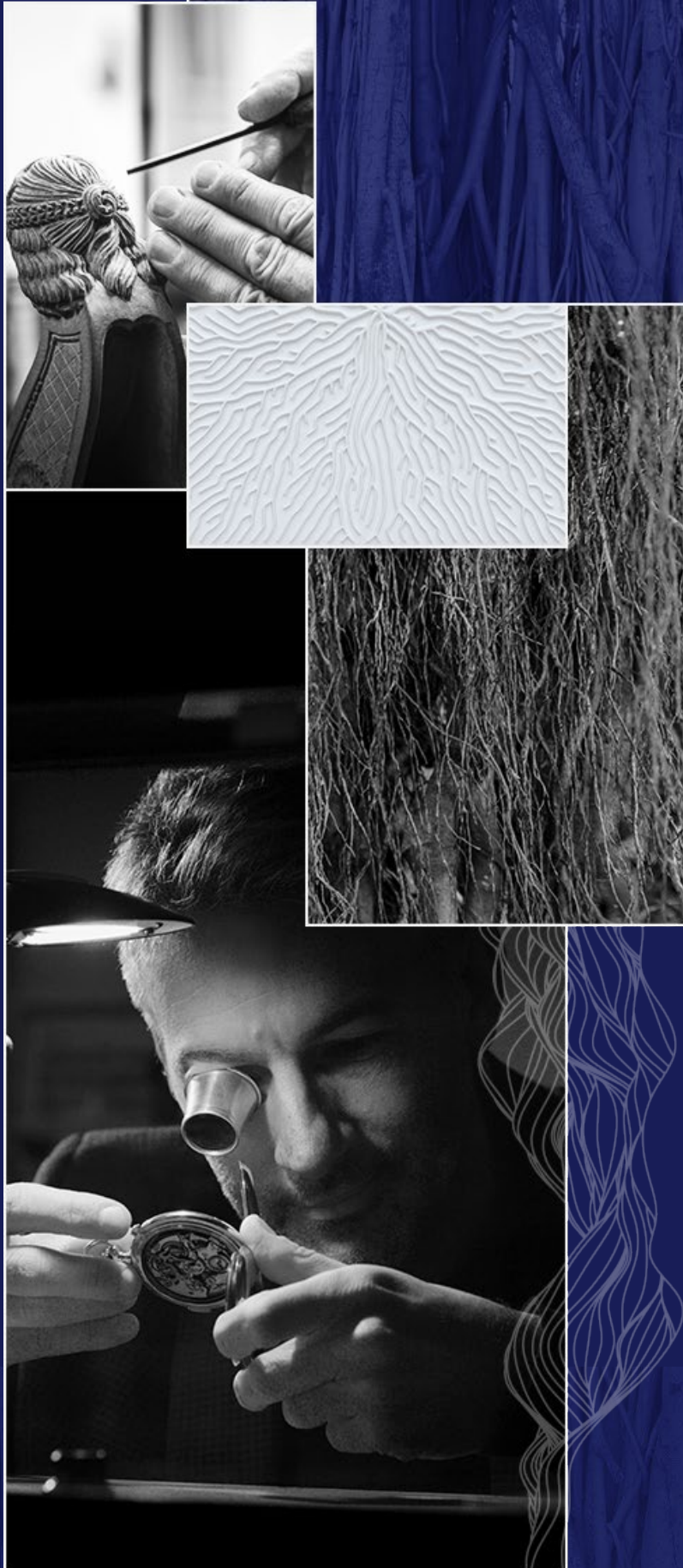


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Indian B2B Manufacturing Landscape

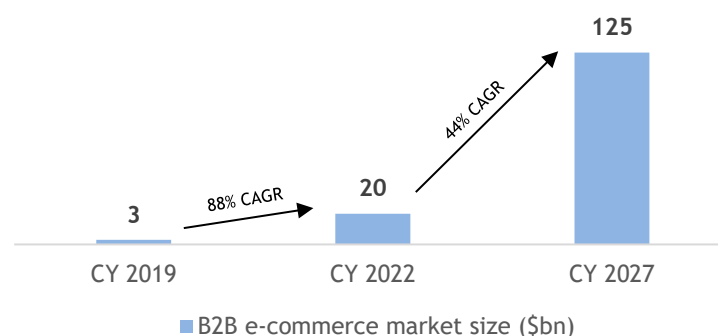
Brief Overview and Background

Indian B2B trade is one of the largest and fastest-growing B2B markets globally, and it currently stands at \$2 trillion. India is the 7th largest manufacturing hub and the 5th largest retail distribution market globally, and the country is well positioned to grow.

However, the sector continues to be one which is yet to be fully disrupted by technology in a meaningful way with the penetration of B2B marketplaces at 1% today compared to US/China markets where digital adoption is as high as 20%. Unlike developed markets where supply chains are streamlined with high degree of uniformity from source to consumption, Indian B2B supply chain continues to operate in a highly inefficient, fragmented, and localized manner, flowing through multiple levels of intermediaries.

