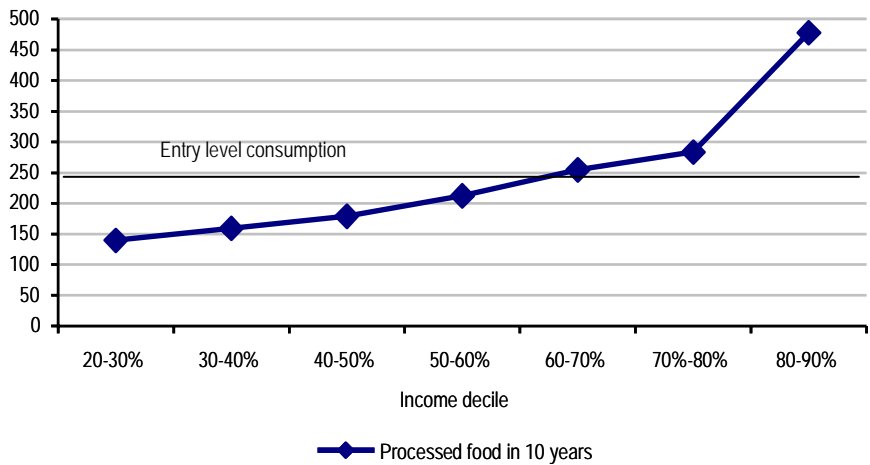


Source: Euromonitor, UBS estimates

What determines the addressable market

- Entry level price: Rs20 (single McDonalds burger/Indian *dosa* [rice pancake]).
- Average price: ~Rs50 (McDonalds value meal).
- Average use: once per month. (With an average household size of ~4.5, a typical Indian extended family consisting of one family from the father’s side and one family from the mother’s side has ~14 members. If they celebrate each birthday by eating out, they will eat out 12 times a year.)
- Cultural or social impediments: none, although fast food such as McDonalds is typically not considered as ‘low-end’ as it is in the west. It is viewed more as a mid-to-high-end meal/dining experience, due to the paucity of dining experience options in India. However, it is very rare for children below 10 years to eat fast food as it is not considered nutritious for them.
- Maximum spend threshold: processed food consumption per capita.

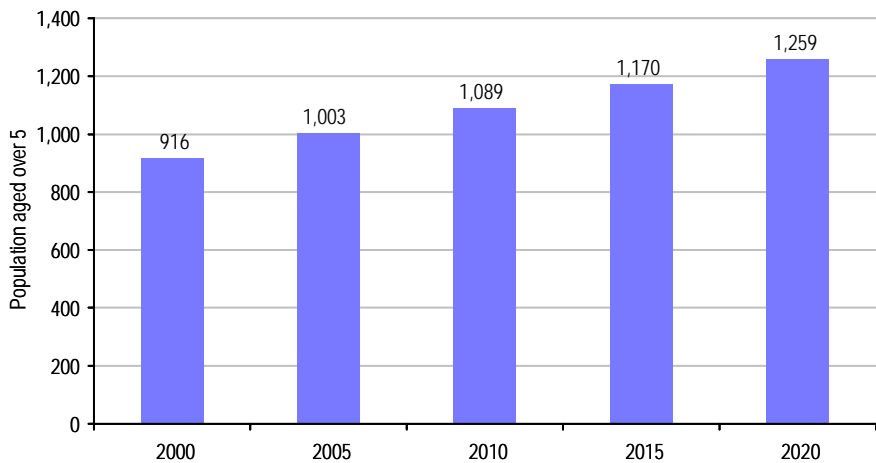
Chart 27: Average processed food consumption per capita and entry level consumption of fast food



Source: UBS estimates

- Potential consumers: population aged 10 years and older.

Chart 28: Indians aged 5 and older (millions)



Source: United Nations, UBS estimates

- Binding determinant: Indians aged 10 and over in the top 37.5% of households by income.

What is the addressable market?

Today—number and revenue

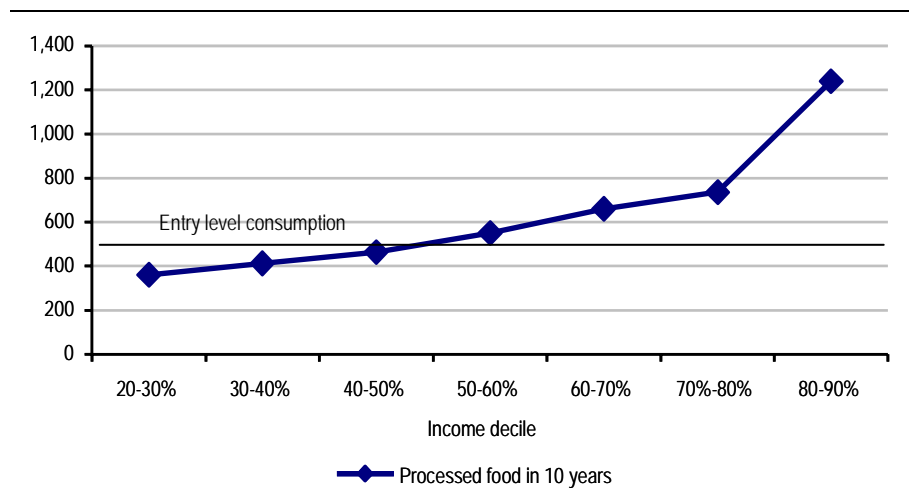
Table 11: Estimated addressable market for fast food—number and annual revenue (Rs)

Entry level price - Rs	20
Visits - pa	12
Minimum spend - pa, Rs	240
Threshold	People aged 10 and over in households in top 37.5% by income
Number of people above threshold - m	374
Average level price - Rs	50
Visits - pa	12
Total market - Rs bn	225

Source: UBS estimates

10 years time—number and revenue

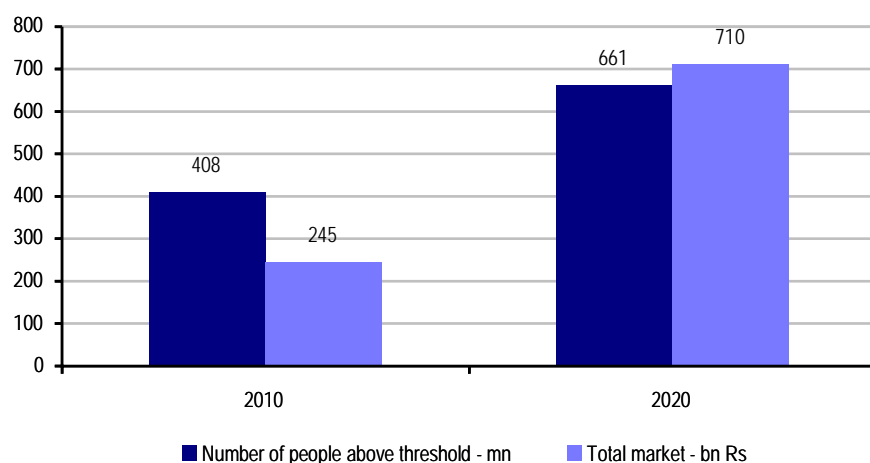
Chart 29: Estimated average processed food consumption per capita and entry level consumption of fast food—2020



Source: UBS estimates

- We assume the average cost of fast food grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa, resulting in affordability falling to ~52.5% of households from 37.5%.
- We again assume the United Nations' population forecasts.

Chart 30: Estimated addressable market for fast food—2020



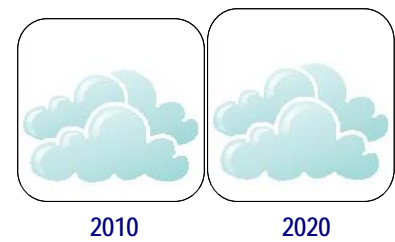
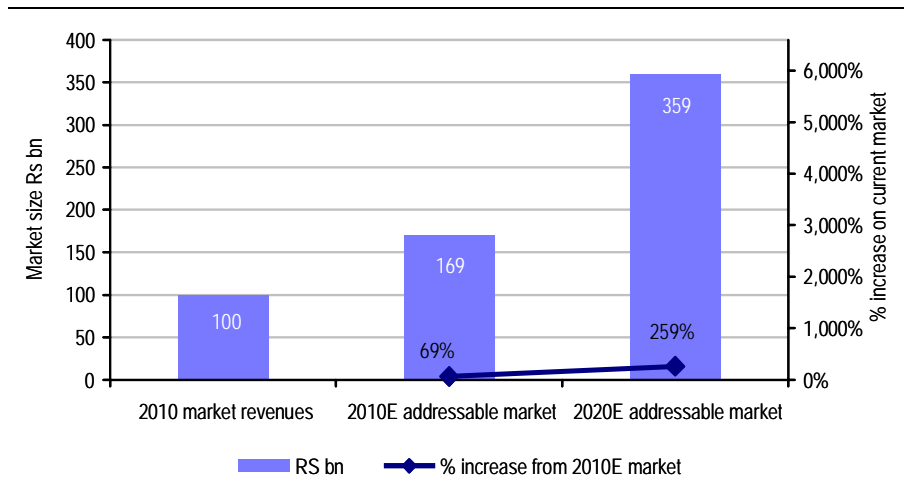
Source: UBS estimates

Listed stock exposures

- **Yum! Brands**—Yum! Brands develops, operates, franchises and licenses more than 36,000 KFC, Pizza Hut, Taco Bell, Long John Silver's, and A&W outlets in over 110 countries and territories. It also owns a non-controlling interest in Little Sheep. Around 29% of its revenue comes from Asia ex-Japan. Approximately US\$65m of its revenue comes from India.
- **McDonalds Corporation**—McDonalds franchises and operates ~33,000 restaurants in more than 100 countries worldwide. Asia Pacific, the Middle East and Africa comprise around 19% of revenues. 80% of its restaurants are operated by franchisees. In India, McDonalds has a good presence in the north and western parts of the country, through joint venture operations.
- **Jubilant Foodworks**—Jubilant Foodworks operates the Dominos Pizza chain across India and Sri Lanka. The company operates c.320 stores in 59 cities across India and five stores in Sri Lanka. It has a Master Franchise Agreement with Domino's International, for the exclusive right to develop and operate Domino's pizza delivery stores in India, Nepal, Bangladesh and Sri Lanka.

Footwear

Chart 31: Comparison of current and addressable market revenues—Indian footwear

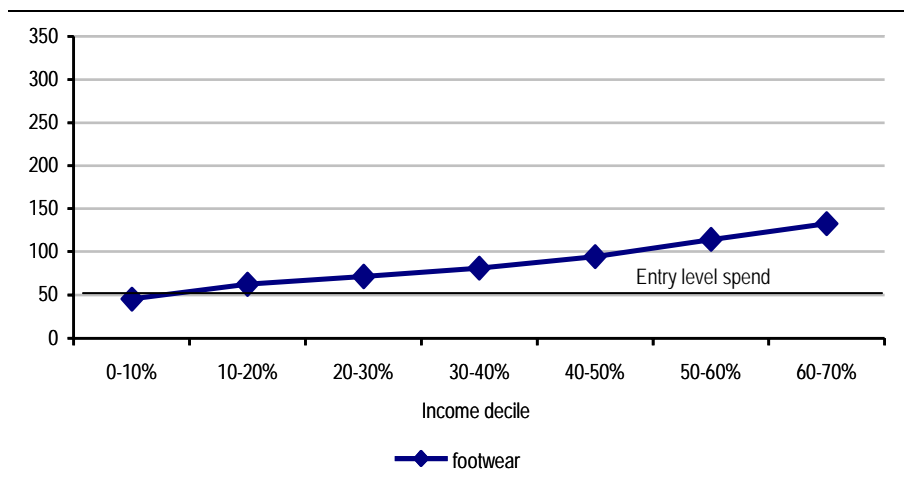


Source: UBS estimates

What determines the addressable market

- Entry level price: Rs50 (the unorganised market may have even lower priced footwear).
- Average price: Rs150.
- Average use: ~one pair pa.
- Cultural or social impediments: the purchase of footwear will increase with income growth.
- Maximum spend threshold: footwear per capita spend.

Chart 32: Average footwear consumption per capita and entry level footwear cost



Source: UBS estimates

- Potential consumers: people aged one and older.
- Binding determinant: people aged one and older in the top 95% of households by income.

What is the addressable market?

Today—number and revenue

Table 12: Estimated addressable market for footwear—number and annual revenue (Rs)

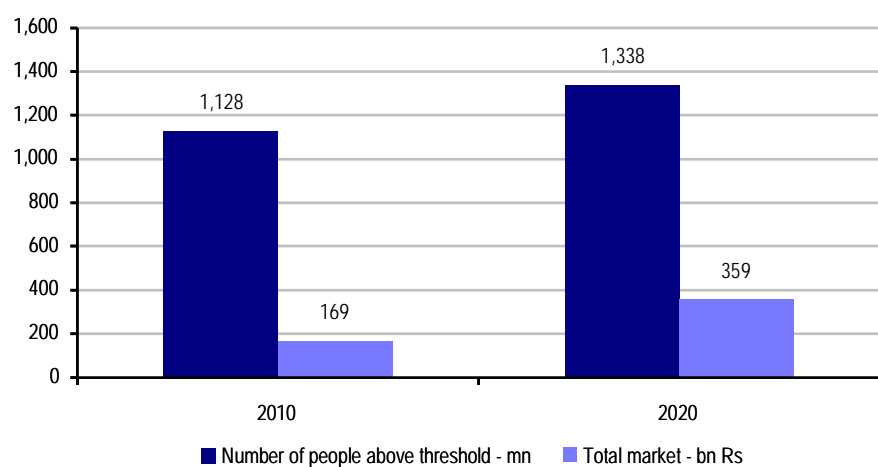
Entry level price - Rs per pair	50
Minimum consumption - pairs per yr	1
Minimum spend - pa, Rs	50
Threshold	People aged 1 and over in households in top 95% by income
Number of people above threshold - m	1,128
Average level price - Rs	150
Average consumption - pairs per yr	1
Total market - Rs bn	169

Source: UBS estimates

10 years time—number and revenue

- We assume the average cost of shoes grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in a small change in affordability and, hence, we assume the 10-year forward threshold falls to the top 97.5% of households.
- We assume the United Nations' population forecasts.

Chart 33: Estimated addressable market for footwear—2020



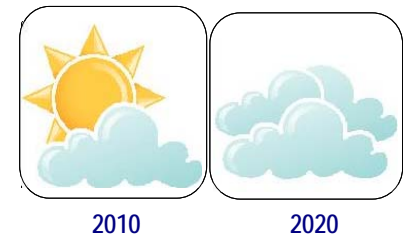
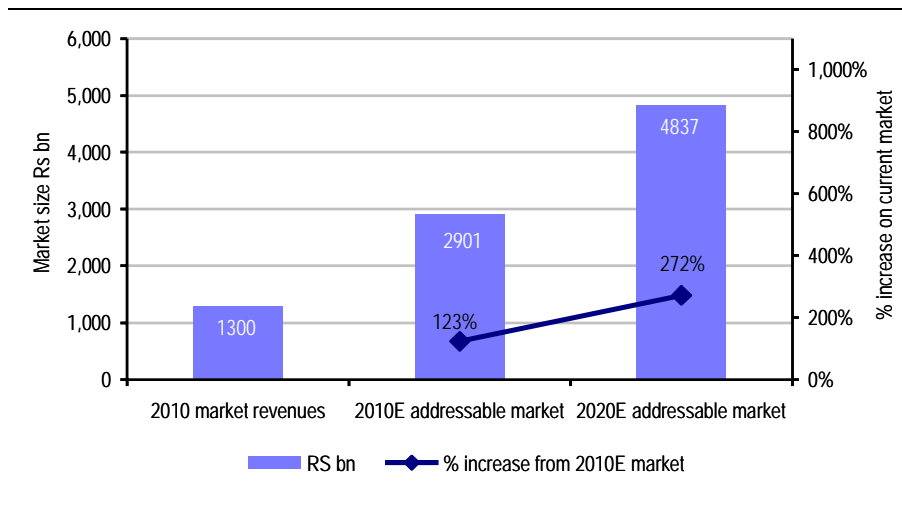
Source: UBS estimates

Listed stock exposures

- **Bata India**—Bata India is a manufacturer and retailer of footwear. Its retail network consists of 1,250 stores across tier I and tier II cities. The company sells over 45m pair of shoes a year. It is owned by the Bata Group, which has footwear manufacturing and retail operations in over 50 countries.
- **Liberty Footwear**—Liberty Footwear is a manufacturer and retailer of footwear with a presence in 350 exclusive showrooms and over 6,000 multi-brand outlets across more than 25 countries including France, Italy, and Germany. The company produces over 50,000 pairs of footwear a day across age groups and income category.
- **adidas AG**—adidas is a German producer of sportswear and sports equipment, with sports footwear brands including Adidas and Reebok. It earns around 25% of its revenue from Asia Pacific (20% from Asia ex-Japan).
- **Nike**—Nike designs, develops and markets footwear, apparel, equipment, and accessory products globally. The sale of footwear in Asia Pacific accounted for 9% of total revenue in 2009.
- **Mirza International**—Mirza International manufactures leather and leather footwear. Footwear brands include Red Tape for casual wear and Oaktrak for formal wear. The company's products are marketed in the UK, Europe, South Africa and the Middle East.

Gold/diamond jewellery

Chart 34: Comparison of current and addressable market revenues—Indian gold/diamond jewellery*

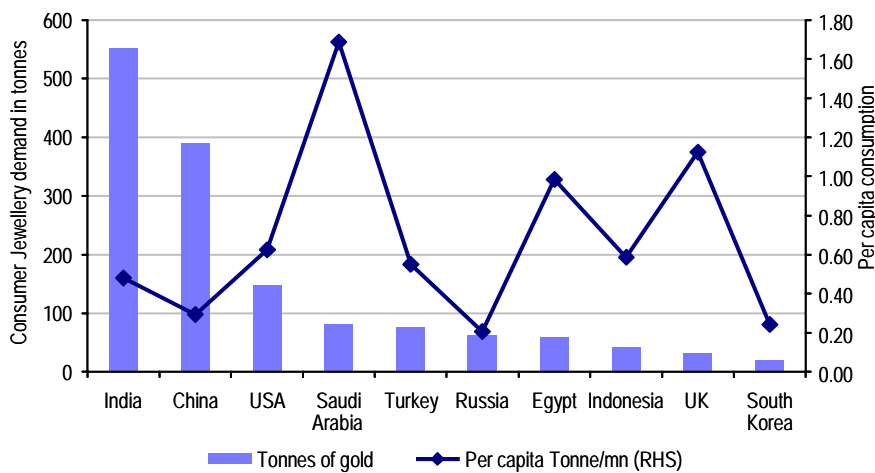


* Does not include gold bought for investment purposes. Source: UBS estimates

What determines the addressable market

- Entry level spend: ~Rs20,000 for a gold chain (~10 gms of 22 carat quality).
- Average price: ~Rs40,000 for a gold chain and two bangles (~20 gms of gold).
- Cultural or social impediments: Indians are the largest consumers of gold in the world. Gold hoarding has historically been considered the safest method of wealth accretion. Wearing gold jewellery is common among Hindu Indian women. And gold is one of the most common marriage gifts. For poorer sections of the population, gold is the only collateral they have to obtain loans from local money lenders as most are not part of the formal banking system.
- Average use: ~once every two years. India's current birth rate is 2.7%, and a typical family has three children. An extended Indian family includes two siblings on the mother's side and two siblings on the father's side with 12 children. So an extended Indian family has 15 children. In the span of a generation (25 years), these children will get married at an interval of ~two years.

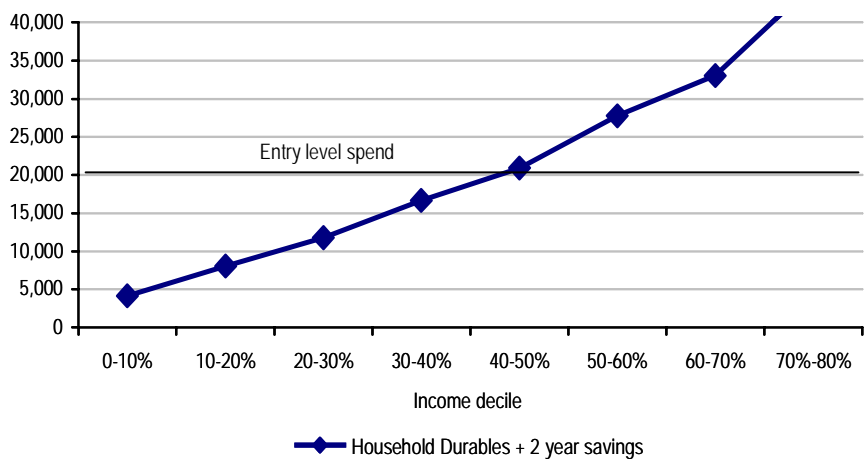
Chart 35: Consumer jewellery demand in select countries—year to 31 March 2010



Source: World Gold Council

- Potential consumers: all households.
- Maximum spend threshold: we believe gold is a low-frequency, relatively high-value purchase with both practical and aspirational characteristics. As such, we think households will be willing to use even more than one year of their savings to make these purchases, especially since gold is bought during weddings, and hence comparing affordability against total consumer durable consumption and two years of annual household savings may make the most sense.

Chart 36: Average household durables + 2 years savings and entry level consumption of gold jewellery



Source: UBS estimates

- Binding determinant: households in the top 55% by household income.

What is the addressable market?

Today—number and revenue

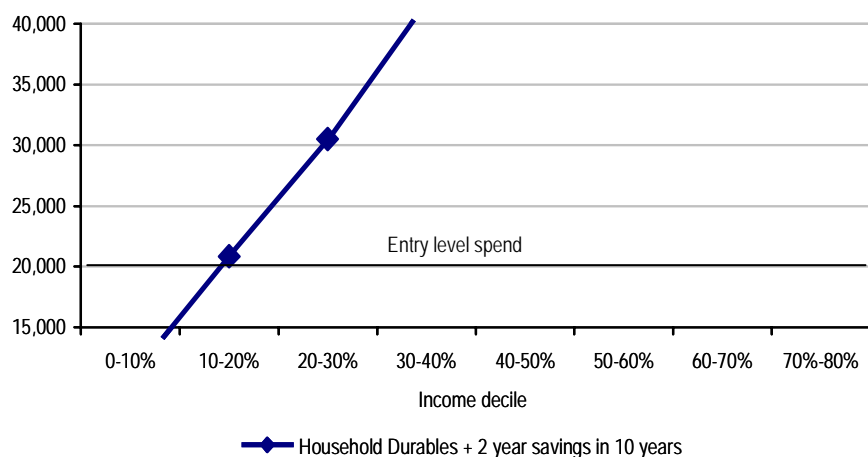
Table 13: Estimated addressable market for gold/diamond jewellery—number and annual revenue (Rs)

Minimum spend – Rs	20,000
Threshold	households in the top 55% by household income
Number of households above threshold - m	145
Average spend – Rs	40,000
Frequency of purchase – pa	1/2
Total market – Rs bn	1,915

Source: UBS estimates

10 years time—number and revenue

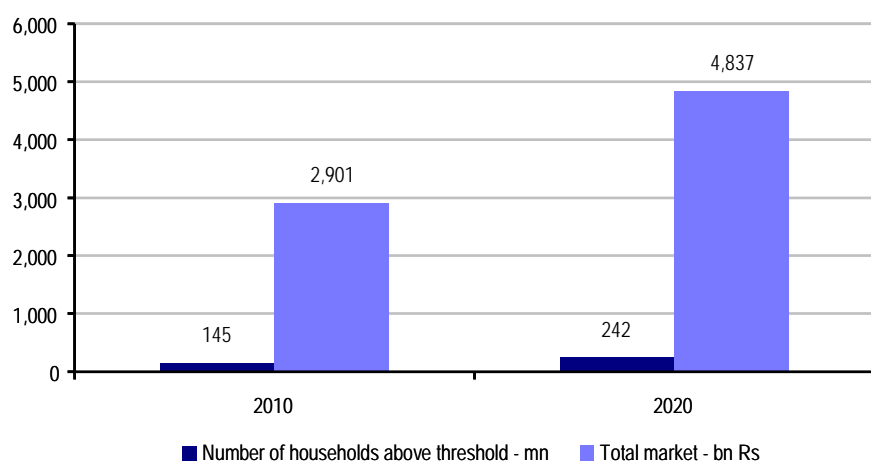
Chart 37: Estimated average household durables + 2 years savings and entry level consumption of gold jewellery—2020



Source: UBS estimates

- We assume the average cost of gold remains flat through 2020 (as per UBS forecasts), and wages rise ~10% pa. This results in the 10-year forward threshold falling from the top ~55% of households today to the top 85% of households.
- We also assume the United Nations' forecasts of age group and population growth.

Chart 38: Estimated addressable market for gold/diamond jewellery—2020



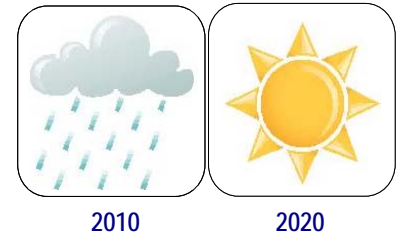
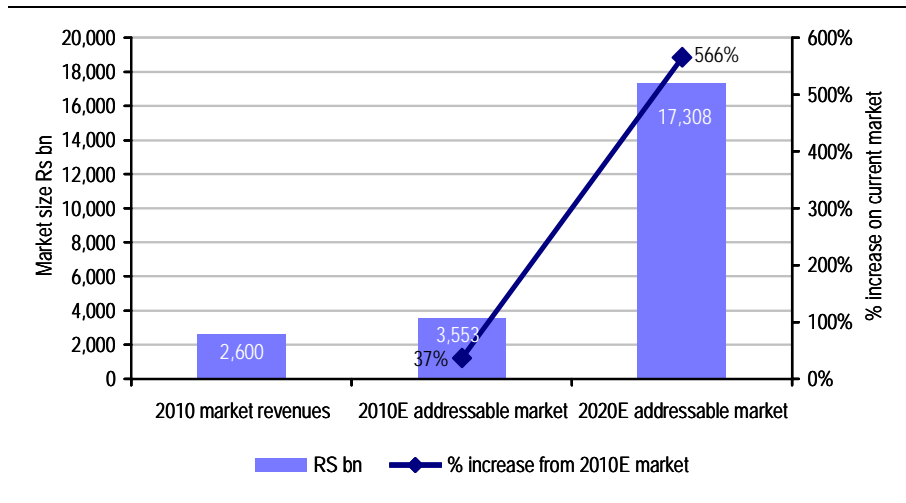
Source: UBS estimates

Listed stock exposures

- Titan Industries**—Titan Industries is a 25% associate of the Tata Group of India. It has four business divisions: jewellery, watches, eye wear and precision engineering. The jewellery division contributed c.75% of FY10 revenue. The company operates its specialty jewellery retail stores under the flagship brand Tanishq. It also operates GoldPlus jewellery stores in smaller towns and Zoya stores in the premium segment.
- Gitanjali Gems**—Gitanjali Gems is an integrated diamond and jewellery manufacturer and retailer. The company's activities are spread across the value chain from sourcing and processing rough diamonds to manufacturing, branding and retailing gold and diamond jewellery. Popular jewellery brands include Gili, Asmi, Nakshtra, D'damas and Sangini. The diamond segment contributes 47% of revenues, and the jewellery business contributes the remaining 53% revenues, based on reported financials.

