

ELECTRONIC SECURITY SYSTEMS IN INDIA

April 2010



Created by

IndiQuest

IndiQuest Research Services

6th Floor, MET Bldg, Gen. A. K. Vaidya Chowk, Bandra Reclamation, Bandra West, Mumbai – 400 050

P: +91 22 26440000, F: +91 22 26440001

W: www.indiquest.co.uk

E: IndiQuest.Services@indiquest.co.uk

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1 Executive Summary

Electronic security pertains to leveraging technology in safeguarding assets by preventing unauthorised access to people and property. The government has been a traditional and major consumer of such security services. The commercial segment also uses such devices for their employees and critical data infrastructure. Nowadays, one can witness their implementation in areas like household security and small mom-and-pop stores as well.

The electronic security industry broadly consists of alarms, access controls and close-circuit televisions (CCTVs), which are popularly and extensively used. Of these products, CCTVs have gained more importance in the UK and the US as governments and domestic intelligence forces now make large scale implementation of them at public places.

Access controls continue to be used for a larger part by governments and corporations, though its usage in the residential sector is yet to see any significant acceptance, alarms being more popular in this sector.

Globally, the electronic security market has been dominated by the US and Europe and understandably so, since these places have been a target of militants and extremist movements resulting in severe loss of property and lives. Besides being economic superpowers, the countries in those regions have continued to innovate and produce technologically superior products in order to minimise the occurrences of such incidents.

The demand for electronic security services in the US and Western Europe is expected to account for over 70 percent of the global demand. However, the markets in such countries have started to approach maturity and the industry is expected to grow in single digits. On the other hand, developing countries are expected to grow in double digits due to political and socio-economic factors and liberalisation of the economy.

However, the market in India is largely unorganised and is reportedly flooded with cheaper products from countries like Taiwan, China and other countries in the South-East Asia belt. These products score in terms of the price advantage, with which established players find hard to compete, given India's characteristic price-sensitivity attribute.

What makes this industry, in the Indian context, even more challenging is the fact that none of the players are able to come to a consensus on the value of the industry and the expected growth potential. Moreover, the industry characterised by the presence of a few players and the potential to accommodate a few more, is in the lower end of the growth curve and has a few more years for it to peak. This report attempts at understanding the Indian market for electronic security products and gives an indication of the segments to be addressed. Additionally, the report also throws light on the industry characteristics in terms of regional usage, end-user classification and device market share.

The outcome of the report has thrown up the following important points:

- The market for electronic security equipment in India is expected to grow at 25 to 30 percent over the next five to ten years.
- Organised players comprise only 20 percent of the market, but account for 80 percent of the revenues generated.
- The residential and educational sectors which have been largely untapped will help provide a boost to the electronic security industry.
- The country's southern region ranks first in the usage of security products followed by the western, northern and eastern parts of the country.
- Current taxation policies have yet to encourage domestic players to compete with international companies.

In conclusion, the market for electronic security equipment in India is largely untapped and under-served. Additionally, the consumers in the country need to be awakened to its importance which will prove to be a daunting task for players operating in this segment. Mixed with the price sensitivity of Indian consumers, India will be a challenging market for such companies to operate in. The potential in the security industry has caught the eye of venture capital and private equity funds; the first investment was reportedly made in January 2008 by PE major DE Shaw. It picked a 14 percent stake in Delhi-based Security and Intelligence Services (SIS) India Ltd.

The market holds immense potential for those players who are able to find the right mix of price, technology and awareness – the synergies of which will pay rich dividends for a company's investments in the electronic security industry in India.