In the last few years, numerous structural and macro tailwinds are supporting digitization of B2B commerce in India. Factors such as global supply chain de-risking, China+ 1 policy (An estimated 20%-30% of the current China manufacturing is expected to move to India and other Southeast Asian countries), government's PLI schemes etc. are pushing the expansion of domestic and exports opportunities. These, coupled with a shift in technology adoption by businesses post COVID, are setting the right path for the B2B market to flourish. Since COVID, there has been a baseline shift in growth with most category leaders scaling 5x-10x over this period. Funding momentum also saw significant increase post COVID, with creation of nearly all current unicorns in this space. Larger B2B players are actively using M&A as a strategy to expand reach, margin and capabilities.

Most successful B2B businesses have taken a capital efficient approach with strong focus on expanding margins and at the same time keeping marketing costs and overheads in control. Exports, private labels, and value add have been the key drivers for margin expansion. Successful players in the space have adopted cluster-based expansion approach, using feet on street sales force and tapping into institutional clients for large orders.





B2B evolution from market making to being a one-stop solution

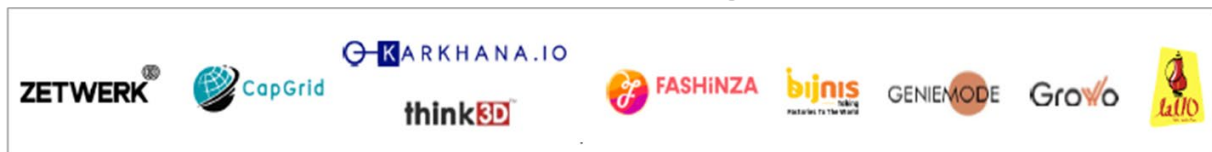
Initial B2B business models (prior to 2015) Classifieds/ listings platforms solving largely for discovery	New business models (post 2015) End to end management of B2B requirements for customers

Key players in the current Indian B2B manufacturing landscape

Materials



Contract Manufacturing



Packaging and others



Indian players are deriving 20-40% of their overall business from international markets, thus, creating successful global businesses.

Key players	International business	International presence
ZETWERK	20% of revenue	250+ global customers with 2,000+ suppliers across 15 countries
FASHINZA	40% of revenue	Serves 200+ brands across US, Canada, UAE, India
MOGLIX	3,000 manufacturing partners across India, Singapore, UK & UAE	Plan to use Southeast Asia & India as a major sourcing hub for global buyers
CAPTAIN FRESH	Main export markets are US, Europe, West Asia	Looking to meaningfully expand in US via acquisitions
BIZONGO	Existing network of 100+ export ready factories	Planning to create a local demand and supply ecosystem in Southeast Asia
INFRA.MARKET	20% of revenue	Exports across Dubai, Singapore, Jordan, Italy



Also, there has been an increasing focus on private labelling and value-added offerings. Global B2B platforms have successfully used this strategy to expand margins. In India, 70-80% of retailed goods are unbranded and being supplied by small fragmented players. This includes categories like pulses, cereals, apparel & footwear. Private labels have turned out to be lucrative and value-accretive strategy.

Deep-dive into Indian manufacturing

India is the 5th largest economy in the world and the manufacturing sector contributes significantly to the Indian GDP. With almost 16% in FY22, manufacturing is expected to contribute ~25% to the Indian GDP in FY25. This would then be at par with the manufacturing levels of US, China, Germany and Japan, as per the National Manufacturing Policy of India.

Significant support from the government policies is improving India's manufacturing attractiveness. The government has launched \$25 billion+ worth production-linked incentives to develop 14 sectors on a par with global manufacturing standards from 2022. With \$21 billion+ FDI in manufacturing, measures have been taken by the government and RBI on FDI policy reforms and liberalization to increase FDI inflows to India. Policies are aimed at increasing the demand and consumption for machinery and equipment by the local manufacturing industry.

Pain points across the manufacturing value chain solved by emerging players through various disruptions:

A. Sourcing

- One-stop shop across SKUs & locations
- Efficient pricing and seamless vendor onboarding
- Steady demand prediction

B. Production

- Complete quality assurance
- Real-time feedback avoiding wastage/delay

C. Delivery

- Agreed delivery SLAs
- Support on logistics, QA processes

D. Post-delivery

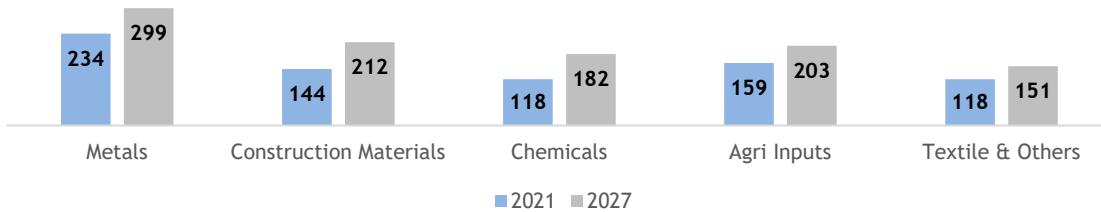
- Defined payment timelines
- Better access to formal credit, working capital efficiency

Materials market

Indian B2B materials market is expected to reach a size of \$1,047 billion by 2027 from \$773 billion in 2021, categorized as follows:



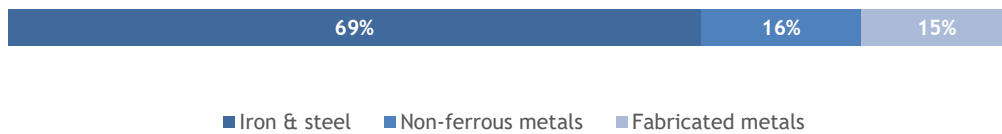
Materials consumption (in \$ bn)



Metals:

Metals is the largest category with construction and infrastructure as its core end users. Processing of metals significantly expands the margin pool available.