Life insurance

Chart 39: Comparison of current and addressable market revenues—Indian life insurance

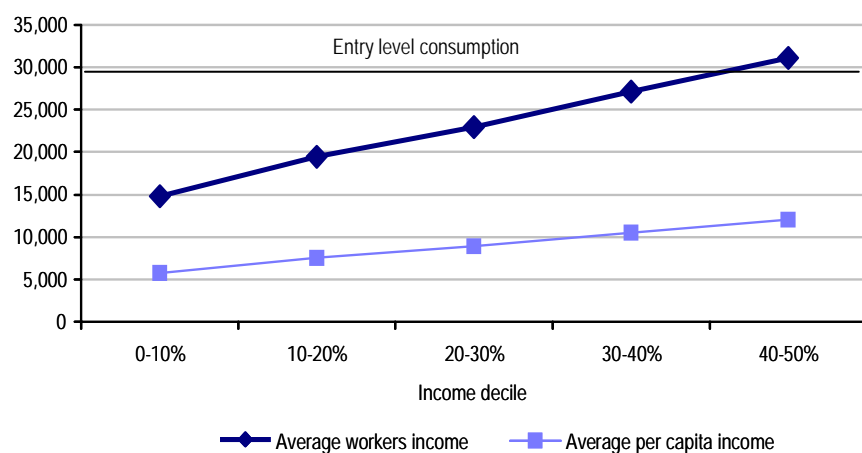


Source: IRDA, UBS estimates

What determines the addressable market

- Entry level price: Rs2,500 pa (As per IRDA data).
- Average price: ~Rs12,600 pa.
- Average use: one policy.
- Cultural or social impediments: none. However, life insurance in India is sold as a savings vehicle and income earners who can afford to usually buy at least one policy to take advantage of tax benefits. Insurance premiums paid up to Rs100,000 can be deducted from taxable income.
- Entry level consumption: individuals with annual incomes of at least Rs30,000. This is based on the Rs2,500 entry level price and the assumption that premiums equal roughly one month of salary (the assumption we used in China based on data by Ping An Insurance).

Chart 40: Average income and entry level consumption of life insurance



Source: UBS estimates

- Potential consumers: the ~470 million workers in India.
- Binding determinant: income earners in households that are in the top 60% by income.

What is the addressable market?

Today—number and revenue

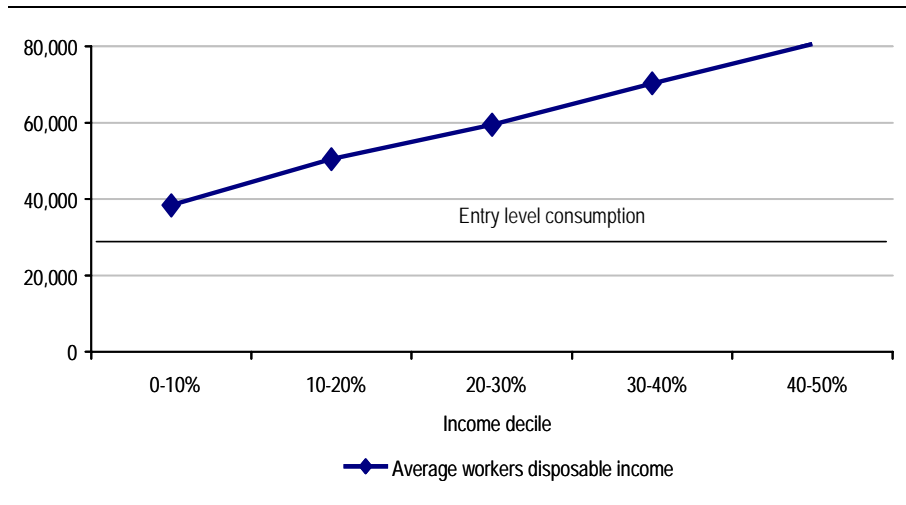
Table 14: Estimated addressable market for life insurance—number and annual revenue (Rs)

Entry level price - Rs pa	2,500
Minimum consumption	1
Minimum spend - Rs	2,500
Threshold	Workers in the top 60% by household income
Number of people above threshold - m	282
Average premium	12,600
Total market - Rs bn	3,553

Source: UBS estimates

10 years time—number and revenue

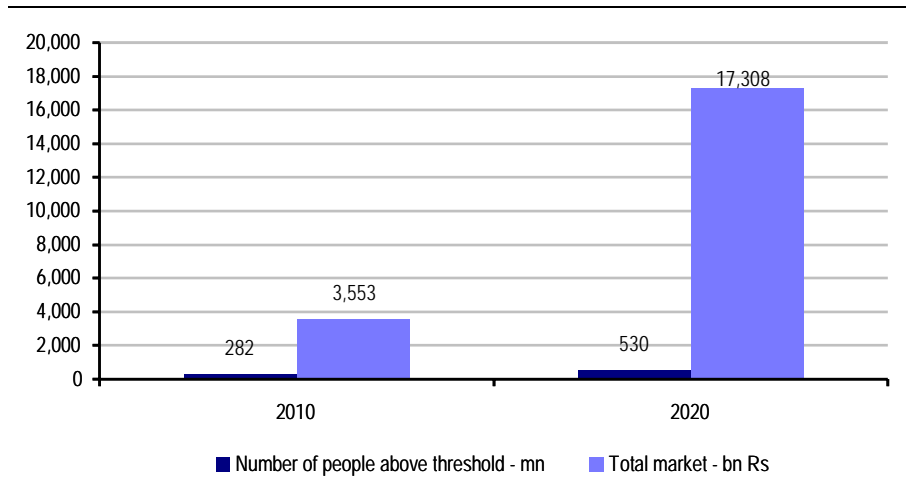
Chart 41: Average workers incomes and entry level income for life insurance—10 years forward



Source: UBS estimates

- We assume the entry level life insurance premium remains at ~Rs2,500, incorporating the expected development of lower-end products including those targeted at rural consumers. We expect the average life insurance cost to rise roughly in line with wages, which we in turn estimate will rise at ~10% pa. This suggests the 10-year forward threshold will fall from the top ~60% of households today to include ~97.5% of all workers.

Chart 42: Estimated addressable market for life insurance—2020



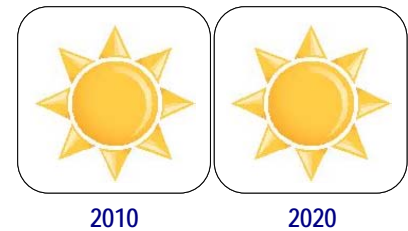
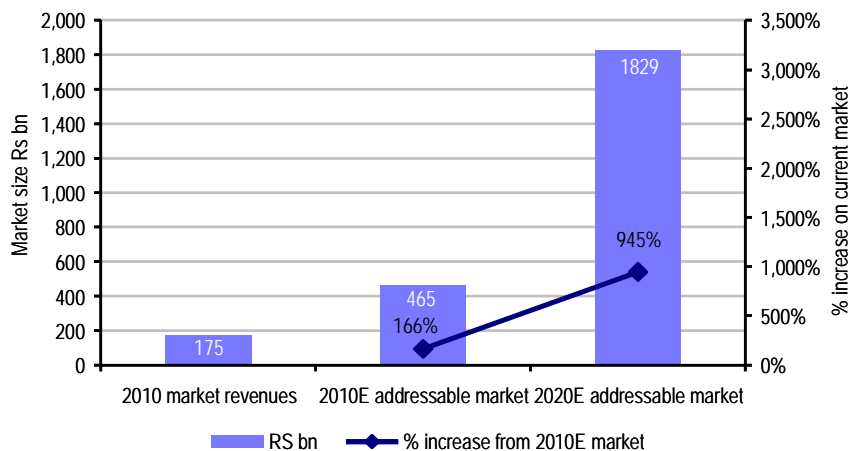
Source: UBS estimates

Listed stock exposures

- **ICICI Bank**—ICICI Bank is an India-based banking company that provides a range of banking products and services to corporate and retail customers through a variety of delivery channels. Its subsidiaries include ICICI Prudential Life Insurance and ICICI Lombard General Insurance. According to IRDA estimates, it has approximately a 10% market share and its life insurance business contributes 31% of its consolidated revenues.
- **State Bank of India**—State Bank of India is an India-based commercial bank. In addition to banking, it provides a range of financial services, including life insurance, merchant banking, mutual funds, security trading, pension fund management and primary dealership in the money market. It operates in four business segments: Treasury, Corporate/Wholesale Banking, Retail Banking, and Other Banking Business. According to IRDA estimates, it has approximately a 10% market share.
- **HDFC Bank**—HDFC Bank is a private sector bank and financial services company in India. It operates in three segments: retail banking, wholesale banking, and treasury services. It also provides life insurance services. As of 31 March 2009, HDFC Bank had 1,413 branches and 3,295 automated teller machines (ATMs) across 528 locations. According to IRDA estimates, it has approximately a 5% market share.
- **Aditya Birla Nuvo**—Aditya Birla Nuvo is an India-based conglomerate with a portfolio of manufacturing as well as service sector businesses. The company operates in seven business segments: garments, rayon, carbon black, insulator, textiles, fertilizers and financial services. The financial services segment includes corporate finance, syndication and distribution. Aditya Birla Financial Services Private Ltd. is a subsidiary. In March 2009, the company acquired a 50.01% interest in Birla Sun Life Distribution Company Ltd. According to IRDA estimates, it has approximately a 5% market share.
- **Max India**—Max India is a multi-business corporate with major interests in healthcare, life insurance and health insurance. Max New York Life Insurance (a joint venture between Max India and New York Life International) has approximately a 3% share of the India market. Max New York Life Insurance currently has around 70,152 agent advisors at 676 offices across 389 cities. The company also has 36 referral tie-ups with banks.

Liquor

Chart 43: Comparison of current and addressable market revenues—Indian liquor*

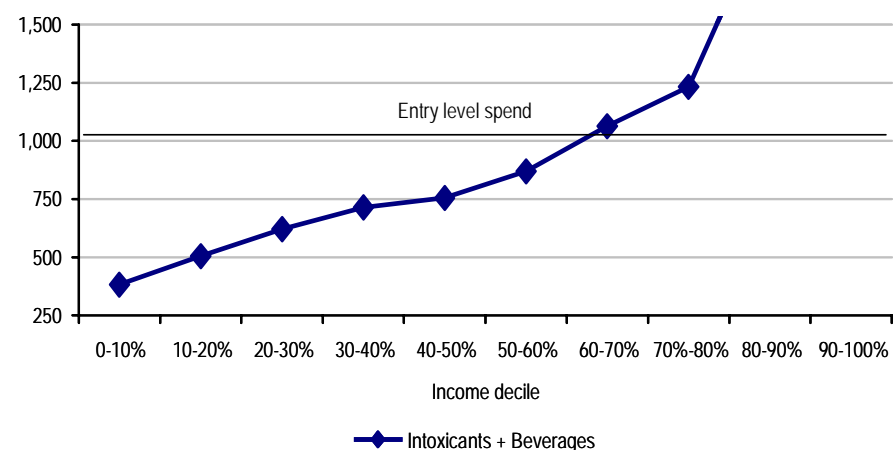


* Liquor category includes whisky, rum, brandy, vodka and gin. Source: UBS estimates

What determines the addressable market

- Entry level price: Rs60 per 180ml bottle.
- Average price: ~Rs90 per 180ml bottle.
- Minimum use: two 30ml drinks per week (one third of 180ml bottle per week).
- Average use: ~four 30ml drinks per week (two thirds of 180ml bottle per week). UBS estimates liquor volume sales in FY10 of 185m cases, which is ~55m 30 ml pegs. Around 32% of adults (266m) drink in India (source: National Family Health Survey, 2007), which means ~four 30ml pegs per week.
- Cultural or social impediments: yes. Not everyone who can afford to does drink in India. It is generally deemed socially undesirable for women to drink. Even for males it is generally frowned upon and actively discouraged. A large section of drinkers, especially in rural areas, consume arrack and toddy, local versions of liquor. However, as incomes rise and affordability improves, most of them upgrade to beer and other western spirits.
- Maximum spend threshold: liquor and beverage spend per adult male. While liquor is a 'non-essential' consumption item, and we believe consumers may cut back on alcohol consumption to save money to fund additional clothing, dining or even luxury consumption, we do not believe the majority of consumers will cut spending on other forms of non-essential consumption to fund more liquor consumption. However, we do believe consumers will substitute among different types of alcohol.

Chart 44: Average intoxicant and beverage consumption per capita and entry level consumption of liquor



Source: UBS estimates

- Potential consumers: male adults 18+.
- Binding determinant: male adults 18+ in households in the top 37.5% by income.

What is the addressable market?

Today—number and revenue

Table 15: Estimated addressable market for liquor—number and annual revenue (Rs)

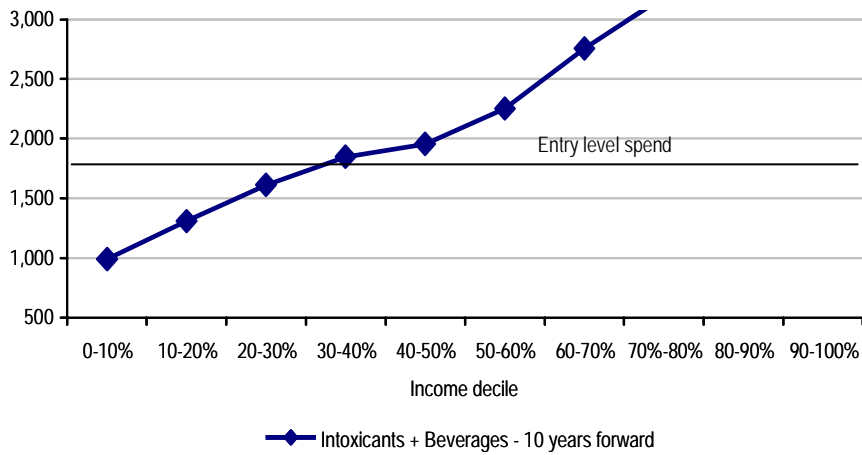
Entry level price - per 180 ml bottle	60
180 ml bottles per week	0.33
Minimum spend - Rs, pa	1,029
Threshold	Male adults 18+ in households in the top 37.5% by income
Number of people above threshold - m	151
Average level price - per bottle	90
Bottles per week	0.66
Total market - Rs bn	465

Source: UBS estimates

10 years time—number and revenue

- We assume the average cost of liquor grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in the 10-year forward threshold falling to the top ~67.5% of households.

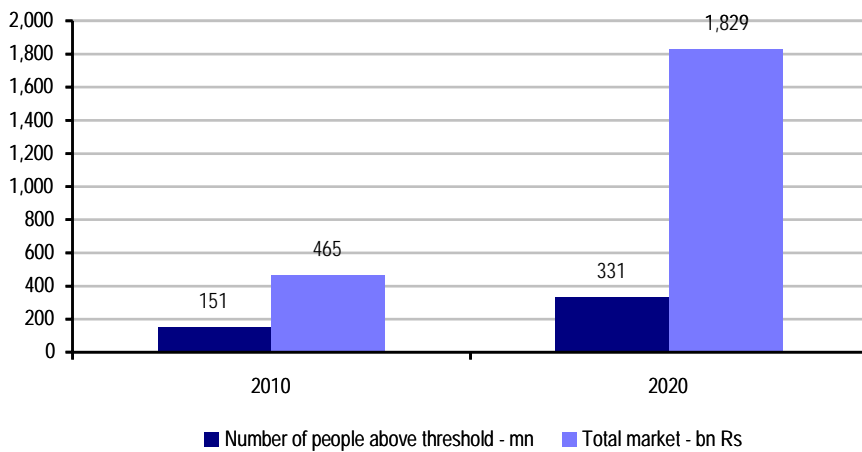
Chart 45: Average liquor and beverage consumption per capita and entry level consumption of liquor—10 years forward



Source: UBS estimates

- We assume the United Nations’ forecasts of population and age groups in 2020.

Chart 46: Estimated addressable market for liquor—2020



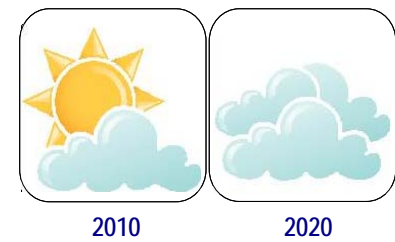
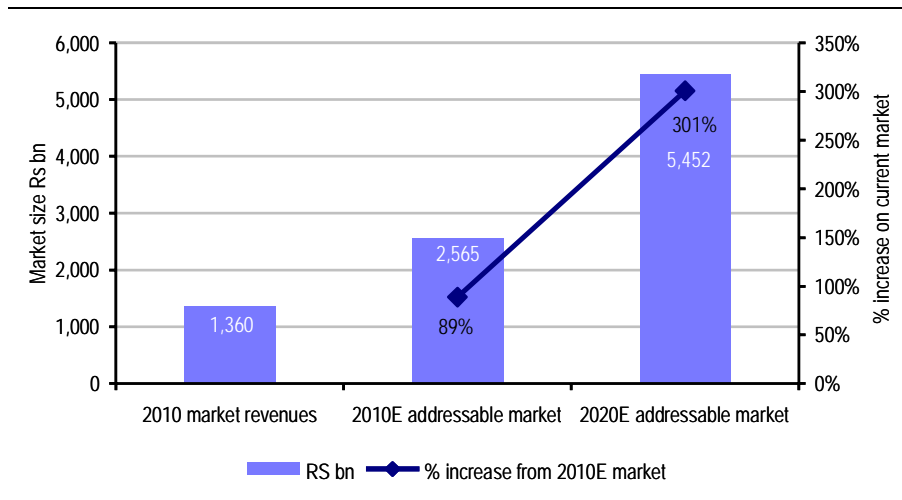
Source: UBS estimates

Listed stock exposures

- **United Spirits**—United Spirits is the world's second largest spirits company, with sales of more than 100m cases in FY10. The company has 23 'millionaire' brands (each sells more than one million cases per year) and has 64 manufacturing facilities across India. Popular brands include Black Dog, Royal Challenge, McDowell's No.1, Signature, Antiquity, White Mischief and Whyte & Macay. The company estimates it has a c.60% volume market share in India.
- **Radico Khaitan**—Radico Khaitan, formerly known as Rampur Distillery, is an Indian liquor manufacturer and owns three 'millionaire' brands. Popular brands include 8 PM Whisky, Contessa Rum, Old Admiral, Magic Moments and Morpheus brandy. The company estimates it has approximately a 5% market share in India.
- **Pernod Ricard**—Pernod Ricard is a leading global wine and spirits company, and its products are positioned in the premium segment in India. Brands in India include Glenlivet, Chivas Regal, Absolut, Ballantine's, and Blenders Pride. The company estimates it has approximately a 6% market share in India.

Milk (fresh)

Chart 47: Comparison of current and addressable market revenues—Indian milk

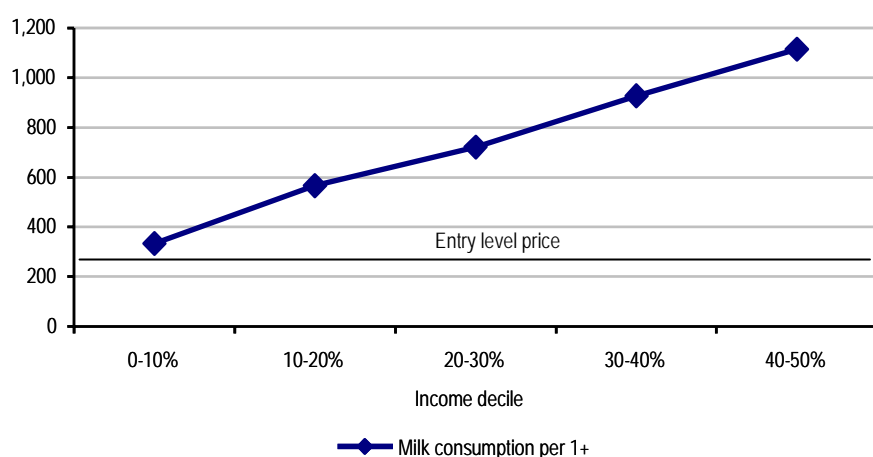


Source: Tetrapack, UBS estimates

What determines the addressable market

- Entry level price: Rs15 per litre.
- Average price: Rs25 per litre.
- Entry level consumption: two glasses per week (500ml).
- Cultural or social impediments: milk is the cheapest source of protein for Indians, who are predominantly vegetarian (milk is considered vegan). It is not uncommon for households in rural areas to own a cow/buffalo to provide milk for the household.
- Average consumption per week: one glass per day. Currently, as per Gujarat Cooperative Milk Marketing Federation estimates, 110m metric tons of milk is consumed in India pa. With 90% milk penetration, average consumption is around one glass (250 ml) per day.
- Maximum spend threshold: we believe the most relevant metric is protein consumption per capita. This suggests a maximum threshold of combined milk and meat consumption per capita.

Chart 48: Average protein consumption per capita aged 1+ and entry level consumption of milk



Source: UBS estimates

- Potential consumers: population aged one and over.
- Binding determinant: population aged one and over in the top 95% of households by income.

What is the addressable market?

Today—number and revenue

Table 16: Estimated addressable market for milk—number and annual revenue (Rs)

Entry level price - Rs per glass	3.75
Minimum consumption - glasses per wk	2
Minimum spend - pa, Rs	293
Threshold	People aged 1 and over in the top 95% of households by income
Number of people above threshold - m	1,128
Average level price - Rs	6.25
Average consumption - glasses per wk	7
Total market - Rs bn	2,565

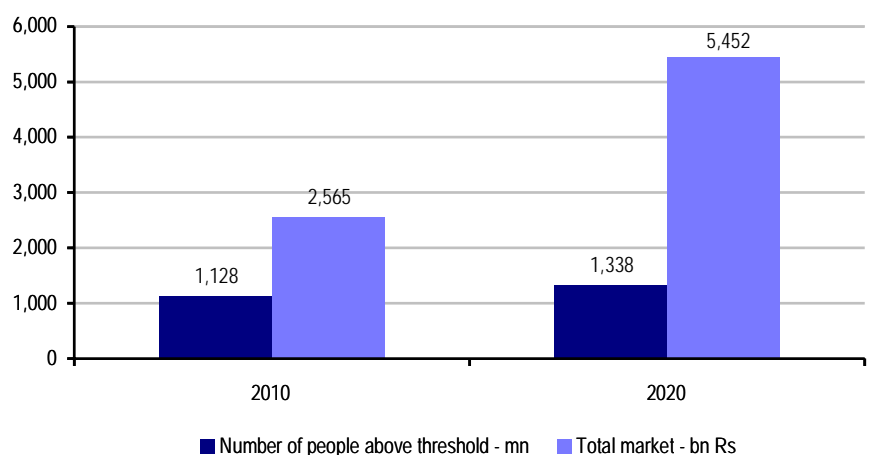
Source: UBS estimates

This addressable market estimate of milk does not include milk consumed by institutions such as sweet shops, hotels etc. The demand from such sources could provide upside to this addressable market estimate.

10 years time—number and revenue

- We assume the average cost of milk grows at 6% pa, approximately equivalent to CPI, and take the United Nations' forecasts for India's population aged one year and over in 2020.

Chart 49: Estimated addressable market for milk—2020



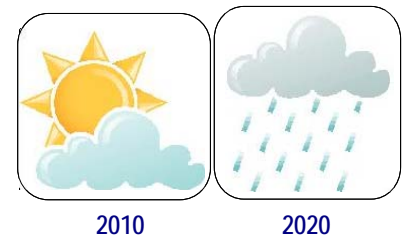
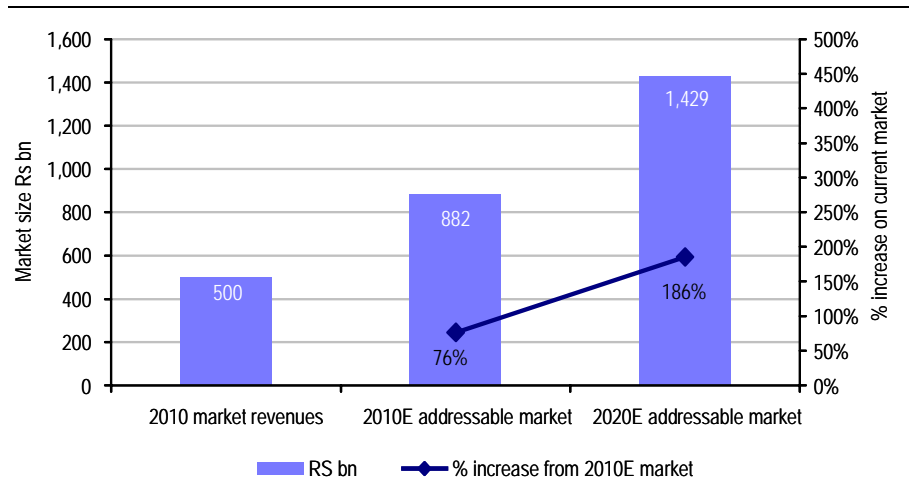
Source: UBS estimates

Listed stock exposures

- **Heritage Foods**—Heritage Foods provides food products primarily in south India, under the brand names Heritage and Fresh. The company has four divisions: dairy, retail, agri, and bakery. The dairy division contributed 74% of sales in FY10, and provides fresh and packaged milk, milk-based value-added products, butter, curd, cream and ice cream.
- **Nestle India**—Nestle India is a 62% owned subsidiary of Nestle SA, Switzerland. The company is the market leader in its key product categories of infant nutrition, coffee, noodles and chocolate. Its diversified product portfolio is sold primarily in urban markets to middle and high-income households.
- **Britannia**—Britannia is an Indian foods company that provides: 1) bakery products (biscuits, bread, cakes and toast); and 2) dairy products. The company has a joint venture with New Zealand Dairy and produces curd, cheese, milk, ghee, butter and milk-based value-added products in the dairy division, sold under the brand names Milkman and Actimind.

Mobile phones

Chart 50: Comparison of current and addressable market revenues—Indian mobile handsets

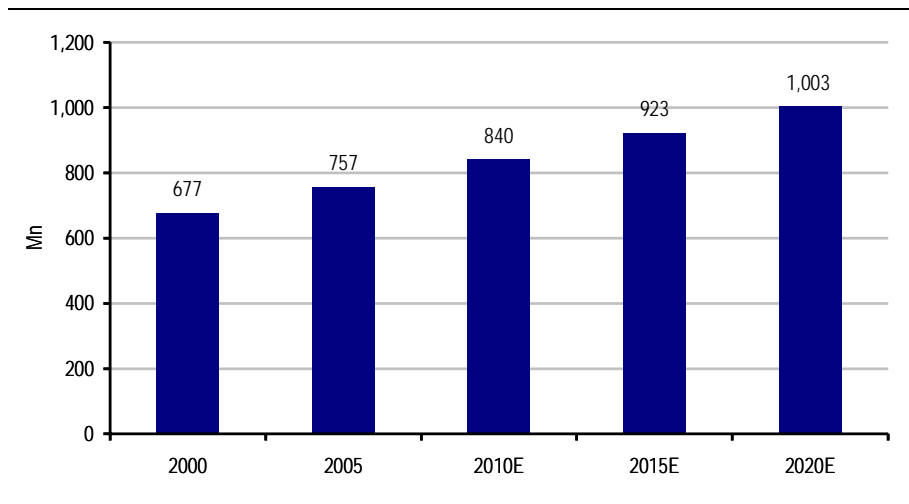


Source: UBS estimates

What determines the addressable market

- Entry level price: Rs1,000.
- Average price: ~Rs3,000.
- Average use: new handset every 1.5-2 years.
- Cultural or social impediments: none.
- Potential consumers—people aged 15 or older.

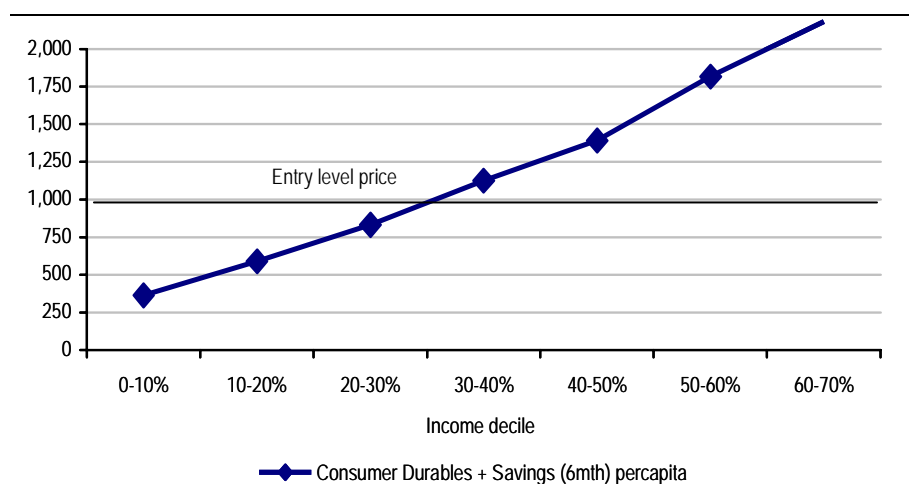
Chart 51: Number of Indians aged 15 or older



Source: United Nations

- Maximum spend threshold: consumer durables spend + six months savings per person 15 years or older. Since a mobile phone acts as an employment and productivity-enhancing tool, consumers will be willing to spend a portion of their yearly savings to purchase a mobile.

Chart 52: Average consumer durables + six months savings per capita and entry level consumption mobile handsets



Source: UBS estimates

- Binding determinant: people aged 15 and older in the top 70% of households by income.

What is the addressable market?

Today—number and revenue

Table 17: Estimated addressable market for mobile handsets—number and annual revenue (Rs)

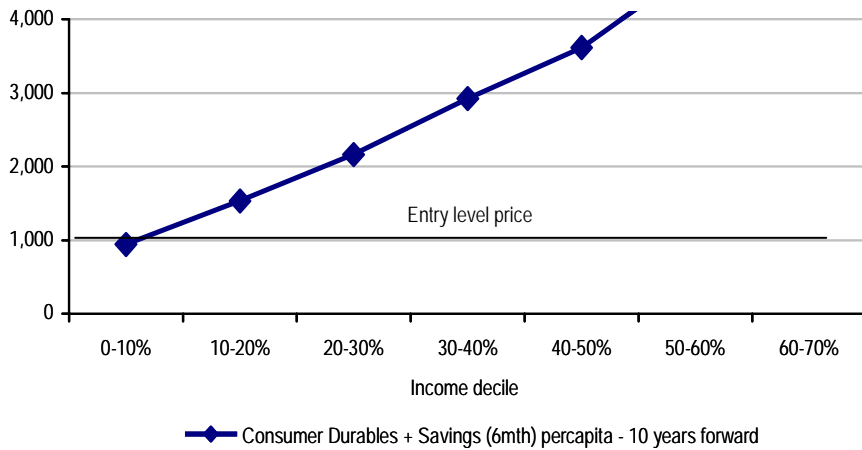
Entry level price - per handset	1,000
Average handset life - yrs	2
Minimum spend - Rs, pa	1,000
Threshold	People aged 15 and older in the top 70% by household income
Number of people above threshold - m	588
Average price - per mobile handset	3,000
Average consumption - pa	1/2
Total market - Rs bn	882

Source: UBS estimates

10 years time—number and revenue

- We assume the average cost of mobile handsets remains flat but that wages rise ~10% pa. As a result, the 10-year forward threshold will fall from the top ~70% of households today to the top 95% of households.

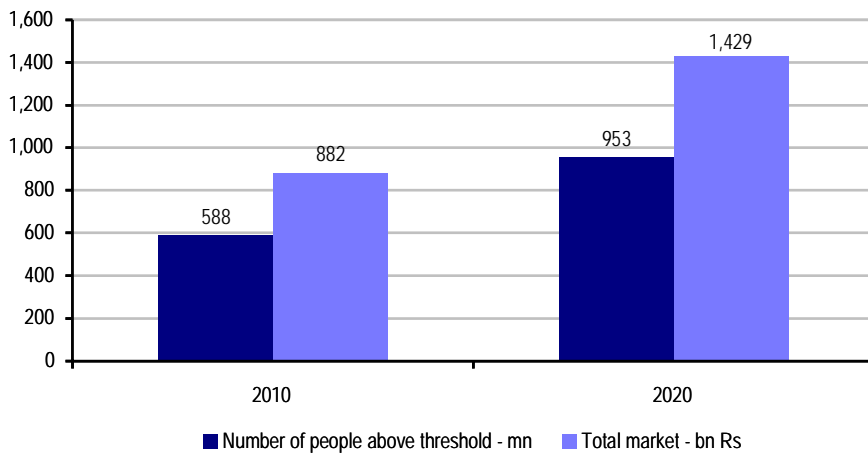
Chart 53: Average consumer durable + six months savings per capita and entry level consumption of mobile handsets—10 years forward



Source: UBS estimates

- We assume the United Nations’ forecasts for the number of Indians aged 15 and over by 2020.

Chart 54: Estimated addressable market for mobile handsets—2020



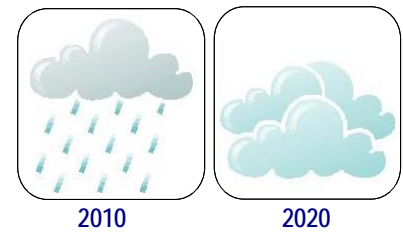
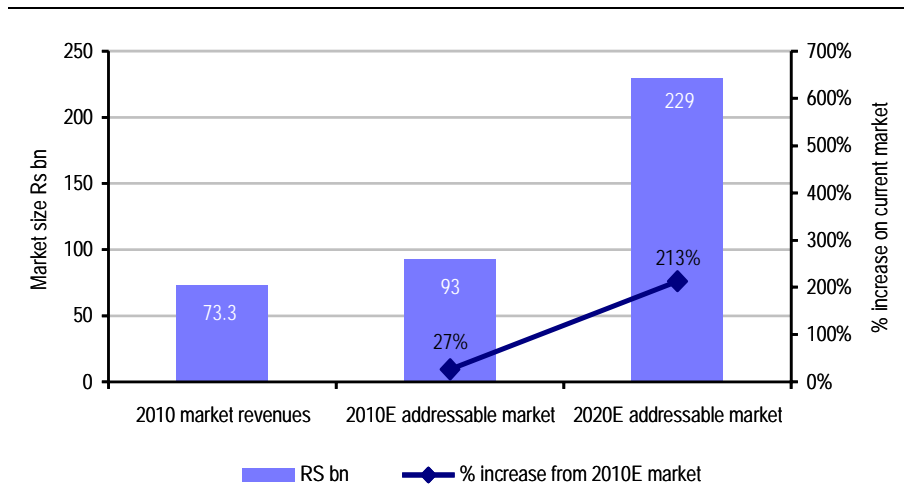
Source: UBS estimates

Listed stock exposures

- **Nokia**—Nokia is a leading manufacturer of mobile communication technologies. The company holds the number one position in terms of share of global mobile handsets shipped, and has a strong position in the GSM, GPRS, EDGE and W-CDMA infrastructure markets. It earns over 30% of its revenue from Asia ex Japan/Australia. India is its second biggest market in Asia after China in terms of net sales. IDC estimates that Nokia has approximately a 54% market share in India.
- **Samsung Electronics**—Samsung is a leading global electronics conglomerate, with a presence in systems (consumer electronics and telecoms) and components (semiconductor and LCD panels). It ranks first globally in memory semiconductors, LCD panels, and televisions; second in mobile phones; and fourth in cable and IP set-top boxes. IDC estimates Samsung has approximately a 10% market share in India.
- **LG Electronics**—LG Electronics specialises in the provision of telecommunication and electronics products. The company operates its business through five divisions: mobile communications, home entertainment, home appliance, air conditioning, and business solution. Its mobile communications division provides mobile communication terminals, notebook computers and communication devices. IDC estimates LG Electronics has approximately a 6% market share in India.

Movies

Chart 55: Comparison of current and addressable market revenues—Indian movies*



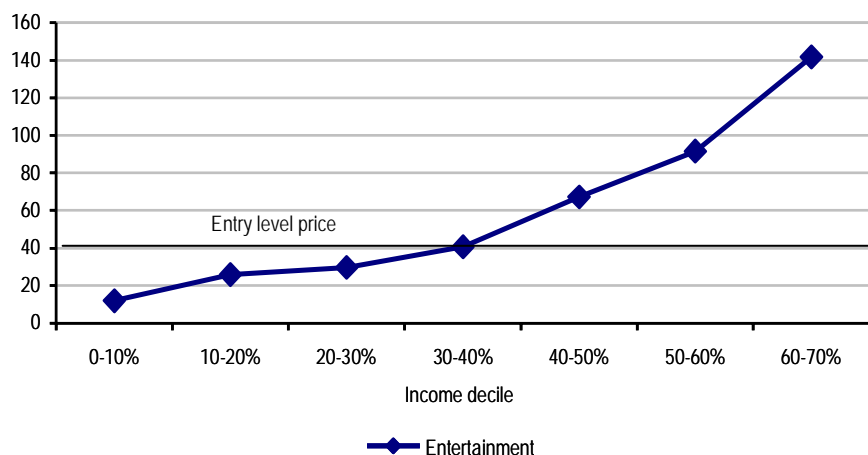
* We consider the domestic theatrical viewing market for movies, but not the revenue that might come from overseas DVD, music and satellite releases.

Source: KPMG, UBS estimates

What determines the addressable market

- Entry level ticket: ~Rs10.
- Average price: ~Rs40.
- Average visit: one movie every three months. PWC estimates c.3.2bn tickets are sold in India each year. Assuming 5-50 year olds watch movies in theatres, there are potentially 892m movie watching people in India who see approximately four movies a year.
- Cultural or social impediments: movies are a favourite form of recreation for Indians, arguably rivalled only by cricket, and typically seen by people between 5 and 50 years of age.
- Maximum spend threshold: entertainment consumption per capita.

Chart 56: Average entertainment consumption per capita and entry level cost of movies



Source: UBS estimates

- Binding determinant: people between 5 and 50 years of age in households in the top 65% by income.

What is the addressable market?

Today—number and revenue

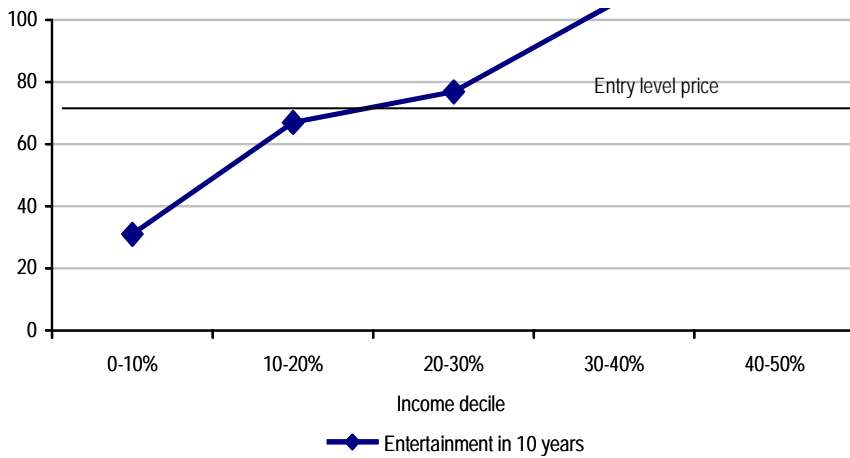
Table 18: Estimated addressable market for movies—number and annual revenue (Rs)

Entry level ticket - Rs	10
Minimum usage	1 movie per 3 months
Minimum spend - Rs	40
Threshold	People between 5-50 years in households in top 65% by income
Number of people above threshold - m	580
Average level price - Rs	40
Average times per year - number	4
Total market - Rs bn	93

Source: UBS estimates

10 years time—number and revenue

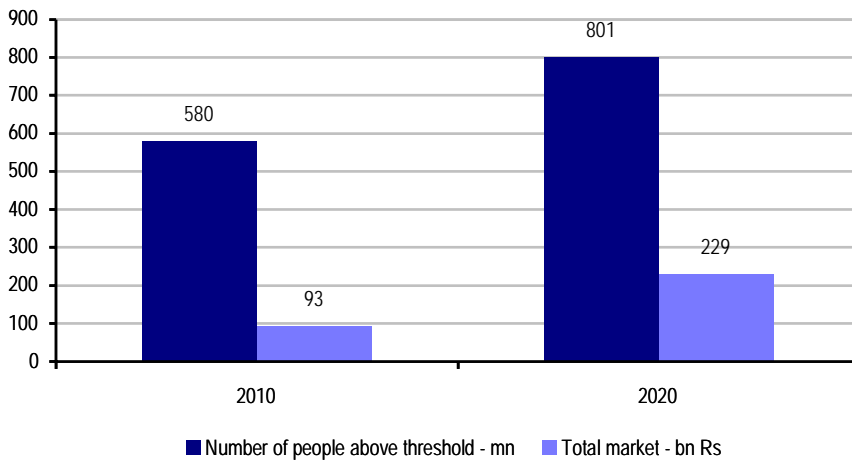
Chart 57: Average entertainment consumption per capita and entry level cost of movies



Source: UBS estimates

- We also assume the average price of a movie ticket increases 6% pa, roughly in line with CPI. As a result, affordability increases and we assume the 10-year forward threshold falls from the top 65% of households currently to the top 80%.

Chart 58: Estimated addressable market for movies—2020



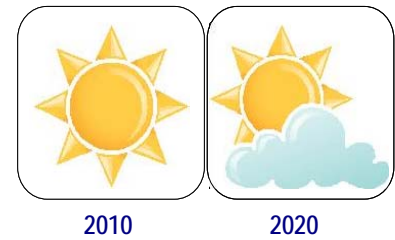
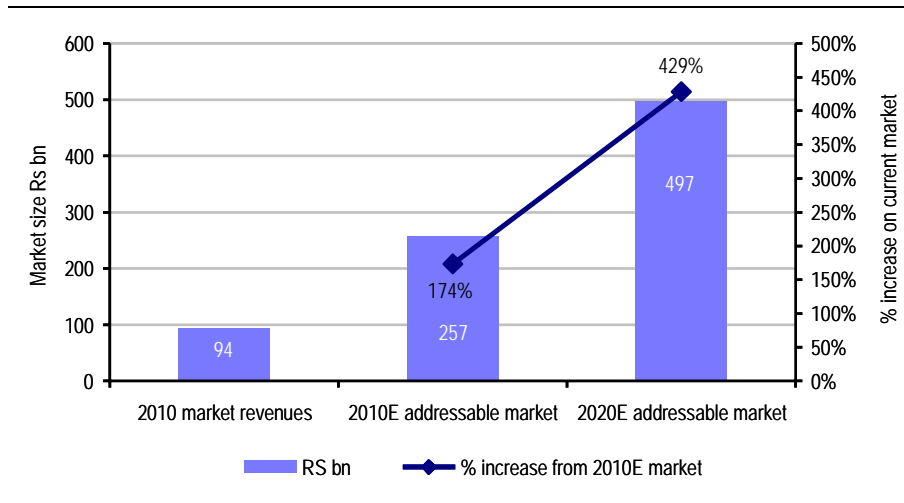
Source: UBS estimates

Listed stock exposures

- **UTV Software Communications**—UTV is an Indian integrated media and entertainment conglomerate. The company operates in five segments: movies, television, broadcasting, games content and new media. Movies accounted for 48% of revenue in FY10. The company's movie business spans creative development, production, marketing, distribution, merchandising and syndication worldwide.
- **Reliance Media Works**—Reliance Media Works, formerly Adlabs Films, is an Indian film and entertainment services company. It operates across the value chain by offering both film processing and distribution services. Film processing services include colour correction, editing, digital processing, equipment rental, and copying and printing of positive exhibitions prints. The company, through its cinema chain BIG Cinemas, owns 253 film screens in India.

Refrigerators

Chart 59: Comparison of current and addressable market revenues—Indian refrigerators

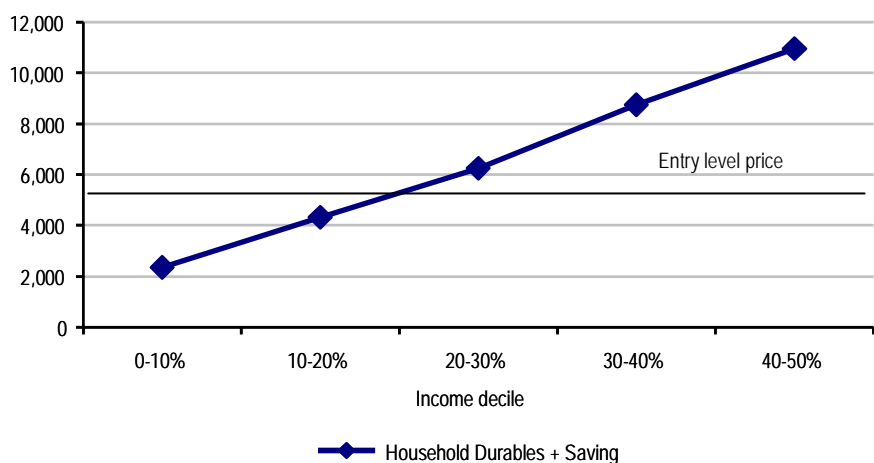


Source: UBS estimates

What determines the addressable market

- Entry level price: Rs5,000.
- Average price: Rs15,000.
- Average purchase cycle: less than annual. Assume ~10 years.
- Average number per household: assume one per household.
- Cultural or social impediments: none.
- Maximum spend threshold: like other white goods, we believe fridges are a low-frequency, relatively high-value purchase. As such, we think consumers will be willing to use their savings to make these purchases and, hence, comparing affordability against total consumer durable consumption and household savings may make the most sense.

Chart 60: Estimated household durable goods consumption & savings and entry level cost of a refrigerator



Source: UBS estimates

- Potential consumers: households with electricity. According to the IEA, India's electrification rate was 65% in 2008.
- Binding determinant: Indian households with electricity.

What is the addressable market?

Today—number and revenue

Table 19: Estimated addressable market for refrigerators—number and annual revenue (Rs)

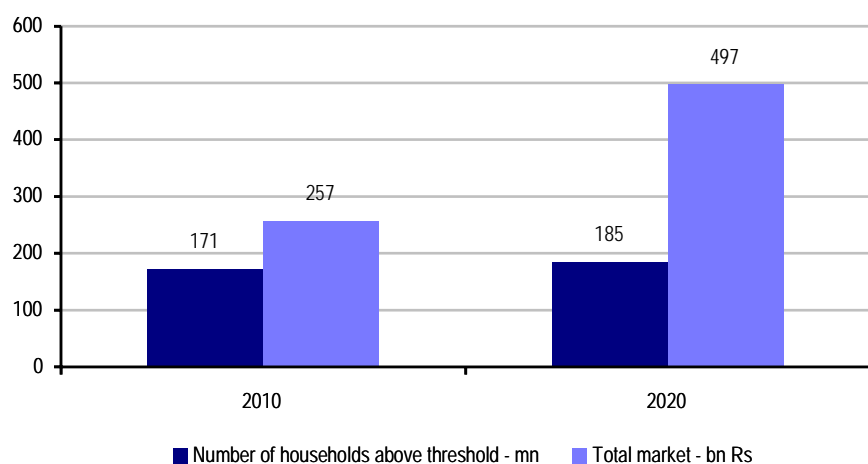
Entry level price - Rs	5,000
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	5,000
Threshold	Households in top 65% of homes with electricity
Number of households above threshold - m	171
Average level price - Rs	15,000
Average units per household - number	1
Frequency of purchase - pa	1/10
Total market - Rs bn	257

Source: UBS estimates

10 years time—number and revenue

- We assume the average cost of refrigerators grows at 6% pa, approximately equivalent to CPI.

Chart 61: Estimated addressable market for refrigerators—2020



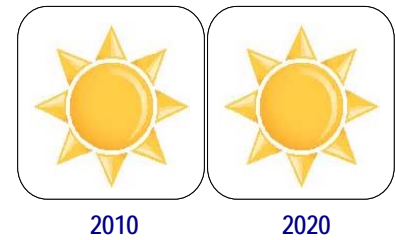
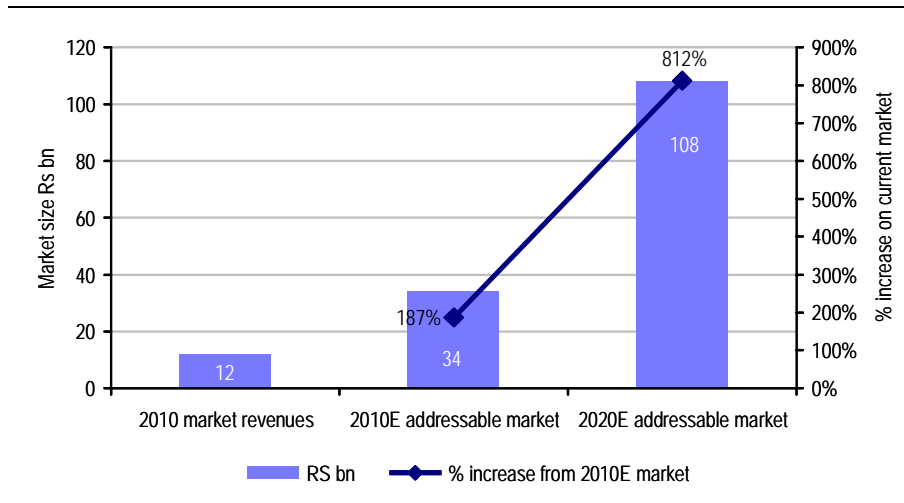
Source: UBS estimates

Listed stock exposures

- **LG Electronics**—LG Electronics specialises in the provision of telecommunication and electronics products. The company operates its business through five divisions: mobile communications, home entertainment, home appliances, air conditioning, and business solutions. The home appliance division provides refrigerators, washing machines, microwave ovens, cleaners, motors and others. The company estimates it has approximately a 26% market share in India.
- **Samsung Electronics**—Samsung Electronics provides consumer electronic products. The DMC division is involved in the manufacture of digital media and communication products, such as televisions, monitors, printers, air conditioners, refrigerators and washing machines, as well as cell phones, network systems and computers. This division accounts for almost 75% of Samsung's total sales worldwide. The company estimates it has approximately an 18% market share in India.
- **Whirlpool of India**—Whirlpool of India, a 75% owned subsidiary of Whirlpool US, manufactures and markets home appliances. The company's products include refrigerators, washing machines, air conditioners and water purifiers. Its brands include Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and Gladiator.