Market size 2022



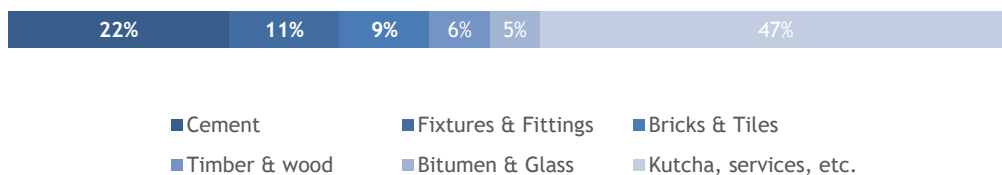
Market tailwinds include

- \$1.5 trillion committed over a period of FY20-25 under National Infrastructure Pipeline
- \$1.25 trillion committed for multimodal connectivity to 1,200+ industrial clusters under Gati Shakti Master Plan
- Focused on strengthening infrastructure through Rural Electrification Scheme
- \$750 billion planned government investment for FY18-30 for railway infrastructure

Construction:

India is poised to be the 3rd largest construction market by 2025.

Market size 2022



Market tailwinds include

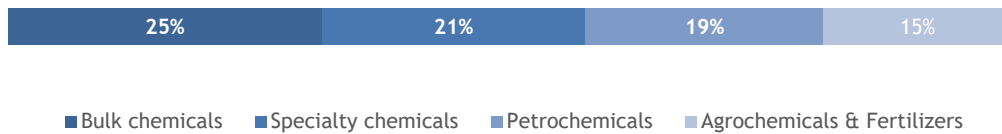
- 100+ smart cities planned through flagship government initiatives
- 40 km per day road construction in India
- 1,000 km metro network under construction in 27 cities
- 16 million+ remaining houses to be built by 2024 under PMAY scheme

Chemicals:

While distribution is highly fragmented in India, Chemicals is the fastest-growing materials category.



Market size 2022



Market tailwinds include

- 25% manufacturing GDP contribution expected by 2025
- \$142 billion expected investment under PCPIR policy by 2025
- China+1 strategy adopted by large MNCs to favour India

Recent M&A in the sector

Date	Buyer	Target	Segment	Deal Size (USD mn)
Jul-22	Ofbusiness	Tracecost	Cost tracking software for construction projects	2.5
May-22	Ofbusiness	SMW Ispat	TMT steel bar manufacturing	Undisclosed
Mar-22	Ofbusiness	Merlin Towers	Steel product manufacturer	Undisclosed
Mar-22	Ofbusiness	Shree Sidhbalilspat	Manufacturer of iron & steel products	Undisclosed
Jan-22	Ofbusiness	Noble Tech Industries	Manufacturer of steel products	Undisclosed
Jun-23	Infra.Market	Strata Geosystems	Building products	111
2022	Infra.Market	Rajuri Steel & Alloys	Manufacturer of steel products	Undisclosed
Feb-22	Infra.Market	Shalimar Paints	Commodity chemicals	35.95
Sep-21	Infra.Market	RDC Concrete	Manufacturer of ready mix concrete	Undisclosed
May-22	Zetwerk	Pinaka Aerospace Solutions	Aerospace & Defense products	Undisclosed
Nov-21	Zetwerk	Wardha fabrication unit of Wheels India	Auto parts & equipment	1.6
Oct-21	Zetwerk	Sharp Tanks &Structurals	Industrial machinery manufacturer	6.27

Road ahead

Huge value unlocking opportunity (~\$2 trillion) exists in the B2B space in India. Supportive macro environment, driven by the government's push to boost manufacturing, large export opportunity, private labeling and factory digitization are key factors for growth. Category leaders are focusing on acquisitions with the objective of expanding reach, margin pool and capabilities. While funding and M&A activity have picked up momentum in the last few years, high quality assets will continue to attract significant investor interest.

Sources:

Industry Report

News Articles

WCA Proprietary Analysis



How can Wodehouse Capital Advisors help?

Wodehouse Capital Advisors has extensive network and prior experience across each of the service vertical



Family Office Services

- Investment Management
- Succession Planning
- Real Estate Advisory
- Business Consulting
- India Entry Strategy



Merger & Acquisitions

- Buy Side Representation
- Sell Side Representation
- Bolt- On- Acquisitions



Debt

- Structured Finance
- Refinancing
- Additional Funds for Set-up



Equity

- Growth Capital
- Strategic Capital

THANK YOU