Sanitary pads

Chart 62: Comparison of current and addressable market revenues—Indian sanitary pads

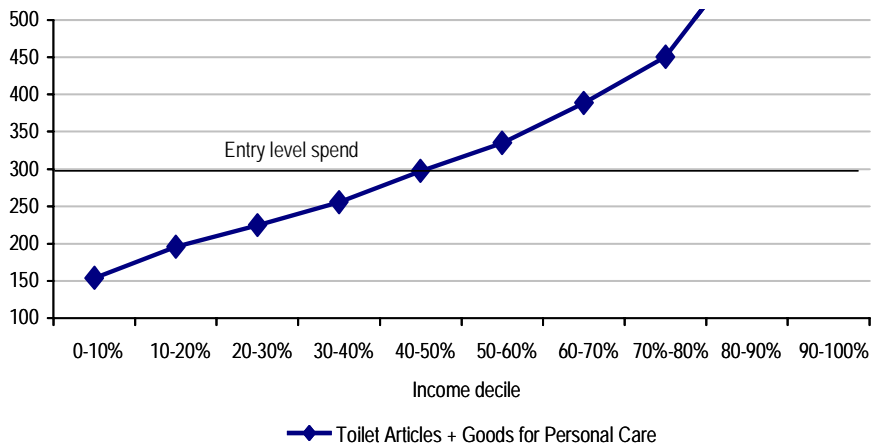


Source: AC Nielsen, UBS estimates

What determines the addressable market

- Entry level price: ~Rs15 for a pack of 10.
- Average price: ~Rs30 for a pack of 10.
- Average use: change every eight hours + one per night, so three per day for ~five days. So 15 pads per cycle or ~ 195 pa (this is different from the 25 pads used in China based on lower usage among Indian women).
- Cultural or social impediments: sanitary pads suffer from low penetration because of low income levels and awareness. With both improving, this is a growth area for most consumer staple companies in the segment. Working women are more likely to use sanitary pads than housewives.
- Maximum spend threshold: per capita spend on toiletry articles and goods for personal care.

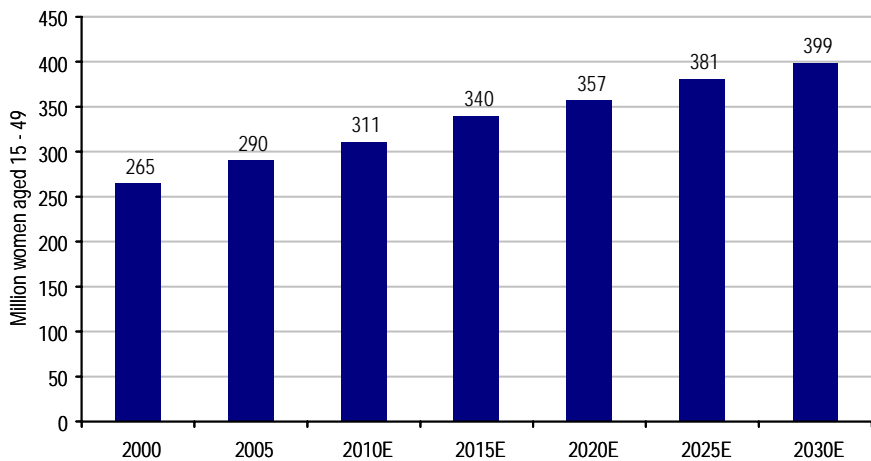
Chart 63: Average toiletry articles + goods for personal care per capita and entry level consumption of sanitary pads



Source: UBS estimates

- Potential consumers: women aged 15-49.

Chart 64: Number of Indian women aged 15-49



Source: United Nations, UBS estimates

- Binding determinant: working women aged 15-49 from households in the top 20% by income. We use the female labour force participation rate of 33.1% in 2008 as per World Bank estimates.

What is the addressable market?

Today—number and revenue

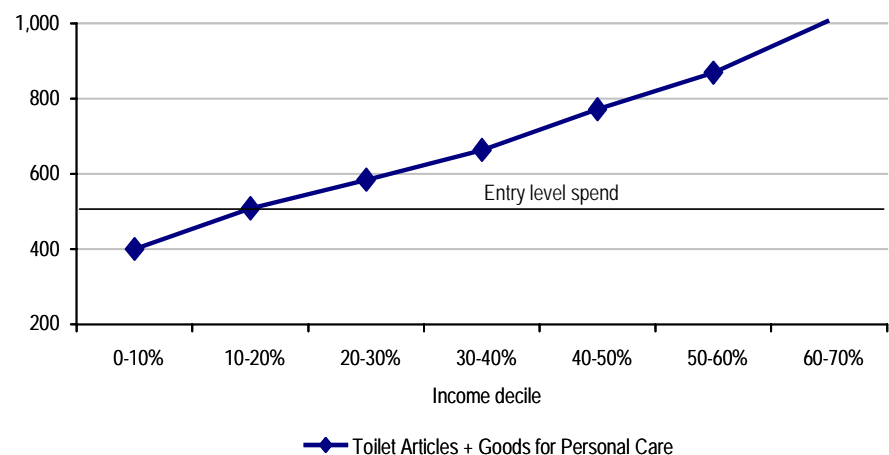
Table 20: Estimated addressable market for sanitary pads—number and annual revenue (Rs)

Entry level price - per pad	1.5
Minimum consumption per female - mthly	15
Cycles per yr	13
Minimum spend - Rs, pa	293
Threshold	Working Women aged 15-49 in the top 55% by household income
Number of people above threshold - m	58
Average price - per pad	3
Minimum consumption per female - mthly	15
Cycles per yr	13
Total market – Rs bn	34

Source: UBS estimates

10 years time—number and revenue

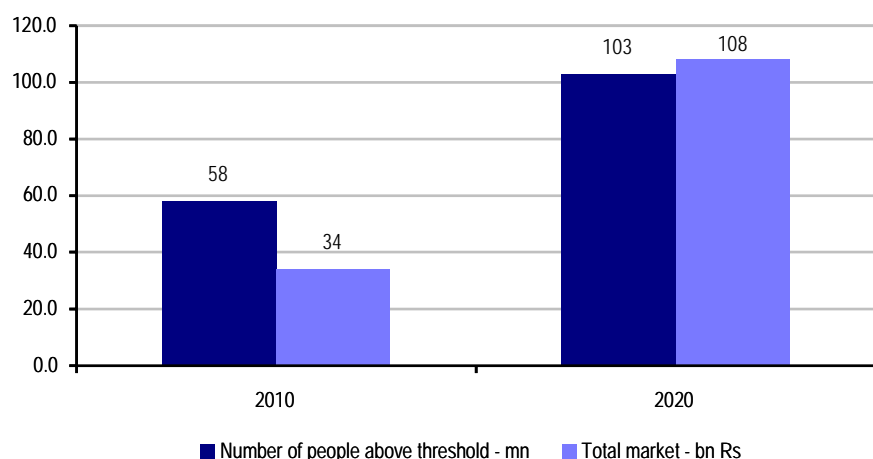
Chart 65: Average toiletry articles + goods for personal care per capita and entry level consumption of sanitary pads



Source: UBS estimates

- We assume average prices increase at 6% pa, roughly in line with CPI. We also assume wages rise ~10% pa. As a result, affordability increases and we assume the 10-year forward threshold falls from the top 55% of urban households with working women currently to the top 85%.
- We assume the United Nations' forecasts of women aged 15-49.

Chart 66: Estimated addressable market for sanitary pads—2020



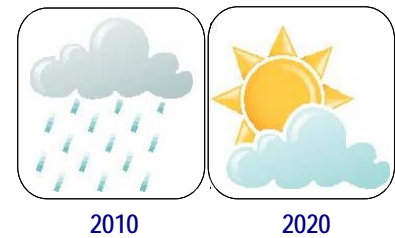
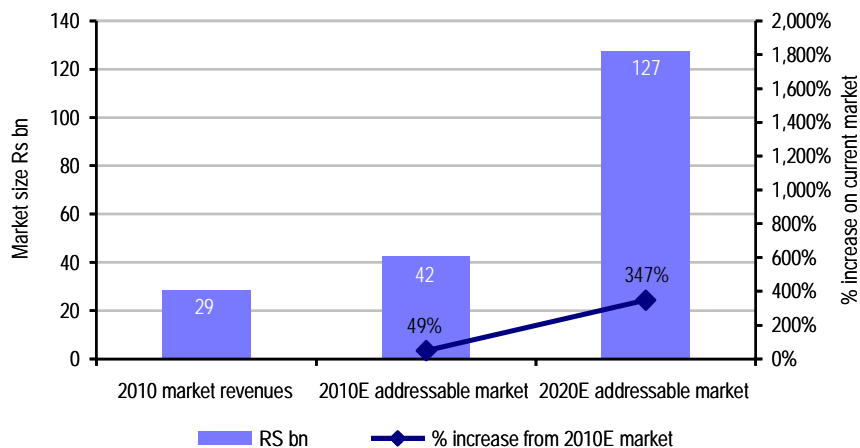
Source: UBS estimates

Listed stock exposures

- **Procter & Gamble (P&G)**—P&G is an US\$80bn revenue company with products sold in over 180 countries. It had six business segments: Beauty; Grooming; Health Care; Snacks and Pet Care; Fabric Care and Home Care; and Baby Care and Family Care. Sanitary pads are sold under the Whisper brand name in India. AC Nielsen estimates that P&G has approximately a 48% market share in India.
- **Johnson & Johnson (J&J)**—J&J is engaged in the manufacture of a range of products in the consumer and health care field. The company operates in three business segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics. Sanitary pads are sold under its Consumer segment with the Stayfree brand name in India.
- **Kimberly-Clark**—Kimberly-Clark provides health and hygiene products in more than 150 countries. The company operates in four segments—Personal Care; Consumer Tissue; K-C Professional & Other; and Health Care. Sanitary napkins are sold under the Kotex brand name in the Personal Care segment in a joint venture with HUL (Unilever's subsidiary in India).

Shampoo

Chart 67: Comparison of current and addressable market revenues—Indian shampoo



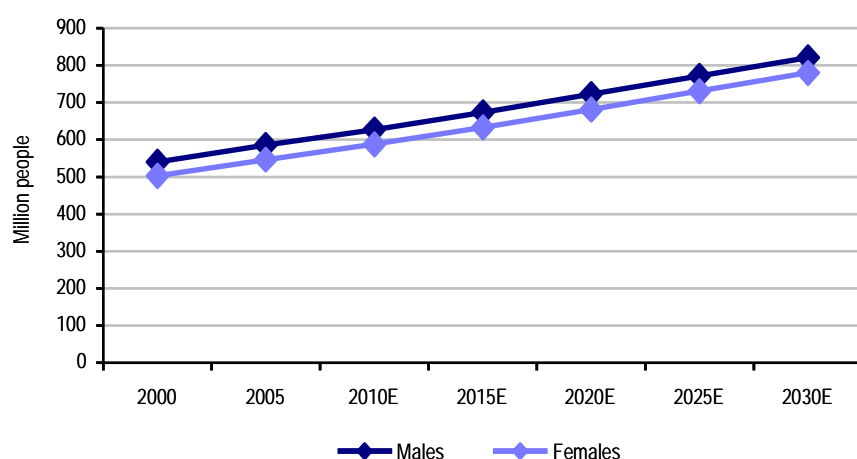
Source: AC Nielsen, UBS estimates.

What determines the addressable market

- Entry level price: Rs1 per sachet¹ (5ml).
- Average price: Rs2 per sachet.
- Cultural or social impediments: while, historically, soap was used to clean both the body and hair, shampoo has entered bathrooms in a big way as incomes have risen. An increase in frequency of use in rural areas is more an income growth and exposure issue rather than a cultural impediment.
- Average use: urban: women two sachets per week, men one sachet per week (factoring in shorter hair and the proportion of bald men who use less or none at all). We assume rural use is roughly one-third of urban.
- Maximum spend threshold: we believe per capita spend on goods for personal care is the most appropriate entry level spend threshold.
- Potential consumers: population above one year.

¹ A sachet is a small plastic pouch. The use of sachets in India's consumer staples sector has revolutionised usage patterns and aided higher penetration of branded staples in rural and low-income India, especially as affordability has not caught up while aspiration levels are already high.

Chart 68: Female and male Indian population above 1 year—2000-2030E



Source: United Nations

- Binding determinant: all people in urban households in the top 35% by income and all people in rural households in the top 52.5% by income.

What is the addressable market?

Today—number and revenue

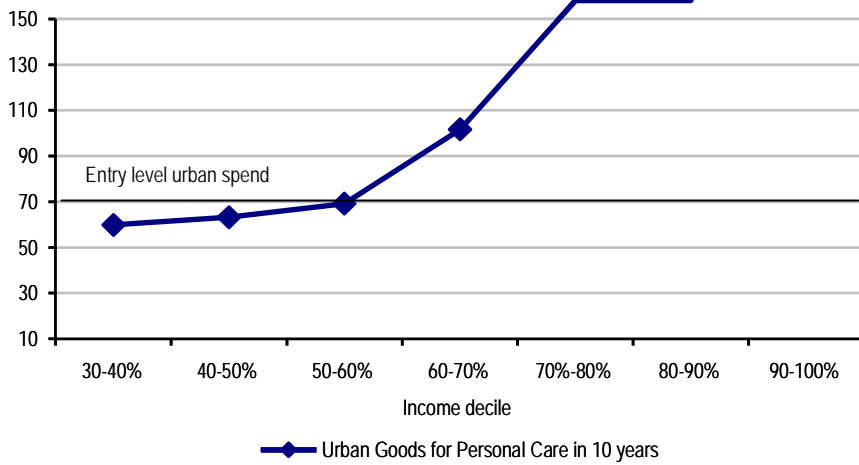
Table 21: Estimated addressable market for shampoo—number and annual revenue (Rs)

	Urban	Rural	Overall
Entry level price - Rs per sachet (5 ml)	1	1	
Minimum consumption per person (weighted by female/male mix)- ml pa	193	96	
Minimum spend - Rs	39	19	
Threshold	all people in urban households in the top 35% by income	all people in rural households in the top 52.5% by income	
People above threshold - m	129	445	573
Average level price - Rs per sachet	2	2	
Average units per person - litres	386	127	
Total market – Rs bn	20	23	43

Source: UBS estimates

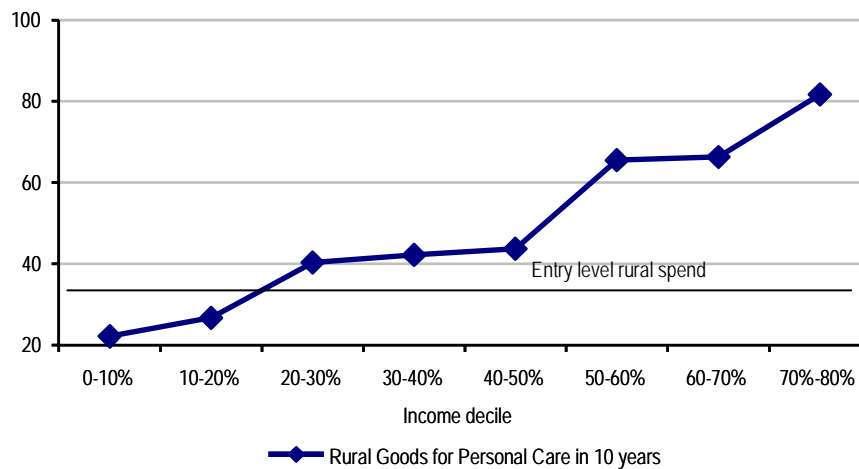
10 years time—number and revenue

Chart 69: Estimated average goods for personal care consumption per capita and urban entry level consumption of shampoo—2020



Source: UBS estimates

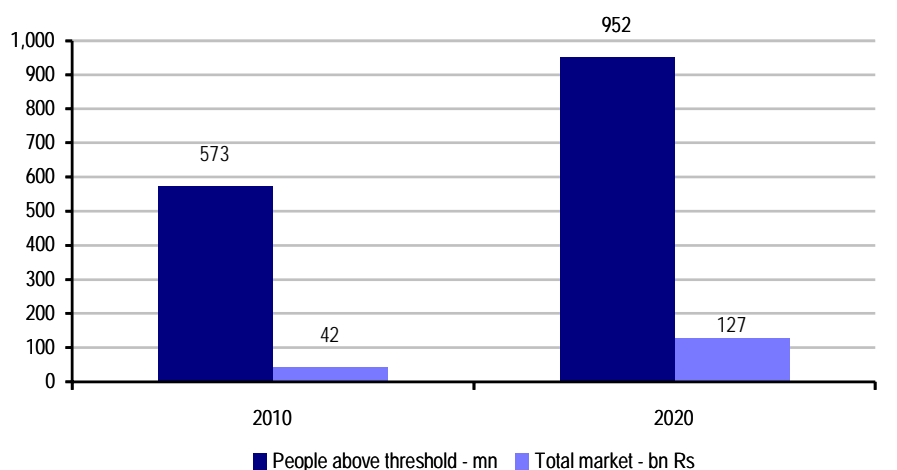
Chart 70: Estimated average goods for personal care consumption per capita and rural entry level consumption of shampoo—2020



Source: UBS estimates

- We assume the average cost of shampoo grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This suggests that within 10 years affordability will fall to ~45% and 80% of households by income in urban and rural areas, respectively.

Chart 71: Estimated addressable market for shampoo—2020



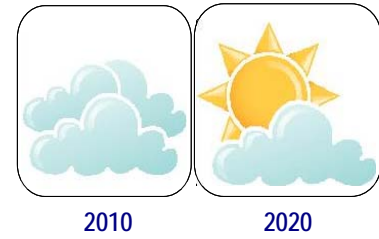
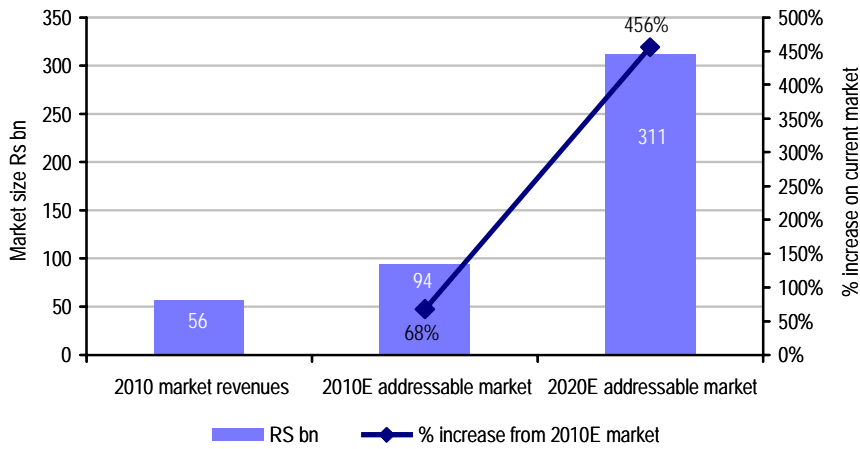
Source: UBS estimates

Listed stock exposures

- **Hindustan Unilever Limited (HUL)**—HUL is India’s largest consumer goods company. It has more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: Soaps and Detergents, Personal Care Products, Beverages, Foods, and Ice Creams. Shampoo is sold under the Personal Care segment under the brand names of SunSilk, Dove, Clinic Plus and Clear. AC Nielsen estimates HUL has approximately a 48% market share in India.
- **P&G**—P&G is a US\$80bn revenue company with products sold in over 180 countries. It had six business segments: Beauty; Grooming; Health Care; Snacks and Pet Care; Fabric Care and Home Care; and Baby Care and Family Care. P&G’s beauty care business comprises Pantene and its anti dandruff shampoo Head & Shoulders. AC Nielsen estimates P&G has approximately a 24% market share in India.
- **Dabur India**—Dabur is the largest consumer products company in India based on the traditional Indian ayurvedic herbal system of medicine. It has three business units: the consumer care division (CCD), the consumer healthcare division (CHD), and the international business division (IBD). Shampoo is sold under the CCD division, under the brand names Vatika and Total Protekt. AC Nielsen estimates Dabur has approximately a 5% market share in India.

Skin cream

Chart 72: Comparison of current and addressable market revenues—Indian skin cream

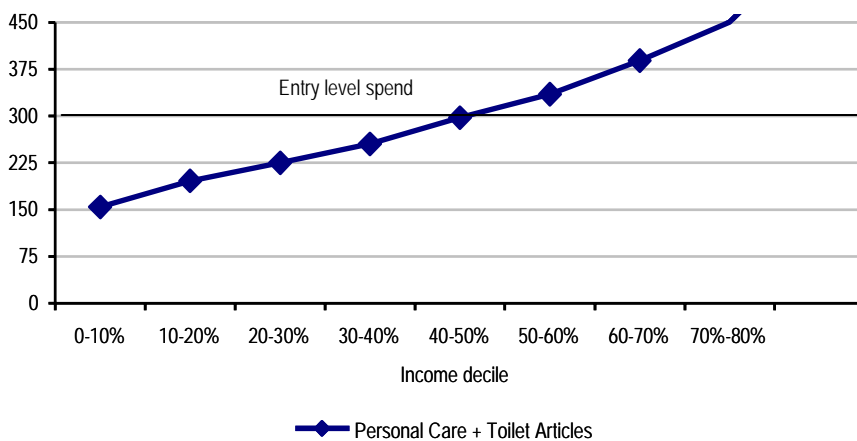


Source: AC Nielsen, UBS estimates

What determines the addressable market

- Entry level price: ~Rs50 per 50gm tube.
- Average price: ~Rs70.
- Average use: half a tube per month.
- Maximum spend threshold: per capita toiletry articles and goods for personal care consumption.

Chart 73: Average personal care and toiletry article consumption per capita and entry level consumption of skin cream

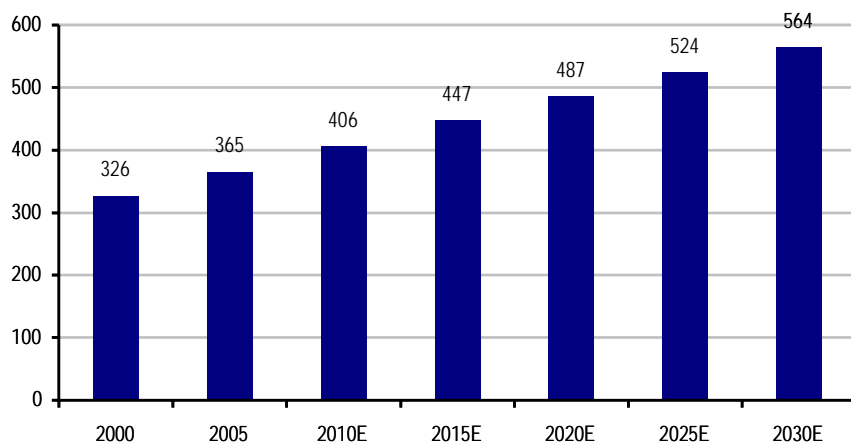


Source: UBS estimates

- Cultural or social impediments: none.

- Potential consumers: women aged 15+. This ignores the potential male skin cream market, but this is a relatively small market even in highly consumerised societies such as the US, let alone much less developed markets such as India.

Chart 74: Number of Indian women aged 15+



Source: United Nations, UBS estimates

- Binding determinant: women aged 15+ in households in the top 55% by income.

What is the addressable market?

Today—number and revenue

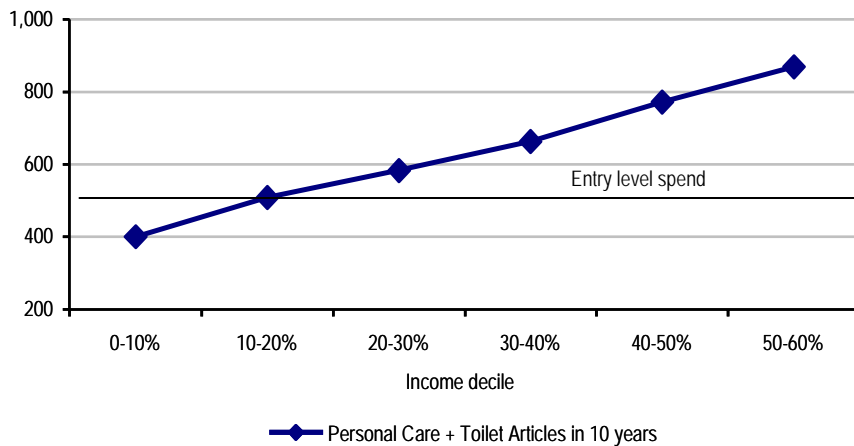
Table 22: Estimated addressable market for skin cream—number and annual revenue (Rs)

Entry level price - per 50 gm tube	50
Minimum consumption per female - tubes mthly	0.5
Minimum spend - Rs, pa	300
Threshold	Women aged 15+ in the top 55% by household income
Number of people above threshold - m	223
Average price - per 50 gm tube	70
Average consumption per female - mthly	1/2
Total market - Rs bn	94

Source: UBS estimates

10 years time—number and revenue

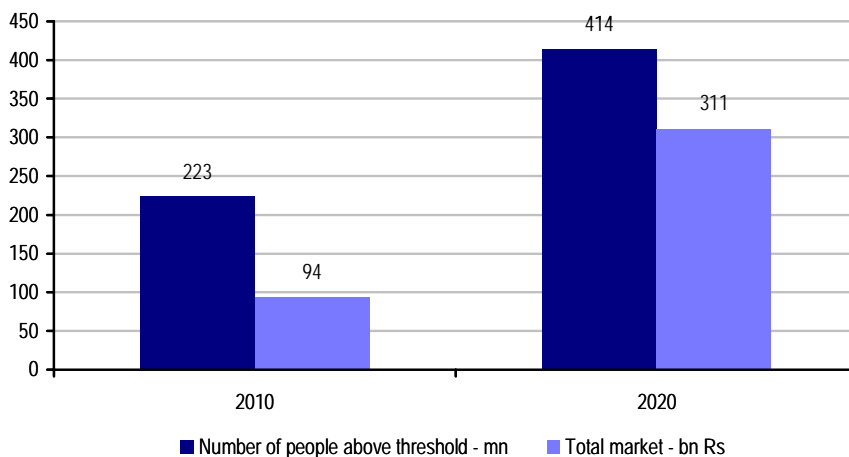
Chart 75: Estimated average personal care and toiletry article consumption per capita and entry level consumption of skin cream—2020



Source: UBS estimates

- We assume the average cost of skin cream grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in the average consumption of the 20-30% group of households by income roughly equalling the minimum yearly entry consumption level of skin cream in 10 years. Hence, we assume the threshold will fall from the top ~55% of households today to the top 85% of households in 10 years time.
- We assume the United Nations’ forecasts of the female population and population aged over 14 years.

Chart 76: Estimated addressable market for skin cream—2020



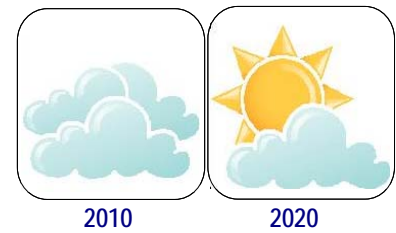
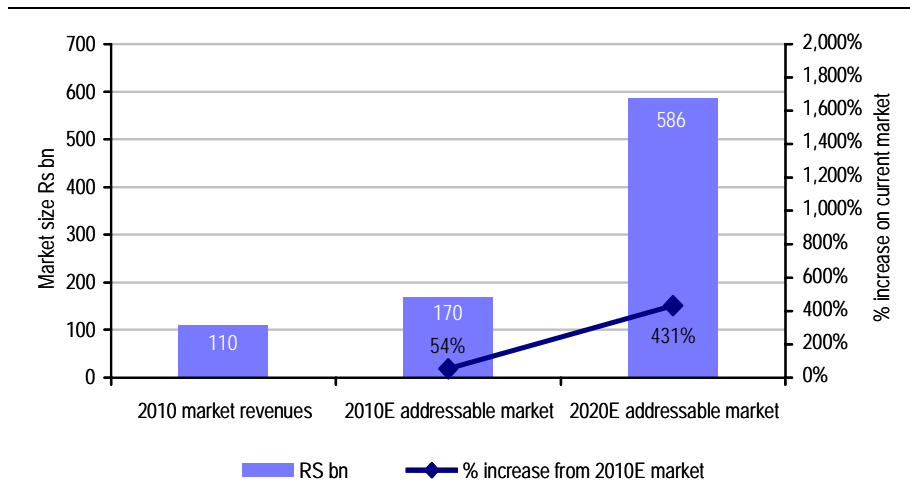
Source: UBS estimates

Listed stock exposures

- **HUL**—HUL is India's largest consumer goods company. It has more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: Soaps and Detergents, Personal Care Products, Beverages, Foods, and Ice Creams. Skin cream comes under the Personal Care segment under the brands Fair & Lovely, Pond's and Vaseline. AC Nielsen estimates HUL has approximately a 47% market share in India.
- **P&G**—P&G is an US\$80bn revenue company with products sold in over 180 countries. It had six business segments: Beauty; Grooming; Health Care; Snacks and Pet Care; Fabric Care and Home Care; and Baby Care and Family Care. P&G's skin care products are sold under the Olay brand in India. AC Nielsen estimates it has approximately a 1% market share in India.
- **L'Oreal**—L'Oreal is one of the world's largest cosmetics companies with a distribution network spanning over 130 countries. It has 23 brands with annual sales of over €50m. The company provides products for hair care, hair colour, skin cream, make-up and fragrances. Skin creams are sold under the L'Oreal and Garnier brand names.
- **Avon Products**—Avon is a global manufacturer of beauty and fashion-related products. Its products fall into three product categories: Beauty, Fashion and Home. The beauty segment consists of colour cosmetics, fragrances, skin care and personal care. The company earns c.9% of its revenue from the Asia Pacific region.
- **Emami**—Emami is one of the leading manufacturers of beauty, personal care and health products that are based on Indian traditional ayurvedic formulation. Emami has over 30 brands in its portfolio, with popular brands being Boroplus (antiseptic cream), Navratna Oil (cool oil), and Fair and Handsome (fairness cream for men). The company recently acquired Zandu Pharmaceuticals to strengthen its ayurvedic-based health products portfolio.
- **J&J**—J&J manufactures a range of products in the consumer and health care field. The company operates in three business segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics. Skin creams are sold under the Consumer segment with the Neutrogena brand in India.

Soft drinks including fruit juices

Chart 77: Comparison of current and addressable market revenues—Indian soft drinks

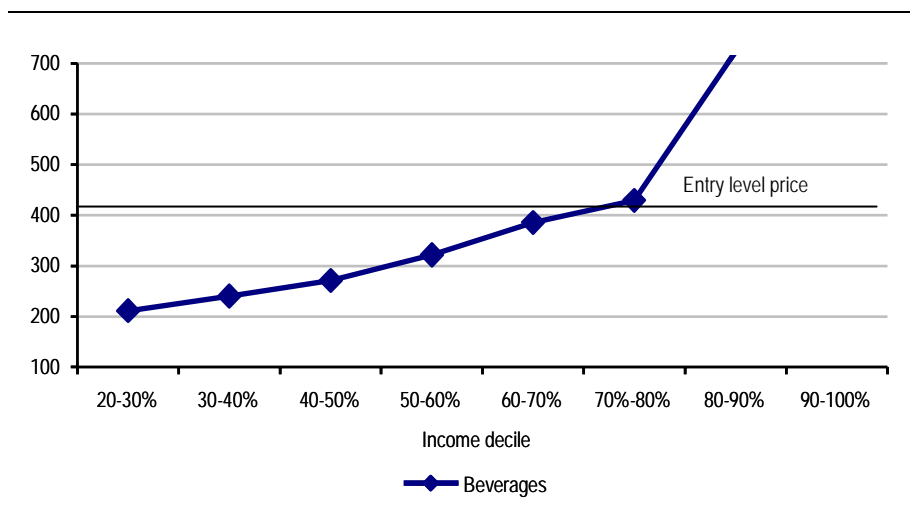


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs8 (for 200ml Coca-Cola/Pepsi bottle).
- Average price: ~Rs10.
- Average use: ~200ml per week.
- Cultural or social impediments: processed drinks compete with a lot of local home-made drinks such as nimbu pani (lemon juice) and lassi (flavoured butter milk) as beverage consumption options.
- Maximum spend threshold: beverage consumption per capita.

Chart 78: Average beverage consumption per capita and entry level cost of soft drinks



Source: UBS estimates

- Binding determinant: people above five years in households in the top 30% by income.

What is the addressable market?

Today—number and revenue

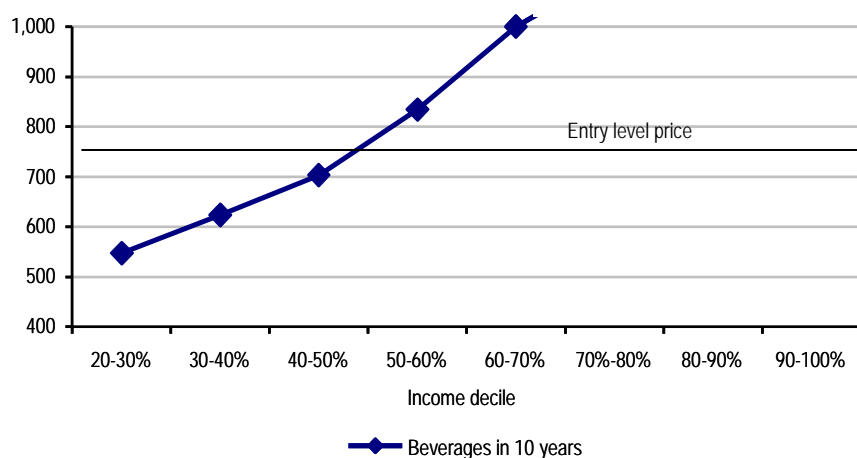
Table 23: Estimated addressable market for soft drinks—number and annual revenue (Rs)

Entry level price - Rs per 200ml	8
Minimum consumption per person -	200 ml per week
Minimum spend - Rs pa	416
Threshold	People above 5 years in households in the top 30% by income
Number of households above threshold - m	327
Average level price - Rs	10
Average consumption per person	200 ml per week
Total market - Rs bn	170

Source: UBS estimates

10 years time—number and revenue

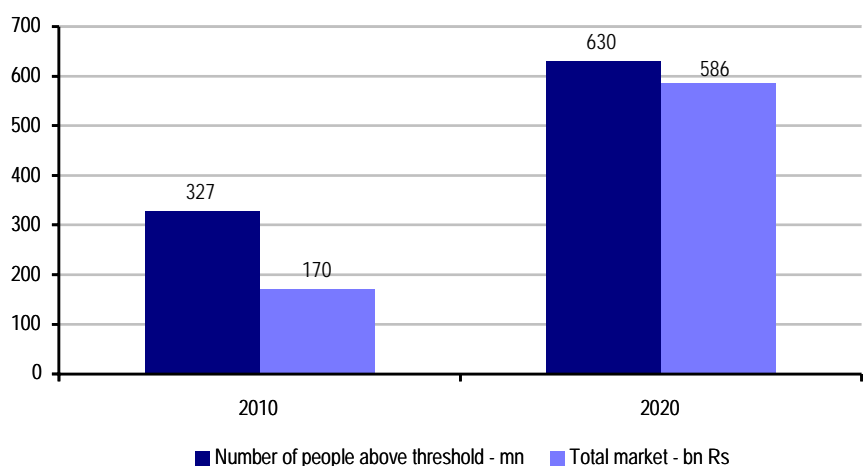
Chart 79: Average beverage consumption per capita and entry level cost of soft drinks



Source: UBS estimates

- We also assume the average price of soft drinks increases 6% pa, roughly in line with CPI, and that wages grow at 10% pa. As a result, affordability increases and we assume the 10-year forward threshold falls from the top 30% of households currently to the top 50%.

Chart 80: Estimated addressable market for soft drinks—2020



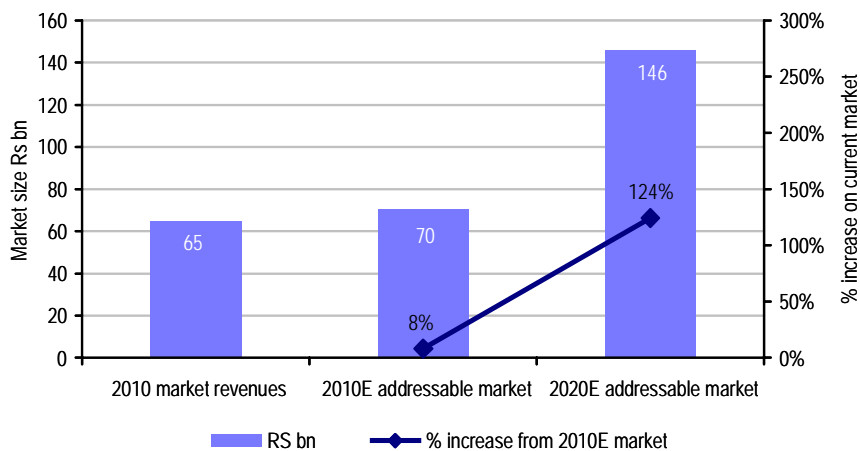
Source: UBS estimates

Listed stock exposures

- **The Coca-Cola Company**—The Coca-Cola Company is one of the world’s largest non-alcoholic beverage companies. It sells more than 3,300 types of soft drinks including aerated drinks, water, enhanced water, juices and juice drinks, ready-to-drink teas and coffees, energy and sports drinks, and milk- and soy-based beverages. The Pacific region (East, South Asia and Pacific Rim Group) generated 14.6% of the company’s net operating revenues in 2009. Brands in India include Coca-Cola, Thums Up, Sprite, Fanta and Limca in aerated drinks, Minute Maid and Maaza in fruit-based drinks, Kinley bottled water, and Georgia coffee.
- **PepsiCo**—PepsiCo is a global food, snack and beverage company, with operations spread across 200 countries. Its portfolio includes non-alcoholic beverages (aerated, fruit-based drinks and water), and oat, rice and grain-based snacks. In 2009, PepsiCo earned 13% of its revenue from the Asia, Middle East & Africa (AMEA) region. Pepsi’s popular brands in India include Pepsi, 7UP, Mirinda, Mountain Dew in aerated beverages, Nimbooz, Slice and Tropicana in fruit-based beverages, Aquafina bottled water, Gatorade energy drinks, and Lays, Quaker, Uncle Chipps and Kurkure brands in the foods segment.
- **Dabur India**—Dabur is the largest consumer products company in India based on the traditional Indian ayurvedic herbal system of medicine. It has three business units: the consumer care division (CCD), the consumer healthcare division (CHD), and the international business division (IBD). Food including juices contributed c.10% of revenues in FY10.

Tea

Chart 81: Comparison of current and addressable market revenues—Indian tea

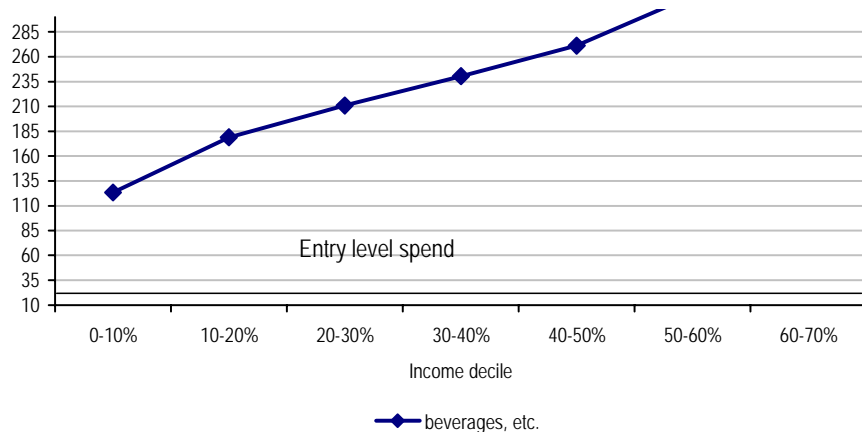


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs40 per kg (~5gms of tea for a cup of 75ml).
- Average price: ~Rs85 per kg.
- Average use: ~three cups per week (in 2008, according to the Tea Board of India, 802m kg of tea was consumed; assuming 90% penetration for tea in the population above five years, we get an average consumption of three cups per week).
- Cultural or social impediments: tea is the refreshment of choice in many Indian homes and offices. Out-of-home consumption of tea has become a key driver of industry growth. Approximately half of tea sales occur through the unorganised market. A shift of such sales to the organised market will be a primary driver of this category.
- Maximum spend threshold: beverage consumption per capita.

Chart 82: Average beverage consumption per capita and entry level cost of tea



Source: UBS estimates

- Binding determinant: population over five years. This is different to the 15 years in the case of coffee as, in poorer households, tea is given to children instead of milk, due to the lower usage of milk (a relatively expensive commodity) per serving.

What is the addressable market?

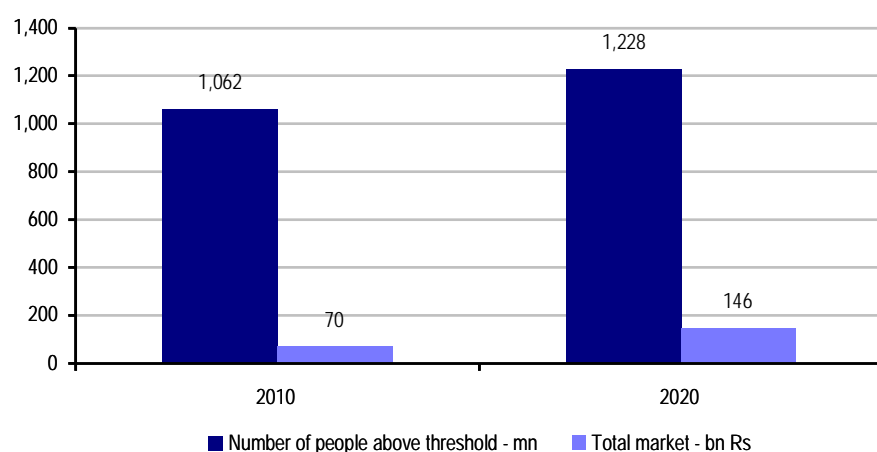
Today—number and revenue

Table 24: Estimated addressable market for tea—number and annual revenue (Rs)

Entry level price - Rs per kg	40
Minimum consumption per person -	2 cups per week
Minimum spend - Rs pa	26
Threshold	People above 5 years of age
Number of people above threshold - m	1062
Average level price - Rs per kg	85
Average consumption per person -	3 cups per week
Total market - Rs bn	70

Source: UBS estimates

Chart 83: Estimated addressable market for tea—2020



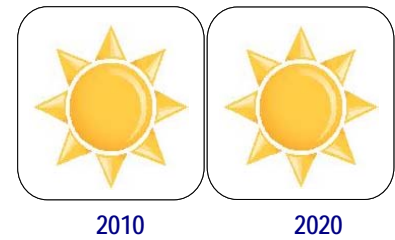
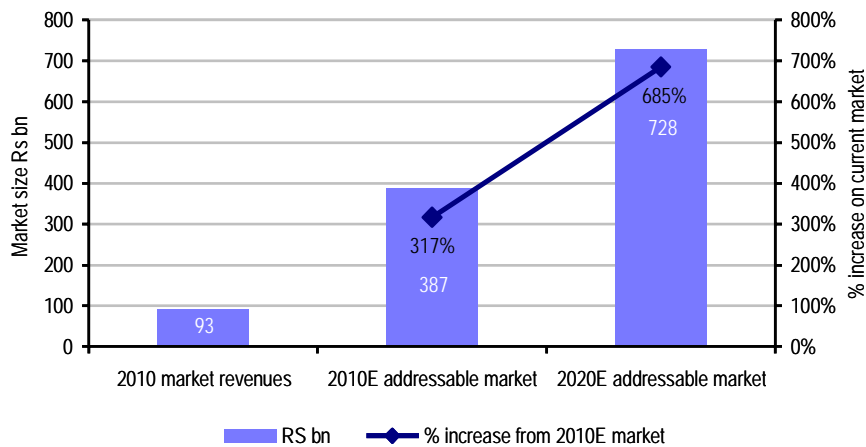
Source: UBS estimates

Listed stock exposures

- **HUL**—HUL is India's largest consumer goods company. It has more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: Soaps and Detergents, Personal Care Products, Beverages, Foods, and Ice Creams. Tea brands include Lipton, Brooke Bond Taj Mahal, Brooke Bond Taaza, and Red Label. AC Nielsen estimates it has approximately a 22% market share for tea in India.
- **Tata Global Beverages**—Tata Global Beverages is a 35% associate of the Tata Group of India. The company along with its UK subsidiary Tetley Group is the world's second largest branded tea company, with a presence in 40 countries. The branded tea business of the Tata Tea Group contributes c.86% of its consolidated revenue, with the remaining 14% coming from bulk tea and coffee, according to the company website. The company has five major brands in the Indian market—Tata Tea, Tetley, Kanan Devan, Chakra Gold, and Gemini. AC Nielsen estimates it has approximately a 22% market share in tea.
- **Jay Shree Tea**—Jay Shree Tea is a 40% owned associate of the B.K. Birla Group. The company has 9,168 hectares under tea plantation, with production of 21.8m kg in FY09. Tea brands include Birla Tea and Kalline Gold. Tea contributes 89% of its revenues according to company accounts. Besides tea, the company manufactures industrial chemicals and is also engaged in warehousing activities and development of residential and commercial complexes.
- **McLeod Russel**—McLeod Russel is the world's largest tea plantation company, with estates in India and Vietnam. The company produced 74.3m kg of tea in FY09.

Televisions

Chart 84: Comparison of current and addressable market revenues—Indian TVs*

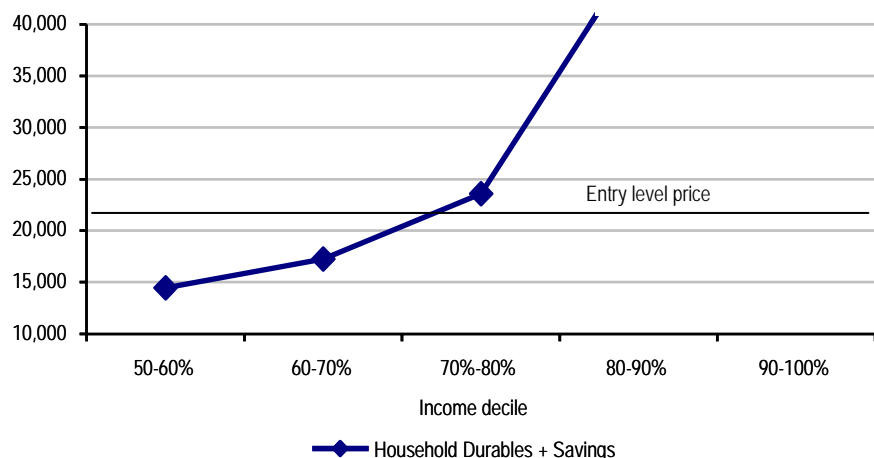


* Non CRT TVs.

Source: UBS estimates

What determines the addressable market

- Entry level price: ~ Rs21,000 (for a 21-inch non CRT TV).
- Average price: Rs32,000 (for a 32-inch non CRT TV).
- Average purchase cycle: less than annual. Sean Kim, UBS's TFT-LCD global coordinator, used six years in his industry models.
- Cultural or social impediments: quite the contrary, Indians love watching television, and the plethora of channels justifies the breadth and depth of the market. Events such as the Cricket World Cup spur demand for television purchases. According to *Business World—Marketing Whitebook*, TV penetration in India is 48% (with the majority being CRT TVs). Dual television ownership in houses has been the key demand growth driver for a couple of years. With the advent of the LCD/LED technology at affordable prices, replacement demand is likely to be significant.
- Maximum spend threshold: we believe televisions are a low-frequency, relatively high-value purchase. As such, we think consumers will be willing to use their savings to make these purchases and, hence, comparing affordability against total consumer durable consumption and household savings may make the most sense.

Chart 85: Average household savings + household durables spend and entry level cost of a non CRT television

Source: UBS estimates

- Potential consumers: households with electricity. According to the IEA, India's electrification rate was 65% in 2008.
- Average number per household: one.
- Binding determinant: Indian households in the top 27.5% by income.

What is the addressable market?

Today—number and revenue

Table 25: Estimated addressable market for televisions—number and annual revenue (Rs)

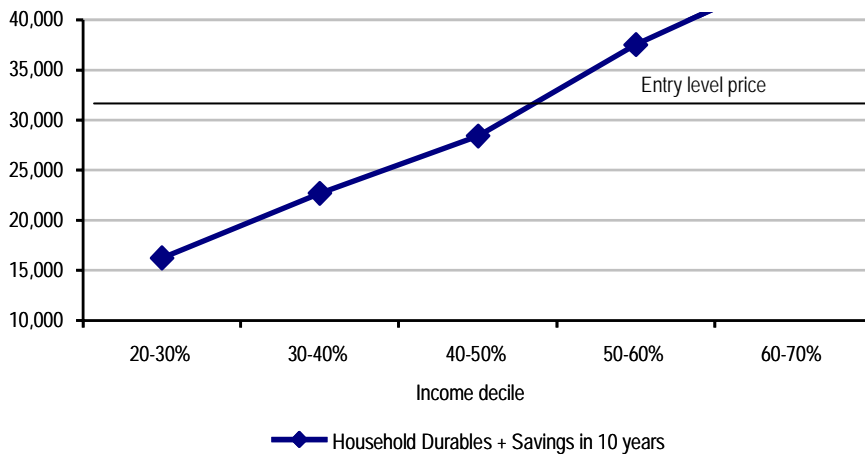
Entry level price - Rs	21,000
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	21,000
Threshold	Indian households in the top 27.5% by income
Addressable market (households above threshold - m)	73
Average level price - Rs	32,000
Average units per household - number	1
Frequency of purchase - pa	1/6
Total market - Rs bn	387

Source: UBS estimates

This addressable market estimate of TVs does not include institutional demand from hotels, hospitals, pubs etc. The demand from such sources could provide upside to this addressable market estimate.

10 years time—number and revenue

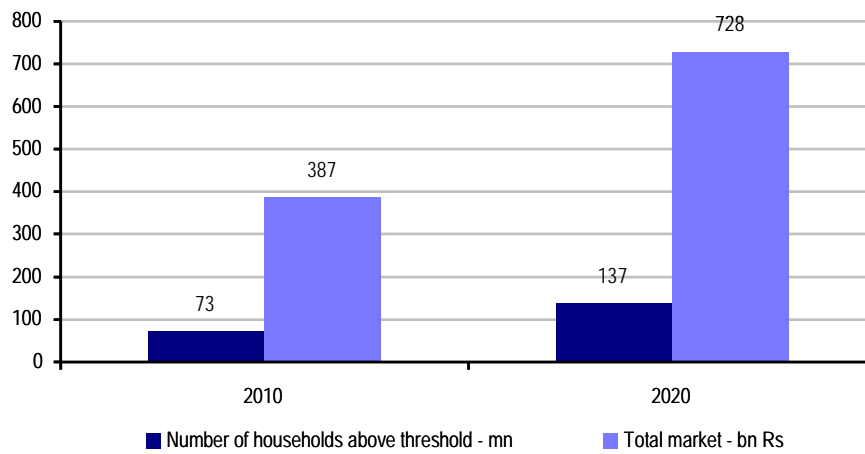
Chart 86: Average household savings + household durables spend and entry level cost of a television



Source: UBS estimates

- In line with Sean Kim’s expectations, we assume the average cost of televisions remains flat, while households grow in line with United Nations’ forecasts. This results in affordability falling to 52.5% of households. But we limit it at 48% (the current TV penetration in India).

Chart 87: Estimated addressable market for televisions—2020



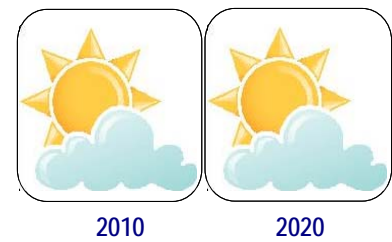
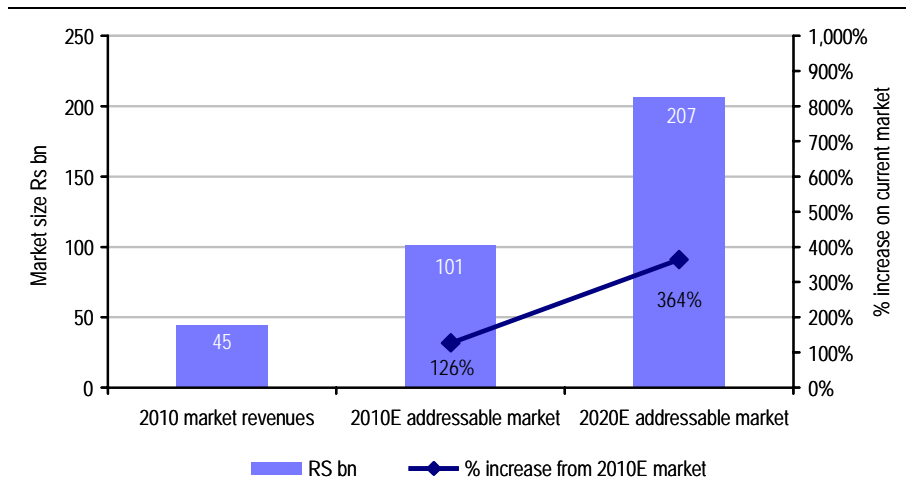
Source: UBS estimates

Listed stock exposures

- **Samsung Electronics**—Samsung Electronics operates two consumer electronics divisions: Digital Media & Communications (DMC) and Device Solution (DS). The DMC division is involved in the manufacture of digital media and communication products, such as televisions, monitors, printers, air conditioners, refrigerators and washing machines, as well as cell phones, network systems and computers. Samsung earns almost 35% of its revenue from LCDs globally.
- **LG Electronics**—LG Electronics specialises in the provision of telecommunication and electronics products. It operates its business through five divisions: mobile communications, home entertainment, home appliances, air conditioning, and business solutions. The home entertainment division offers LCD TVs, plasma display panel (PDP) TVs, home theatre systems, optic disk drives, and other multimedia equipment. The company estimates it has approximately a 32% market share in India.
- **Videocon Industries**—Videocon manufactures, assembles, markets and distributes consumer electronic products and home appliances. Products include colour televisions, washing machines, air conditioners, refrigerators, and microwave ovens.

Toothpaste

Chart 88: Comparison of current and addressable market revenues—Indian toothpaste

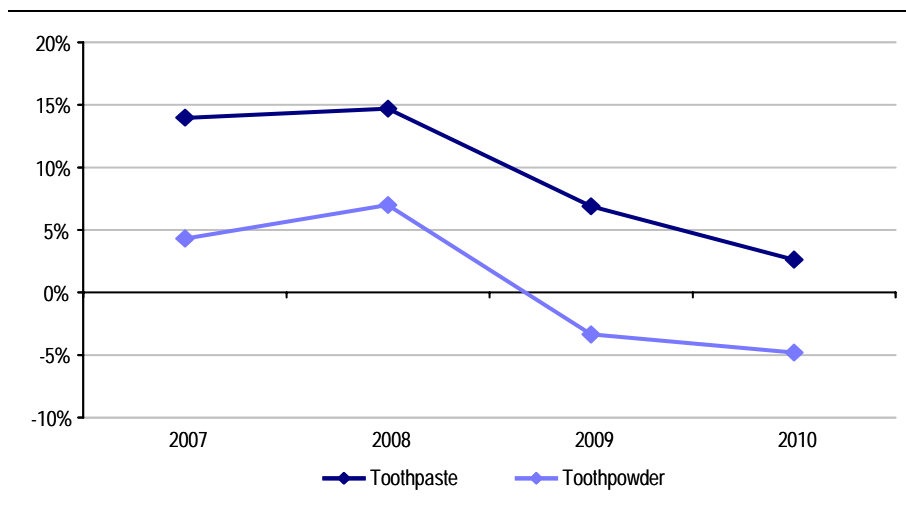


Source: AC Nielsen, UBS estimates

What determines the addressable market

- Entry level price: Rs28 per 100g tube.
- Average price: ~Rs30 per 100g tube.
- Cultural or social impediments: none, but most Indians brush their teeth only once a day. Poor people in rural areas still use toothpowder and traditional dentifrice (such as neem tree bark), but with oral care penetration increasing dramatically over the past five to seven years, we expect these practices to die out.

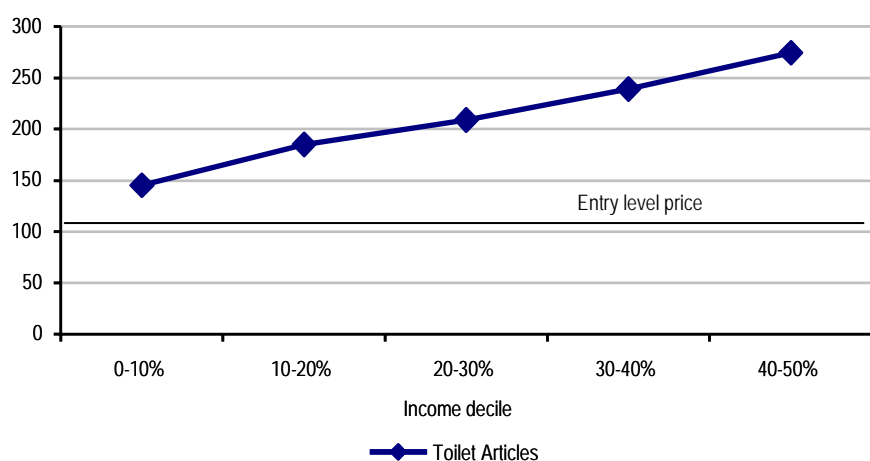
Chart 89: YoY growth in toothpaste & toothpowder market size



Source: UBS estimates, 2010 numbers annualised

- Average use: ~one tube per four months per person (most Indians brush their teeth only once a day).
- Maximum spend threshold: per capita toiletry article spend is the most appropriate entry level spend threshold.

Chart 90: Average toiletry spend per capita and entry level consumption of toothpaste



Source: UBS estimates

■ Potential consumers: people with teeth.

Table 26: Potential consumers—2010E

Total population	1,214
Population 70 and over*	-36.3
Population under 1 year	-27.5
Addressable market	1,151

* Different from the 80 and above estimate in China due to lower life expectancy and lower dental hygiene standards.
Source: United Nations, UBS estimates

■ Binding determinant: people with teeth in the top 97.5% of households ranked by income.

What is the addressable market?

Today—number and revenue

Table 27: Estimated addressable market for toothpaste—number and annual revenue (Rs)

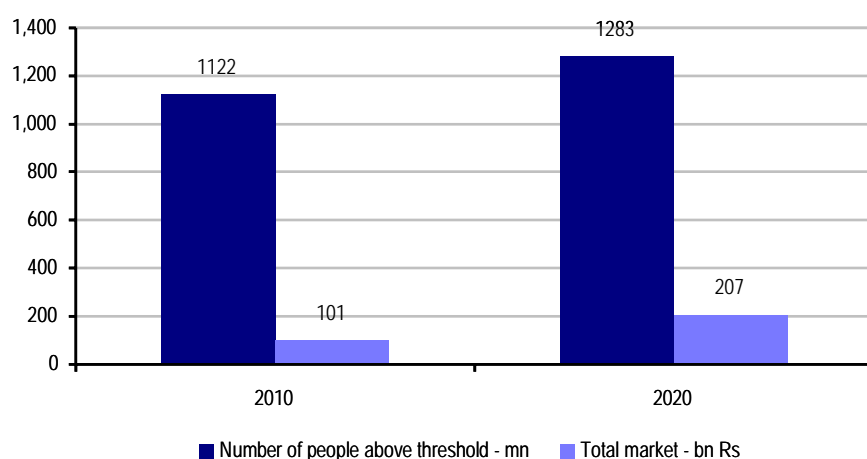
Entry level price - Rs per 100g tube	28
Frequency of use - pa	3
Minimum spend - Rs	140
Threshold	People with teeth in top 97.5% of households by income
Number of people above threshold - m	1,122
Average level price - Rs	30
Frequency of use - pa	3
Total market - Rs bn	101

Source: <http://mumbai.groceryshop.in> (for entry level price), UBS estimates

10 years time—number and revenue

- We assume the average cost of toothpaste grows at 6% pa, approximately equivalent to CPI, while the average wage increases ~10% pa. This results in the proportion of people with teeth who can afford to use toothpaste increasing from ~97.5% currently to ~100% within 10 years. Note, while increased wages and hence affordability may lead to increased usage among the poorest users, we expect this to be offset by lower usage by the newest users who can afford to use toothpaste for the first time, and hence forecast average usage to remain roughly flat at around one tube per four months per person.
- We also apply the United Nations' population and age forecasts.

Chart 91: Addressable market for toothpaste—10 years forward



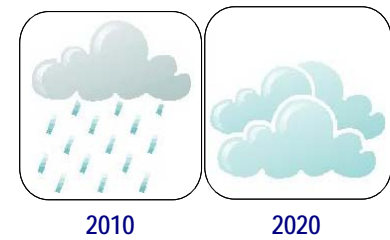
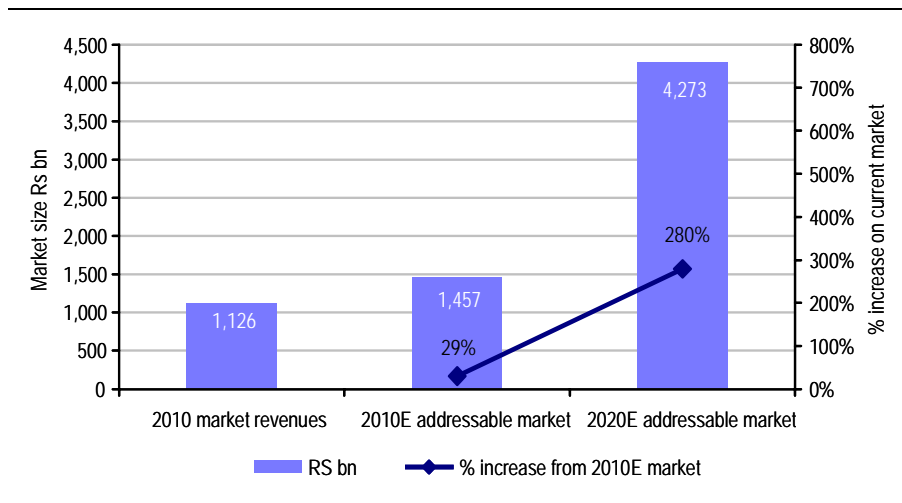
Source: UBS estimates

Listed stock exposures

- **Colgate Palmolive**—Colgate Palmolive is the largest company in the Indian oral care category. Its oral care products include toothpaste, toothpowder, toothbrushes and mouthwash. AC Nielsen estimates the company has a c.50% market share in the toothpaste segment. Colgate Palmolive's product portfolio also includes personal care and home care products.
- **HUL**—HUL is India's largest consumer goods company. It has more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: Soaps and Detergents, Personal Care Products, Beverages, Foods, and Ice Creams. Toothpaste comes under the Personal Care segment and its brands include Close-up in the gel segment and Pepsodent in the white toothpaste segment. AC Nielsen estimates it has approximately a 27% market share in India.
- **Dabur India**—Dabur is the largest consumer products company in India based on the traditional Indian ayurvedic herbal system of medicine. It has three business units: the consumer care division (CCD), the consumer healthcare division (CHD), and the international business division (IBD). Toothpaste brands include Babool Gel in the gel category, Babool and Meswak in the white toothpaste category, and Dabur Red in the red toothpaste category. AC Nielsen estimates Dabur has approximately a 10% market share in India.

Tourism (domestic)

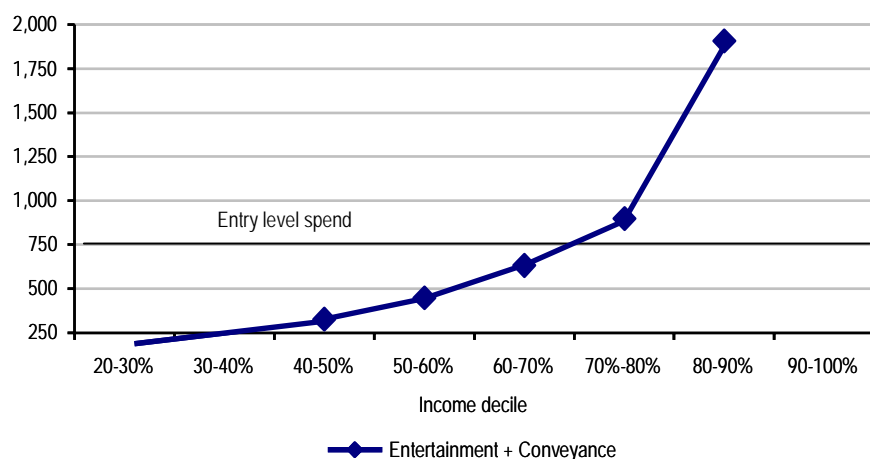
Chart 92: Comparison of current and addressable market revenues—Indian domestic tourism



Source: Incredible India, UBS estimates

What determines the addressable market

- **Entry level price:** Rs750 per person. A typical trip for a couple involves travelling approximately 200km to the nearest tourist spot over the weekend. Transport cost—Rs400 per person, food—Rs200 per person, accommodation—Rs150 per person.
- **Average price:** ~Rs2,000.
- **Average use:** two trips per year (usually one during the summer holidays for children and one during the festival season in October/December).
- **Cultural or social impediments:** none. Traditionally, the majority of Indians visit their families in the villages. With income levels rising and more Indians entering the corporate work force, the idea of a regular vacation is fast becoming routine.
- **Maximum spend threshold:** per capita entertainment and conveyance consumption.

Chart 93: Average entertainment and conveyance spend per capita and entry level tourism price

Source: UBS estimates

- Potential consumers: all households.
- Binding determinant: people in households that are in the top 30% by income. We do not include a specific cultural/social limitation as we are explicitly setting our threshold using entertainment and conveyance spend data, which directly incorporates any lower propensity to consume recreation and tourism services at each level of income.

What is the addressable market?

Today—number and revenue

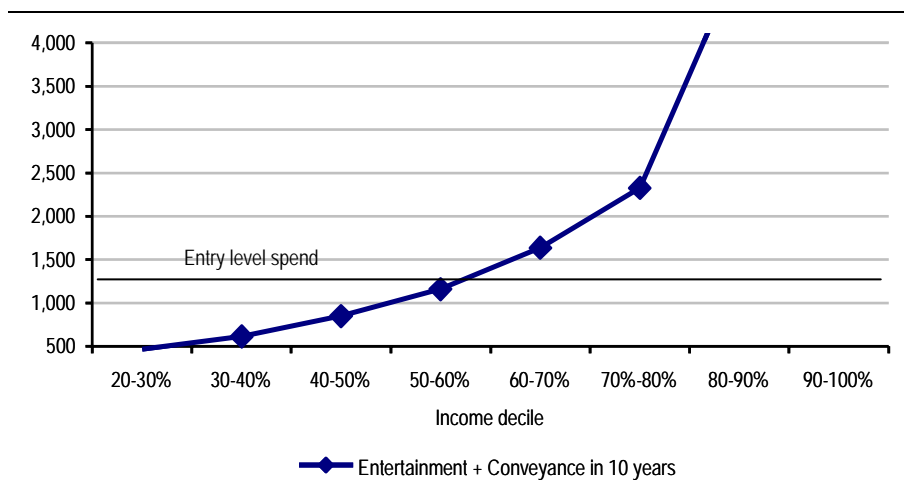
Table 28: Estimated addressable market for domestic tourism—number of people travelling and annual revenue (Rs)

Entry level price - Rs	750
Frequency of travel - pa	1
Minimum spend - Rs	750
Threshold	People in households in top 30% by income
Number of people above threshold - m	364
Average level price - Rs	2,000
Frequency of travel - pa	2
Total market - Rs bn	1,457

Source: UBS estimates

10 years time—number and revenue

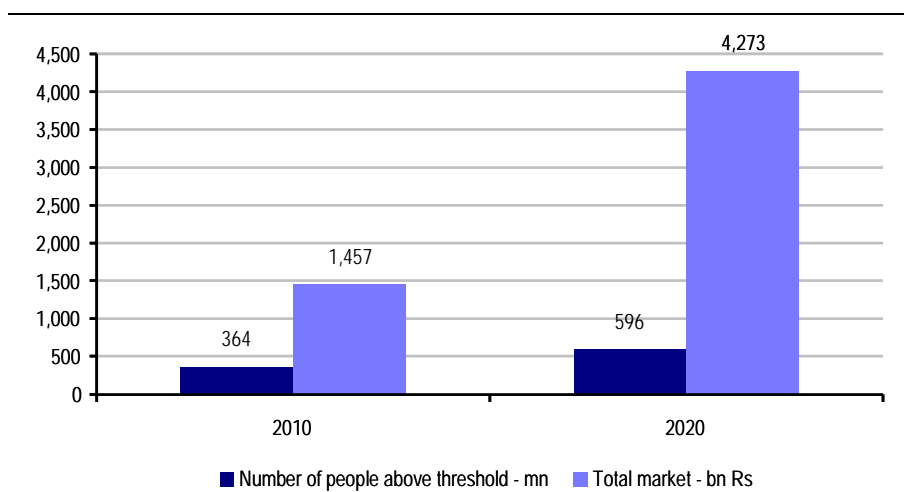
Chart 94: Average recreation consumption per capita and entry level consumption of recreation—10 years forward



Source: UBS estimates

- We assume the average cost of a trip grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. This results in the average consumption of the 60-70% grouping of households by income exceeding the minimum yearly entry consumption level of tourism in 10 years. Hence, we assume the 10-year forward threshold will fall from the top ~30% of households today to the top 42.5% of households. We also use the United Nations’ population forecasts.

Chart 95: Estimated addressable market for domestic tourism—2020



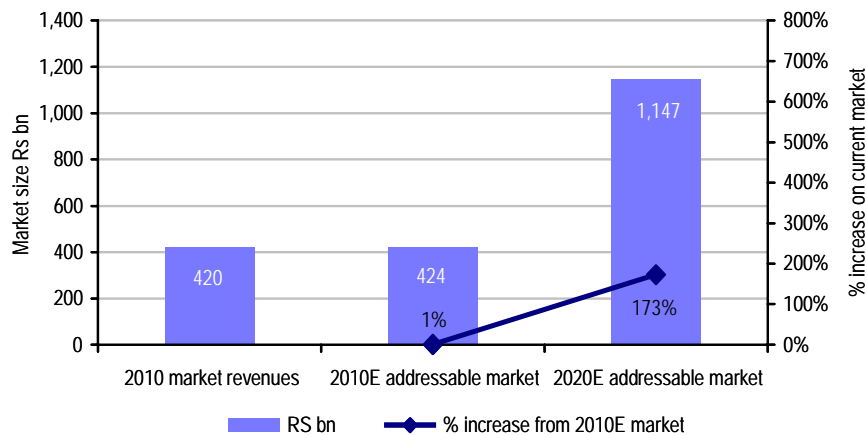
Source: UBS estimates

Listed stock exposures

- **Mahindra Holidays & Resorts**—Mahindra Holidays & Resorts is an 83% owned subsidiary of the Mahindra Group. The company, under its flagship brand Club Mahindra Holidays, provides furnished accommodation to its members for family holidays for a specified period each year. It operates 23 resorts in India and international destinations, and also provides access to 4,600+ resorts in over 90 countries through collaborations. The company has a customer base of over 79,000 members, according to the company website.
- **Thomas Cook India (TCIL)**—TCIL is a 77% associate of Thomas Cook UK. The company offers: 1) integrated travel management for corporate and leisure travel for inbound, domestic or international travellers; and 2) travel-related financial services. Travel management services include ticketing, accommodation, sightseeing tours and conference management. The segment contributed 84% of revenue in FY09. Financial services include foreign exchange, travel insurance, and pre-paid and credit cards.
- **International Travel House (ITH)**—ITH is a 62% associate of ITC Limited. The company provides travel management solutions for business and leisure travel for domestic and international travellers. Services include destination management, car rental, overseas and domestic holiday packages, conference management, and wedding management.

Two-wheelers

Chart 96: Comparison of current and addressable market revenues—Indian two-wheelers

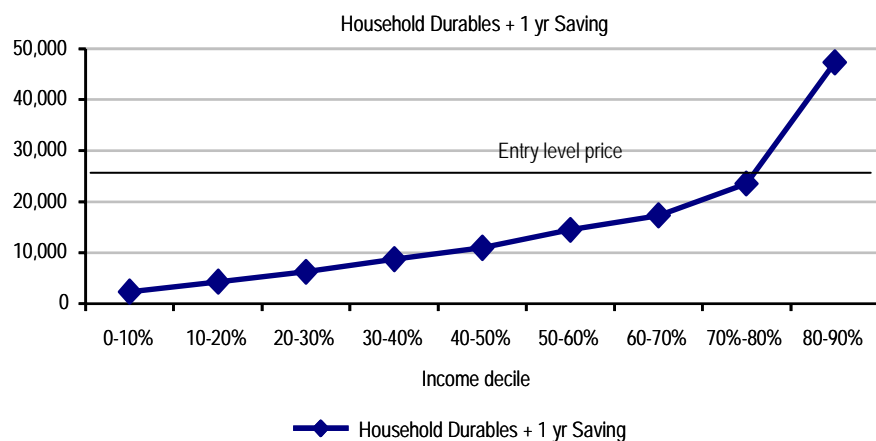


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs25,000.
- Average price: ~Rs45,000.
- Average use: we have assumed one per household (some households have multiple two-wheelers, with most having only one) purchased every seven years as our base-case assumption.
- Cultural or social impediments: poor public transport infrastructure and a bad road network mean that a two-wheeler is the most ideal vehicle to cover short distances for the majority of Indians.
- Maximum spend threshold: we believe two-wheelers are a low-frequency, relatively high-value purchase with both practical and aspirational characteristics. As such, we think households will be willing to use one year of their savings to make these purchases, and hence comparing affordability against total consumer durable consumption and one year of annual household savings may make the most sense. Currently, approximately 25% of two-wheelers are bought through auto finance as financing companies have cut back on loans for two-wheelers due to high default rates. Therefore, unlike for cars, for two-wheelers we do not use auto financing to estimate the addressable market size.

Chart 97: Average consumer durables consumption + savings per home and entry level cost of a two-wheeler



Source: UBS estimates

- Binding determinant: households in the top 25% by income.

What is the addressable market?

Today—number and revenue

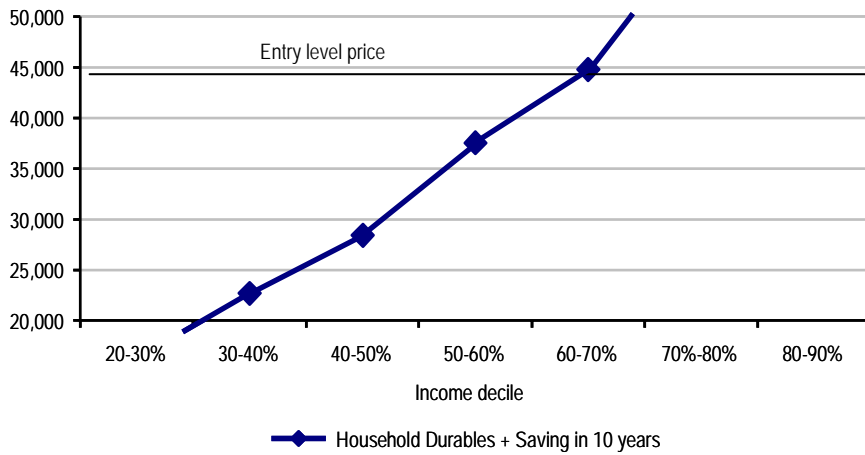
Table 29: Estimated addressable market for two-wheelers—number and annual revenue (Rs)

Entry level price - Rs	25,000
Minimum consumption per household	1
Minimum spend - Rs	25,000
Threshold	Households in top 25% by income
Number of households above threshold - m	66
Average level price - Rs	45,000
Average units per household - number	1
Total market – Rs bn	424

Source: UBS estimates

10 years time—number and revenue

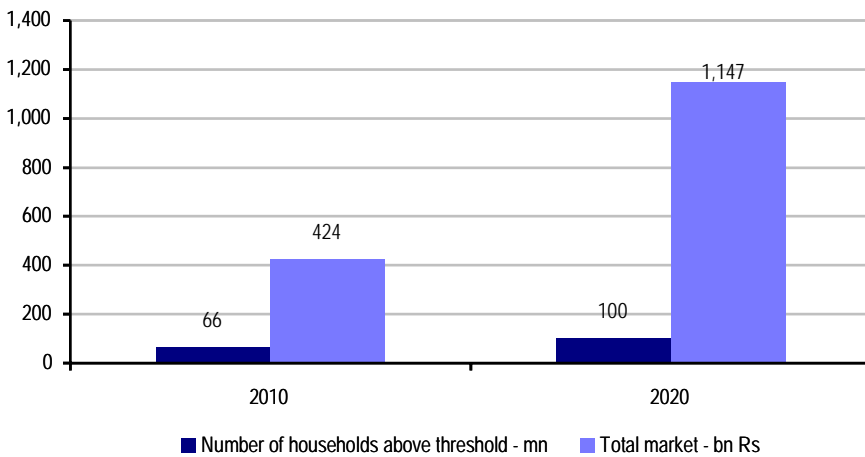
Chart 98: Estimated average consumer durables consumption + savings per home and entry level cost of a two-wheeler—2020



Source: UBS estimates

- We also assume the average price of two-wheelers increases 6% pa, roughly in line with CPI. As a result, affordability increases and we assume the 10-year forward threshold falls from the top 25% of households currently to the top 35%.

Chart 99: Estimated addressable market for two-wheelers—2020



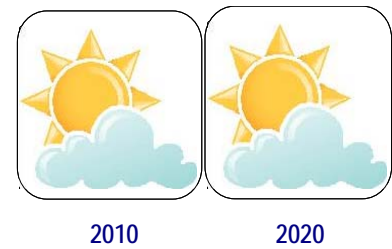
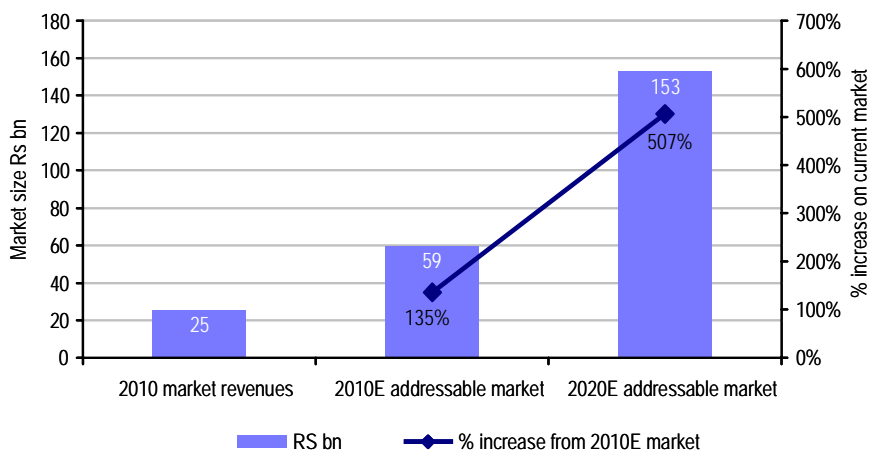
Source: UBS estimates

Listed stock exposures

- **Hero Honda**—Hero Honda is a joint venture between Honda (Japan) and Hero group (owned by the Munjal family) of India. The company is the world's largest two-wheeler manufacturer, with sales of 4.2m motorcycle units in FY10. Its most popular model is the Splendor, and other popular brands include Passion, CBZ, Karizma CD, Glamour, and Dawn. The company estimates it has approximately a 58% market share in India.
- **Bajaj Auto**—Bajaj Auto is an Indian company that manufactures scooters, motorcycles and mopeds in the two-wheeler as well as the three-wheeler segment. It sold 1.8m motorcycles in FY10. Brands include Pulsar, Discover, Avenger, Platina, and Ninja. The company estimates it has approximately a 24% market share in India.
- **TVS Motor Company**—TVS is an Indian automotive vehicle manufacturer. It manufactures two-wheelers (motorcycles, variomatic scooters, and mopeds) as well as three-wheelers. Brands include Scooty, Apache, Jive, Flame, and Star City. The company estimates it has approximately a 7% market share in India.
- **Yamaha Motor Company**—Yamaha Motor Company is a Japanese motorised vehicle company. Products include motorcycles, marine vehicles, power vehicles, and racing motorcycles. Motorcycles contributed 70.8% of net sales in 2009 in India. The company's popular motorcycles models in India are the VMAX, Gladiator, YBR, Crux, MT and YZF. Yamaha estimates it has approximately a 3% market share in India.

Washing machines

Chart 100: Comparison of current and addressable market revenues—Indian washing machines



2010

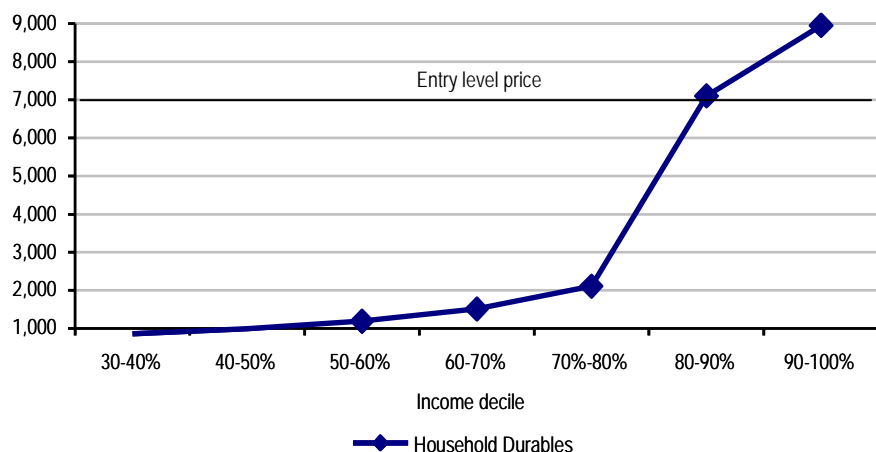
2020

Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs7,000.
- Average price: Rs15,000.
- Average purchase cycle: less than annual. Assume ~10 years.
- Cultural or social impediments: none. But poorer households do typically use a 'washing machine lite' in India; namely, plastic buckets into which washing powder, water and clothes are put. These are then left for a period of hours, before being manually shaken to clean the clothes.
- Maximum spend threshold: total consumer durable consumption. Because of easy availability of domestic help and a large percentage of women not working, we assume households will not use their savings for this purchase.

Chart 101: Average household consumer durable consumption vs. entry level cost of a washing machine



Source: UBS estimates

- Potential consumers: households with electricity. According to the IEA, India's electrification rate was 65% in 2008.
- Average number per household: one.
- Binding determinant: households in the top 15% by income.

What is the addressable market?

Current—number and revenue

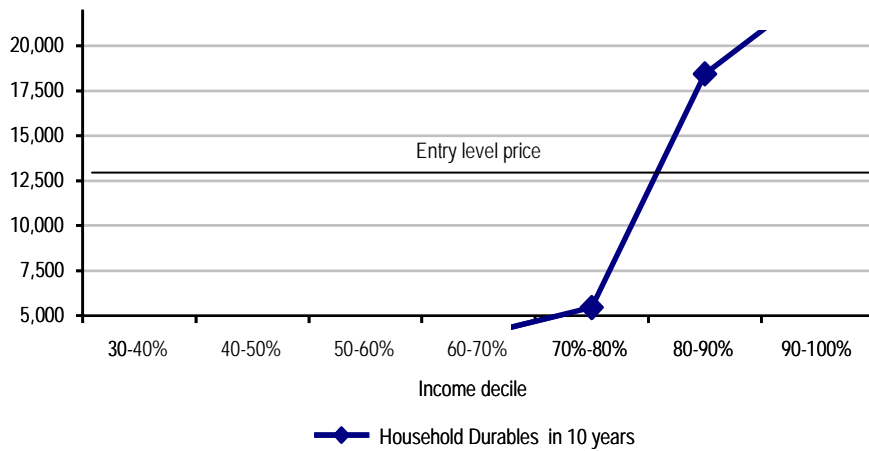
Table 30: Estimated addressable market for washing machines—number and annual revenue (Rs)

Entry level price - Rs	5,000
Minimum units per household - number	1
Frequency of purchase - pa	<1
Minimum spend - Rs	7,000
Threshold	Households in top 15% by income
Number of households above threshold - m	40
Average level price - Rs	15,000
Average units per household - number	1
Frequency of purchase - pa	1/10
Total market - Rs bn	59

Source: <http://ezone.futurebazaar.com> , UBS estimates

10 years time—number and revenue

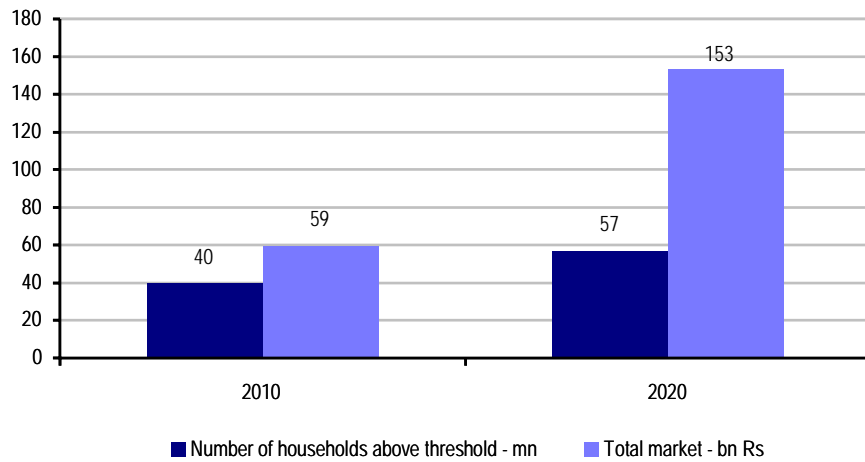
Chart 102: Estimated average household consumer durable consumption vs. entry level cost of a washing machine—2020



Source: UBS estimates

- We assume the average cost of washing machines grows at 6% pa, approximately equivalent to CPI, and wages rise ~10% pa. As a result, the 10-year forward threshold will fall from the top ~15% of households today to the top 20% of households.

Chart 103: Estimated addressable market for washing machines—2020



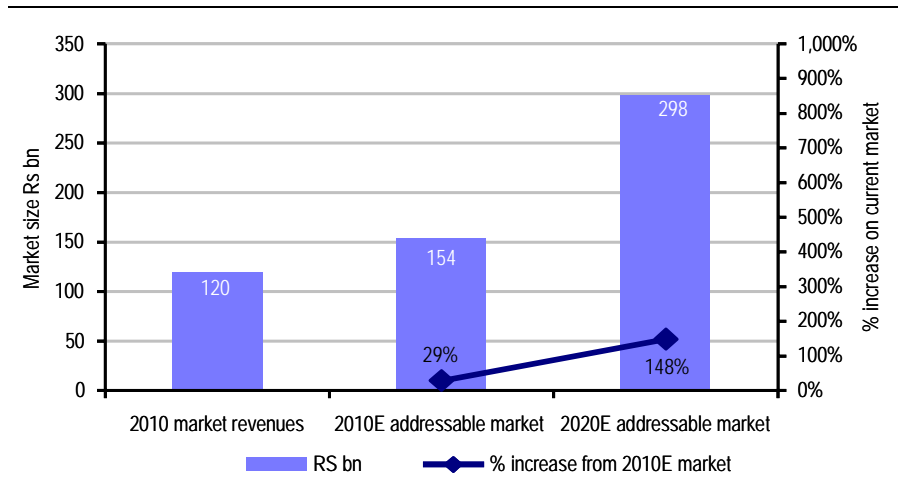
Source: UBS estimates

Listed stock exposures

- **Whirlpool of India**—Whirlpool of India manufactures and markets home appliances. Its products include refrigerators washing machines, air conditioners and water purifiers. The company's brands include Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and Gladiator.
- **Videocon Industries**—Videocon is an India-based company that manufactures and assembles and/or distributes a range of consumer electronic products and home appliances, including colour televisions, home entertainment systems, liquid crystal display televisions, refrigerators, washing machines, air conditioners, small appliances, glass shells (panels and funnels), compressors/motors, and other components.
- **Samsung Electronics**—Samsung Electronics provides consumer electronic products. The DMC division is involved in the manufacture of digital media and communication products, such as televisions, monitors, printers, air conditioners, refrigerators and washing machines, as well as cell phones, network systems and computers.

Washing powder

Chart 104: Comparison of current and addressable market revenues—Indian washing powder

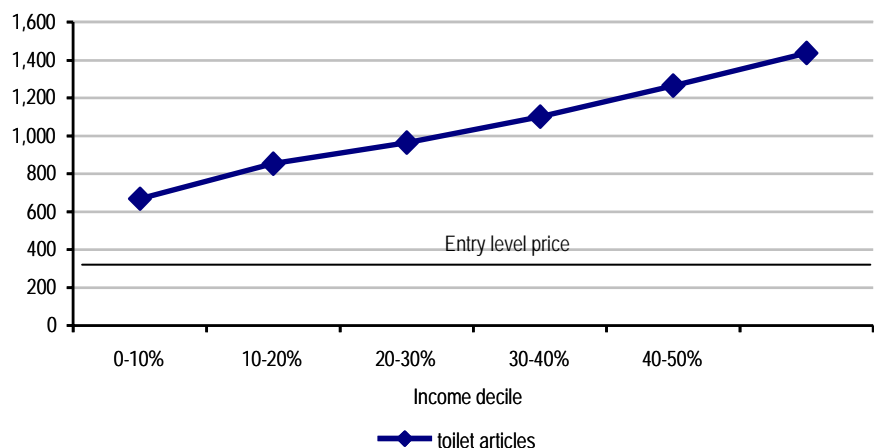


Source: UBS estimates

What determines the addressable market

- Entry level price: ~Rs25 for 1kg.
- Average price: ~Rs50 for 1kg.
- Average use: ~1kg per month (washing powder is used in washing machines as well as in handheld washes).
- Cultural or social impediments: none.
- Maximum spend threshold: we assume people will potentially choose between different types of toiletry products such as washing powder or soap if their total household spend only allows for a minimum spend on one, rather than spending less on other types of consumption such as food or communications. Hence, we believe toiletry article spend is the most appropriate entry level spend threshold. This would imply ~97.5% of households, or 257m households, could afford washing powder.

Chart 105: Average toiletry article consumption per home and entry level cost of washing powder



Source: UBS estimates

- Binding determinant: households in the top 97.5% by income.

What is the addressable market?

Today—number and revenue

Table 31: Estimated addressable market for washing powder—number and annual revenue (Rs)

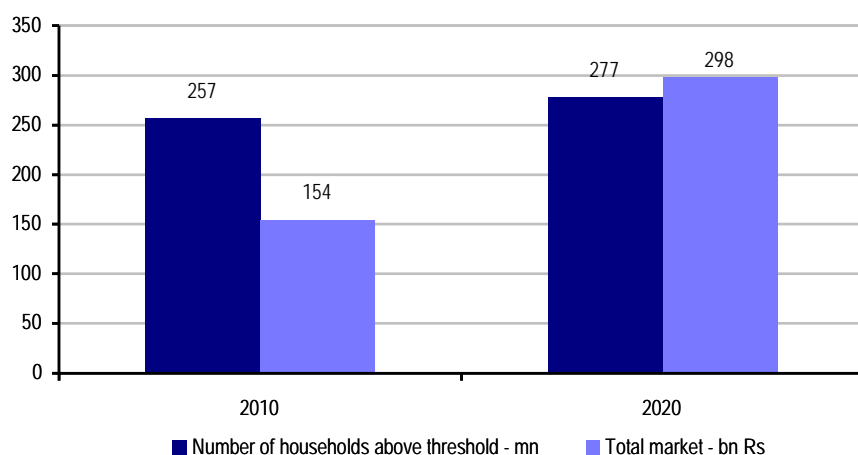
Entry level price - Rs per Kg	25
Minimum consumption per household - kg pa	12
Minimum spend - Rs	300
Threshold	Households in top 97.5% by income
Number of households above threshold - m	257
Average level price - Rs	50
Average consumption per household - kg pa	12
Total market - Rs bn	154

Source: UBS estimates

10 years time—number and revenue

- We also assume the average price of washing powder increases 6% pa, roughly in line with CPI, and wages increase at 10%. Affordability remains at 97.5% of households.

Chart 106: Estimated addressable market for residential washing powder—2020



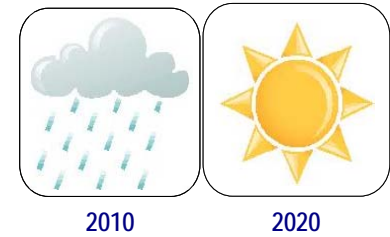
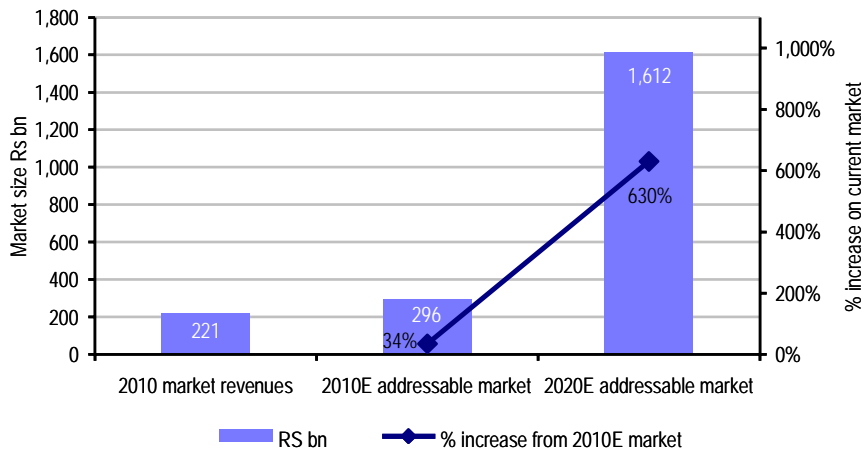
Source: UBS estimates

Listed stock exposures

- **P&G**—P&G is an US\$80bn revenue company with products sold in over 180 countries. It had six business segments: Beauty; Grooming; Health Care; Snacks and Pet Care; Fabric Care and Home Care; and Baby Care and Family Care. P&G's detergents are sold under the Ariel, Tide and Tide Naturals brands in India. AC Nielsen estimates P&G has approximately a 14% market share in India.
- **HUL**—HUL is India's largest consumer goods company. It has more than 400 brands spanning 14 categories of home, personal care and food products. It operates in various business segments: Soaps and Detergents, Personal Care Products, Beverages, Foods, and Ice Creams. Detergent brands in India are Surf Excel, Rin and Wheel. AC Nielsen estimates HUL has approximately a 37% market share in India.
- **Nirma**—Nirma is the largest local detergents company in India. It has a diversified portfolio of detergents, soaps, dishwashing bars, edible salt and industrial chemicals. Detergents (powder and cakes) contributed c.50% of its FY09 revenue, according to standalone company accounts. AC Nielsen estimates Nirma has approximately an 18% market share in India.
- **Henkel India**—Henkel India is a 51% owned subsidiary of Germany's Henkel AG & Co. It operates in the following business areas: Laundry, Home Care, Cosmetics, Toiletries and Hair Care. Detergent brands include Henko, Mr. White and Chek.

White cigarettes

Chart 107: Comparison of current and addressable market revenues—Indian cigarettes



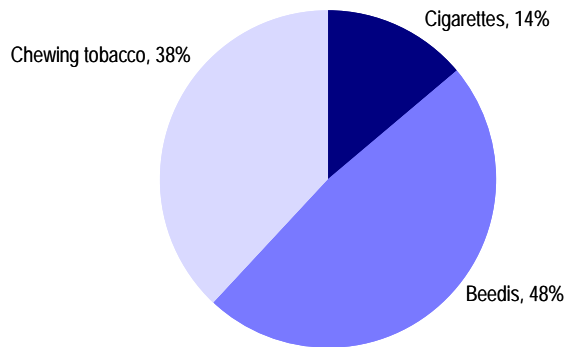
Source: UBS estimates

What determines the addressable market

- Entry level price: Rs30 for 20 cigarettes.
- Average price: ~Rs70 for 20 cigarettes.
- Average use: the World Health Organisation estimates that ~28% of Indian adults consume tobacco. ITC estimates there are 50m regular cigarette consumers, and probably another 100m dual-smokers (those who smoke white cigarettes as well some other kind of tobacco consumption). We estimate regular cigarette smokers consume five sticks/day, while dual smokers consume ~one stick/day, adding to the ~120bn sticks sold in India at end-FY10.
- Cultural or social impediments: yes. Not everyone in India who can afford to does smoke. Smoking in India is currently pre-dominantly a male habit and it is only in recent years that it has become socially acceptable for women to smoke in certain urban areas.

For smokers, health concerns and smoking bans in public places do not usually have an affect on cigarette consumption, since cigarettes are an addictive product. Just 14% of tobacco consumed (by volume) is consumed in white-stick format. The rest is consumed in the form of bidis (hand-rolled dried tendu leaves stuffed with raw tobacco) or chewing tobacco.

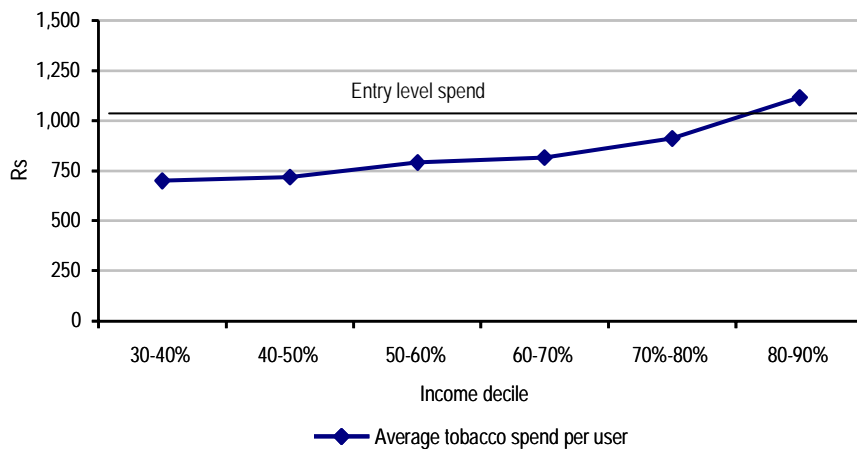
Chart 108: Split of tobacco consumption by method in India



Source: UBS estimates

- Maximum spend threshold: consumption of tobacco per tobacco user.
- Potential consumers: adults who consume tobacco.
- Binding determinant: Indians aged 18+ consuming tobacco who are in the top 20% of households by income.

Chart 109: Estimated average tobacco spend per user and entry level cigarette spend—2010



Source: UBS estimates

What is the addressable market?

Today—number and revenue

Table 32: Estimated addressable market for cigarettes—number and annual revenue (Rs)

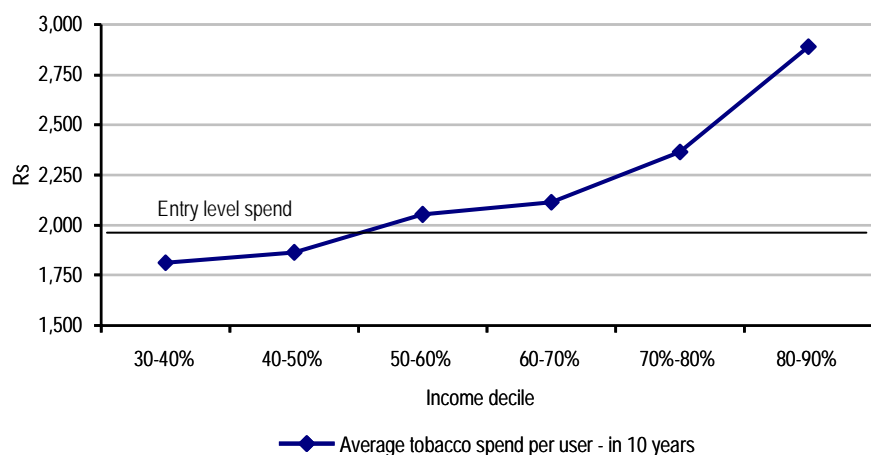
Entry level price - Rs per packet of 20 cigarettes	30
Packets per week	0.7
Minimum spend - Rs, pa	1,092
Threshold	Adult tobacco consumers in households in top 20% by income
Number of people above threshold - m	47
Average price - Rs per packet of 20 cigarettes	70
Packets per week	1.75
Total market - Rs bn	296

Source: UBS estimates

On an affordability basis, all tobacco consumers can afford to smoke bidis (assuming a yearly expenditure of Rs364 with an entry level price of Rs10 per packet and entry level usage of 0.7 packets per week).

10 years time—number and revenue

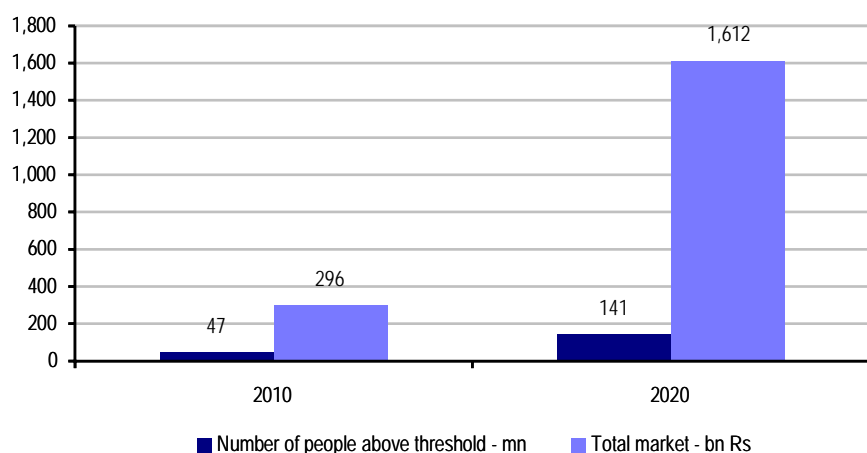
Chart 110: Estimated average tobacco spend per user and entry level cigarette spend—2020



Source: UBS estimates

- We assume cigarette prices rise ~6% pa, in line with inflation, and wages grow at 10% pa, thereby increasing the number of tobacco users who can afford to smoke cigarettes to the top 50% of tobacco consumers in 10 years time. We also assume United Nations forecasts of population and age group growth.

Chart 111: Estimated addressable market for cigarettes—2020



Source: UBS estimates

Listed stock exposures

- **ITC**—ITC Limited operates in four segments: Fast Moving Consumer Goods (FMCG); Hotels; Paperboards, Paper & Packaging; and Agri Business. The FMCG segment includes cigarettes (which comprises cigarettes and smoking mixtures), branded packaged foods, garments, educational and other stationery products, matches, incense sticks and personal care products. The company's agri business segment markets agri commodities in the export and domestic markets, supplies agri raw materials to the branded packaged foods business and sources leaf tobacco for the cigarettes business. Cigarettes account for c.71% of ITC's revenue, and UBS estimates ITC has a c.80% share of the Indian cigarette market.
- **Godfrey Philips**—Godfrey Philips India is a 33.2% associate of the Atria group, co-owned by the K.K. Modi group. The company operates in two segments: cigarette and tobacco products, and tea. For the year ended 31 March 2009, Godfrey earned 91% of its revenue from the cigarette and tobacco segment. The company's cigarette brands include Four Square, Red and White, Jaisalmer, Cavanders, and Tipper. According to UBS's India cigarette market estimates, Godfrey Philips has approximately an 8% market share in India.
- **VST Industries**—VST Industries is a 32.2% associate of British American Tobacco (BAT) UK. The company's cigarette brands include Charminar, Moments and Gold Premium. It exports leaf tobacco to international markets; leaf tobacco accounted for c.11% of revenue in FY09.
- **Golden Tobacco Company**—Golden Tobacco Company is owned by the Dalmia Group, with a stake of 27%. Its brands include Panama, Chancellor, Golden's and Steel.

Sensitivity analysis

Our key assumptions in calculating addressable markets are price (future entry level and average prices), volume (average use, number per home, and replacement cycle), and future wage increases (we assume a 10% CAGR from 2010 to 2020 based on Philip Wyatt's nominal wage growth estimates for the next 10 years).

Entry level price

Household products companies such as P&G are attempting to produce personal care products more cheaply while maintaining high performance to increase their addressable markets. Nik Modi, UBS's Global Consumer Staples Coordinator, calls this 'reverse innovation'—companies start with a desirable margin and then research how to make a high quality product by adjusting materials, processes etc. And in India, companies have reduced prices in categories such as diapers and sanitary pads to capture a larger market share.

Our typical base-case assumption is that the entry level price grows at 6% pa, (Philip Wyatt's CPI growth estimate for the next 10 years). Adjusting the assumption impacts our estimate of the number of people/households that can afford the products.

Table 33: Annual growth to reach 2020E addressable market under various entry level price CAGR assumptions (shading denotes base-case assumption)

Entry level price CAGR	-10%	-5%	0%	6%	10%	15%
Two-wheeler	21.8%	19.3%	16.7%	10.6%	6.9%	3.5%
Air conditioners	29.5%	29.5%	29.5%	29.5%	28.5%	23.3%
Cars (new)	26.2%	25.2%	20.3%	10.2%	7.7%	0.5%
Cigarettes	30.7%	30.4%	30.1%	22.0%	8.1%	-9.6%
Coffee	13.3%	13.2%	13.1%	13.1%	11.5%	6.2%
Computers	20.2%	20.2%	20.2%	19.2%	15.9%	14.2%
Diapers	54.2%	53.5%	49.2%	38.2%	27.9%	21.5%
Education (vocational IT)	30.5%	26.3%	20.1%	17.0%	13.8%	9.0%
Fast food	31.6%	31.4%	30.7%	23.5%	20.2%	12.1%
Footwear	13.9%	13.8%	13.6%	13.6%	13.2%	9.1%
Fridges	18.1%	18.1%	18.1%	18.1%	18.1%	18.1%
Gold	15.6%	15.2%	14.0%	12.0%	9.6%	5.5%
Leisure travel	23.2%	21.7%	18.3%	14.3%	10.4%	6.0%
Life insurance	21.1%	21.0%	20.9%	17.3%	15.1%	7.4%
Liquor	31.5%	31.2%	30.7%	26.5%	18.7%	12.0%
Milk	15.1%	15.0%	14.9%	14.9%	14.9%	14.0%
Mobile handsets	11.6%	11.4%	11.1%	9.2%	7.7%	4.4%
Movies	14.6%	14.3%	13.4%	12.1%	11.4%	8.0%
Sanitary pads	26.7%	26.5%	26.5%	24.7%	19.6%	10.4%
Shampoo	22.3%	21.7%	20.3%	16.2%	12.0%	7.5%
Skin cream	20.6%	20.3%	20.0%	18.7%	13.7%	4.2%
Soft Drinks	26.6%	26.3%	25.0%	18.2%	11.9%	6.7%
Tea	8.6%	8.5%	8.4%	8.4%	8.4%	7.8%
Toothpaste	16.8%	16.7%	16.6%	16.6%	16.6%	16.6%
TV	22.9%	22.9%	22.9%	22.1%	17.2%	12.6%
Washing detergent	9.7%	9.6%	9.5%	9.5%	9.5%	9.5%
Washing machines	33.7%	26.6%	22.0%	19.8%	16.4%	-0.9%

Source: UBS estimates

Our addressable market estimates are generally not materially impacted by our average 10-year entry price growth assumption. However, notable exceptions to this include relatively high-end items such as cars, two-wheelers, and washing machines. Cigarettes are also materially impacted by entry price assumptions.

Average price

Our typical base-case assumption is that the average price of each good also grows at 6% pa, roughly in line with inflation. Adjusting this impacts the average revenue per person/household that can afford the product.

Table 34: Annual growth to reach 2020E addressable market under various average price CAGR assumptions (shading denotes base-case assumption)

Average price level CAGR	-10%	-5%	0%	6%	10%	15%
Two-wheeler	-6.1%	-0.9%	4.3%	10.6%	14.7%	20.0%
Air conditioners	9.9%	16.0%	22.2%	29.5%	34.4%	40.5%
Cars (new)	-6.5%	-1.3%	3.9%	10.2%	14.3%	19.5%
Cigarettes	3.6%	9.3%	15.1%	22.0%	26.6%	32.3%
Coffee	-4.0%	1.3%	6.7%	13.1%	17.3%	22.7%
Computers	13.9%	20.2%	26.5%	34.1%	39.2%	45.5%
Diapers	17.3%	23.8%	30.3%	38.2%	43.4%	49.9%
Education (vocational IT)	-0.6%	4.9%	10.4%	17.0%	21.5%	27.0%
Fast food	4.9%	10.7%	16.5%	23.5%	28.2%	34.0%
Footwear	-3.5%	1.9%	7.2%	13.6%	17.9%	23.3%
Fridges	0.3%	5.9%	11.4%	18.1%	22.6%	28.1%
Gold	2.6%	8.3%	14.0%	20.9%	25.4%	31.1%
Leisure travel	-3.0%	2.4%	7.8%	14.3%	18.6%	24.0%
Life insurance	-1.1%	4.4%	9.9%	16.5%	20.9%	26.4%
Liquor	7.4%	13.3%	19.3%	26.5%	31.2%	37.2%
Milk	-2.4%	3.0%	8.4%	14.9%	19.2%	24.6%
Mobile handsets	0.0%	5.5%	11.1%	17.7%	22.2%	27.7%
Movies	-4.8%	0.5%	5.7%	12.1%	16.3%	21.6%
Sanitary pads	5.9%	11.8%	17.7%	24.7%	29.4%	35.3%
Shampoo	-1.4%	4.1%	9.6%	16.2%	20.5%	26.0%
Skin cream	0.8%	6.4%	12.0%	18.7%	23.2%	28.8%
Soft drinks	0.3%	5.9%	11.5%	18.2%	22.6%	28.2%
Tea	-8.0%	-2.8%	2.3%	8.4%	12.5%	17.6%
Toothpaste	-1.0%	4.5%	10.0%	16.6%	21.0%	26.5%
TV	10.6%	16.7%	22.9%	30.2%	35.2%	41.3%
Washing detergent	-7.0%	-1.8%	3.3%	9.5%	13.7%	18.8%
Washing machines	1.7%	7.3%	13.0%	19.8%	24.3%	29.9%

Source: UBS estimates

As a result, all products have ~20% pa lower estimated growth to the addressable market when the ASP CAGR is set at -10% pa than if at +10% pa. Perhaps more relevantly, we assume a 6% ASP CAGR as our base case for all but five of the 27 products.

- We assume the average life insurance premium increases in line with wages.
- We assume flat pricing for televisions and mobile handsets given historical and expected future pricing pressure. However, we also note that assuming a +6% ASP CAGR would not have resulted in a material improvement in either goods' relative ranking among our sample. Televisions would have the second highest implied growth rather than the sixth highest under our current assumptions. And mobile handsets would have the 14th highest rather than 23rd highest estimated growth.
- We assume 5% price declines for computers, in line with the 5-10% price declines experienced over the past five years in most markets globally. If we instead assumed 6% price increases, computers would move from ninth to fourth highest growth among the products we examine.
- We assume flat pricing for gold as per UBS forecasts.

Typical use

Our typical use/replacement cycle assumptions impact both our estimates of the number of people/households that can afford the product and the average value of sales to each person/household that can afford the item.

We believe our base-case assumptions of flat usage sufficiently capture the impacts of 1) increased usage by existing users as affordability increases, being offset by 2) new users with lower usage. However, Alan Erskine, UBS's European Consumer Staples head, highlighted toothpaste as one area in particular where increased affordability could lead to increased average usage and, hence, upside potential to our 2020 addressable market estimates. In India, we also assume lower typical use of goods including diapers, shampoo, and sanitary pads than in our "sister" China addressable markets report.

Table 35: Sensitivity of 2020E addressable market CAGR to changes in our usage/replacement cycle assumptions

Change in typical use assumption	-25%	-10%	0%	10%	25%
Two-wheelers	7.7%	9.2%	10.6%	12.1%	13.4%
Air conditioners	25.8%	28.1%	29.5%	30.7%	32.4%
Cars (new)	7.0%	9.0%	10.2%	11.2%	12.7%
Cigarettes	18.5%	20.7%	22.0%	23.2%	24.7%
Coffee	9.9%	11.9%	13.1%	14.1%	15.6%
Computers	16.8%	18.9%	20.2%	21.3%	22.9%
Diapers	34.2%	36.7%	38.2%	39.6%	41.3%
Education	13.7%	15.8%	17.0%	18.2%	19.7%
Fast food	20.0%	22.2%	23.5%	24.7%	26.3%
Footwear	10.4%	12.5%	13.6%	14.7%	16.2%
Fridges	14.8%	16.9%	18.1%	19.2%	20.8%
Gold	10.8%	12.8%	14.0%	15.1%	16.6%
Leisure travel	11.0%	13.1%	14.3%	15.4%	16.8%
Life insurance	17.4%	19.6%	20.9%	22.0%	23.6%
Liquor	22.9%	25.1%	26.5%	27.7%	29.3%
Milk	11.6%	13.7%	14.9%	16.0%	17.5%
Mobile handsets	7.9%	9.9%	11.1%	12.1%	13.6%
Movies	8.9%	10.9%	12.1%	13.2%	14.6%
Sanitary pads	21.2%	23.4%	24.7%	25.9%	27.6%
Shampoo	12.9%	14.9%	16.2%	17.3%	18.8%
Skin cream	15.3%	17.5%	18.7%	19.8%	21.4%
Soft drinks	14.8%	16.9%	18.2%	19.3%	20.8%
Tea	5.3%	7.3%	8.4%	9.5%	10.9%
Toothpaste	13.3%	15.4%	16.6%	17.7%	19.2%
TV	19.4%	21.6%	22.9%	24.1%	25.6%
Washing detergent	6.4%	8.4%	9.5%	10.6%	12.0%
Washing machines	16.4%	18.5%	19.8%	20.9%	22.5%

Source: UBS estimates

- Because of the offsetting affordability and average revenue impacts, and because we are calculating 10-year growth rates, our forecasts are relatively unaffected by changes in our typical use assumptions. A 50% change in our typical use assumptions (-25% to +25% of our base-case assumptions) generally only leads to a 5% swing in estimated CAGR to the 2020E addressable market.

For hard goods, we also highlight sensitivity to our average number per home assumptions.

- In each case, changing our base-case assumption from one per home to 2.5 per home leads to a ~1,100bp increase in estimated CAGR to the 2020E addressable market.

Table 36: Sensitivity of 2020E addressable market CAGR to changes in average units per home assumptions (shading denotes base-case assumption)

Average number per home	1	1.5	2	2.5
Computers	20.2%	25.2%	28.8%	31.7%
TV	22.9%	28.0%	31.7%	34.7%
Air conditioners	29.5%	34.8%	38.8%	41.9%
Washing machines	19.8%	24.7%	28.4%	31.2%
Fridges	18.1%	23.0%	26.6%	29.5%
Cars	10.2%	14.7%	18.1%	20.7%
Two-wheelers	10.6%	15.1%	18.5%	21.2%

Source: UBS estimates

Wages

Finally, our estimates assume 10% pa wage growth for the next 10 years (based on Philip Wyatt's nominal wage growth estimates for the next 10 years). Adjusting this would directly impact our estimates of the number of people/households that can afford the products.

Table 37: Annual growth to reach 2020E addressable market under various wage CAGR assumptions (shading denotes base-case assumption)

Wage growth assumption	0%	5%	10%	15%	20%
Two-wheelers	2.2%	6.0%	10.6%	15.7%	18.3%
Air conditioners	21.7%	27.3%	29.5%	29.5%	29.5%
Cars (new)	-6.2%	4.7%	10.2%	18.1%	23.8%
Cigarettes	-9.6%	-3.1%	22.0%	28.6%	30.4%
Coffee	6.8%	10.4%	13.1%	13.2%	13.3%
Computers	15.9%	20.2%	20.2%	20.2%	20.2%
Diapers	16.7%	29.5%	38.2%	48.1%	52.1%
Education (vocational IT)	6.8%	13.8%	17.0%	17.8%	24.0%
Fast food	10.3%	16.8%	23.5%	29.9%	31.4%
Footwear	8.3%	12.5%	13.6%	13.8%	13.9%
Fridges	18.1%	18.1%	18.1%	18.1%	18.1%
Gold	7.0%	12.5%	14.0%	15.1%	15.6%
Leisure travel	1.1%	10.4%	14.3%	17.3%	20.1%
Life insurance	15.1%	19.2%	20.9%	21.0%	21.1%
Liquor	10.2%	17.5%	26.5%	30.0%	31.2%
Milk	13.3%	14.6%	14.9%	15.0%	15.1%
Mobile handsets	7.6%	9.7%	11.1%	11.4%	11.6%
Movies	6.9%	8.9%	12.1%	13.4%	14.0%
Sanitary pads	7.4%	18.3%	24.7%	26.5%	26.7%
Shampoo	0.6%	11.6%	16.2%	19.8%	21.7%
Skin cream	2.2%	11.6%	18.7%	20.3%	20.6%
Soft drinks	4.0%	9.3%	18.2%	24.5%	26.1%
Tea	7.2%	8.4%	8.4%	8.5%	8.6%
Toothpaste	16.6%	16.6%	16.6%	16.7%	16.8%
TV	16.2%	22.7%	22.9%	22.9%	22.9%
Washing detergent	9.5%	9.5%	9.5%	9.6%	9.7%
Washing machines	-0.9%	11.7%	19.8%	21.2%	22.9%

Source: UBS estimates

The results are similar to the entry price sensitivity section above.

- The most sensitive categories are washing machines, cars, cigarettes, shampoo, and leisure travel.
- The least sensitive categories are fridges, toothpaste, washing powder, milk and tea.

Previous thematic research

Table 38: Asian Structural Theme *Q-Series®* reports

Date	Title	Structural theme
20-Apr-10	Q-Series: Which products have the most potential upside in China?	Addressable markets
18-Nov-09	Q-Series: GETA - Which companies are the best Global Exposures To Asia?	GETA
28-Oct-09	Q-Series: BrandScore - Which global companies have the best brands in China and India?	GETA
21-Oct-09	Q-Series: Buffetteria - Which global companies have the best quality Asian exposures?	GETA
14-Oct-09	Q-Series: AsiaXposure - Which global companies have the largest Asian exposures?	GETA
4-Aug-09	Q-Series: M&A - Who are the most likely candidates in Asia?	M&A
28-Apr-09	Q-Series: How would carbon pricing impact Asian company earnings	Carbon
4-Feb-09	Q-Series: Asian Consumption	Consumption
3-Nov-08	Q-Series: Labour: Which sectors and stocks are the key beneficiaries?	Shortages
22-Oct-08	Q-Series: Land: Which sectors and stocks are the key beneficiaries?	Shortages
30-Sep-08	Q-Series: Food: Which sectors and stocks are the key beneficiaries?	Shortages
19-Sep-08	Q-Series: Energy: Which sectors and stocks are the key beneficiaries?	Shortages
6-Jun-08	Q-Series: Ageing Asia: Which sectors and stocks are the key beneficiaries?	Ageing
7-Mar-08	Q-Series: Asian urbanisation: Which sectors and stocks are the key beneficiaries?	Urbanisation

Source: UBS

Table 39: Shorter thematic notes from 2009/10

Date	Title	Related Structural Theme
5-Aug-10	Asian M&A over the last year	M&A
23-Jun-10	African urbanisation	Urbanisation
7-Dec-09	More ways to play Chinese re-urbanisation	Urbanisation
31-Aug-09	More urban homes = A lot more appliances	Urbanisation
3-Mar-09	Will the economic downturn dramatically impact urbanisation?	Urbanisation
9-Jun-10	SURI - Social Unrest Risk Indicator	Social unrest
8-Jul-10	High Speed Rail	Infrastructure
24-Jun-10	Key Pick Update - Adding Sinopharm, GENS, & Educomp	All
30-Mar-10	A survey of 10 year predictions	All
9-Feb-10	Themes for 2010 - Chinese pension reform	All
4-Feb-10	What are the next Asian industry clusters?	All
27-Jan-10	Themes for 2010 - Food and Agriculture	All
19-Jan-10	Themes for 2010 - GETA	All
13-Jan-10	Themes for 2010 - Education	All
15-Dec-09	Adding Maruti, Bhartui, China Life and Yurun	All
12-Aug-09	How have our thematic picks fared?	All
7-Apr-10	Earnings, performance and EU exposure	GETA
8-Dec-09	Does brand matter in India?	GETA
4-Dec-09	Holcim- A Top GETA that we excluded	GETA
3-Dec-09	Surprising local Chinese brand strength	GETA
26-Mar-10	Looking to price carbon in Asia	Carbon
2-Dec-09	Copenhagen - Fizzle not bang	Carbon
21-Jul-09	Corporates going green gaining steam?	Carbon
6-Jul-09	Carbon Costs What has changed from 2 months ago?	Carbon
28-Apr-09	Asian Utilities sector: Winners and losers from carbon pricing	Carbon
19-Mar-10	Conflicts - An increasing trend since WW2	Conflicts
18-Jun-09	Asian Consumption key pick laggards	Consumption
21-Apr-09	Consumption: Asia vs. LatAm & Eastern Europe	Consumption
8-Apr-09	Impacts of the current economic slowdown on future labour shortages in Asia	Shortages
9-Jun-09	Land shortages asset play update	Shortages
14-Aug-09	Global exposures to Asian healthcare	Ageing
27-Jul-09	Death Services in the context of Asia	Ageing
2-Jun-09	Universal coverage pension schemes	Ageing
26-May-09	Savings rates in Asia	Ageing
30-Mar-09	The cost of universal healthcare in China	Ageing
19-May-09	Shanghai-listed Hong Kong ETF - The next step in the China liquidity theme?	ETF

Source: UBS

■ **Statement of Risk**

We believe risks to equities include regional and global economies, interest rates, commodity prices, and many other factors. Forecasting corporate earnings is difficult because it is affected by a wide range of economic, financial, accounting and regulatory trends, as well as changes in tax policy. These factors could impact shares negatively.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	54%	41%
Neutral	Hold/Neutral	37%	32%
Sell	Sell	9%	24%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	22%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

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UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
ICICI Bank ^{16, 22}	ICBK.BO	Buy	N/A	Rs963.95	12 Aug 2010
ITC	ITC.BO	Buy	N/A	Rs153.00	12 Aug 2010
Procter & Gamble ^{2, 4, 5, 6a, 6b, 6c, 7, 8, 16, 18, 22}	PG.N	Buy	N/A	US\$59.99	12 Aug 2010
United Spirits Ltd ^{2, 4}	UNSP.BO	Buy	N/A	Rs1,414.20	12 Aug 2010

Source: UBS. All prices as of local market close.

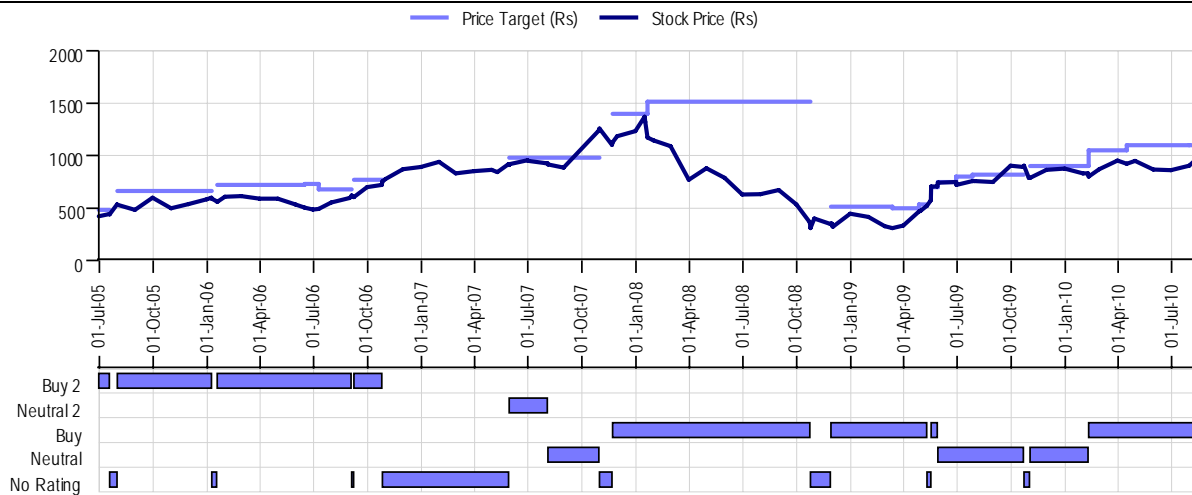
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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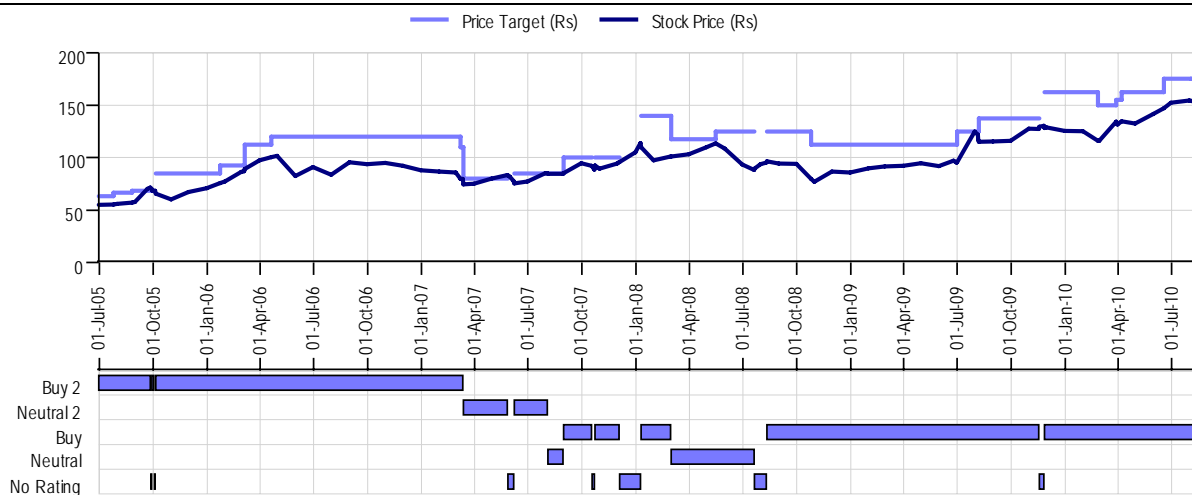
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

ICICI Bank (Rs)



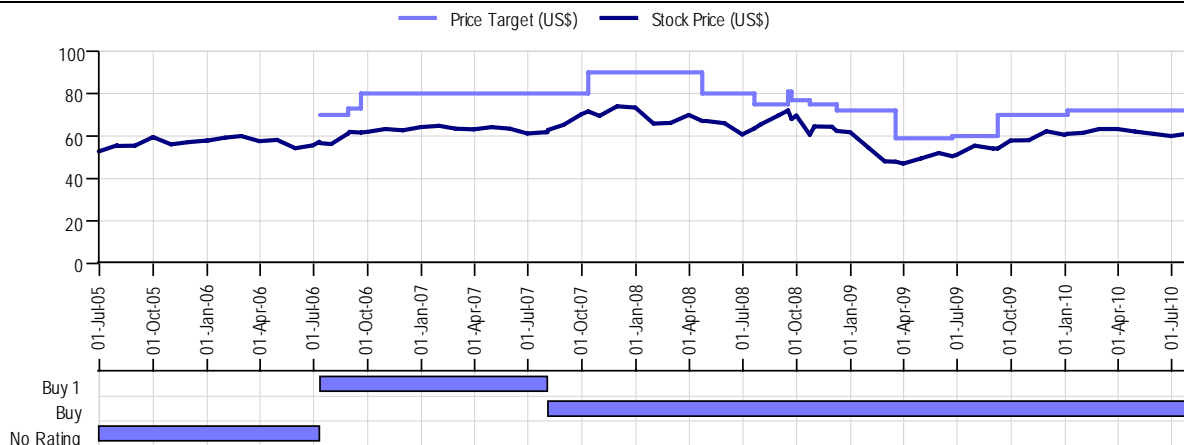
Source: UBS; as of 12 Aug 2010

ITC (Rs)



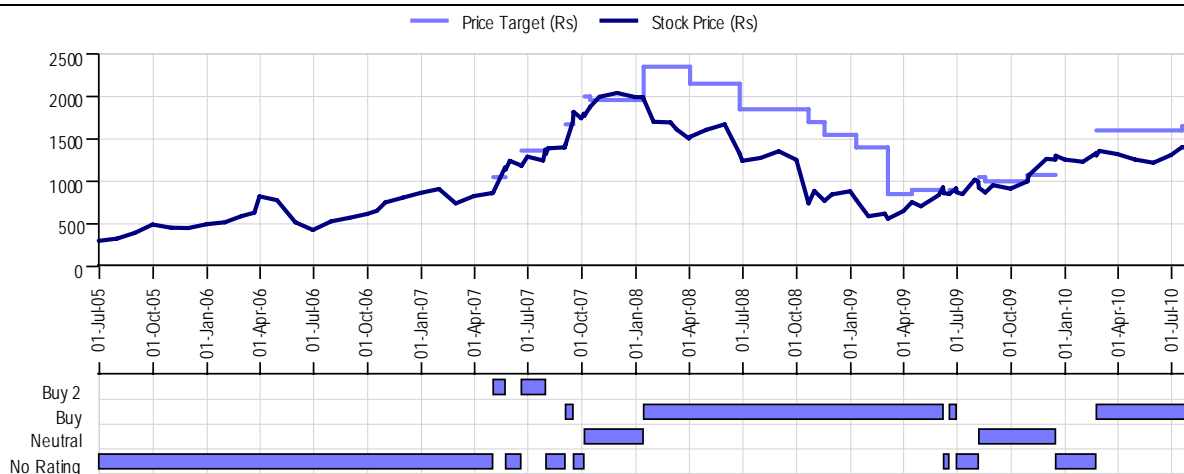
Source: UBS; as of 12 Aug 2010

Procter & Gamble (US\$)



Source: UBS; as of 12 Aug 2010

United Spirits Ltd (Rs)



Source: UBS; as of 12 Aug 2010

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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