



SHOPPING CENTRES ASSOCIATION OF INDIA



Story Within The Budget

Exploring the impact on retail real estate. Determined to look at the big picture, stakeholders say that the Union Budget 2015 is positive in many ways.

Retail real estate stakeholders say that in general the budget announcement has been positive. However, some specific focus would have benefitted this sector more. In terms of broad strokes, the stakeholders in retail real estate say that anything that increases the income of consumers benefits retail. Along with this, increased urban growth, real estate investment trusts (REITs), the focus on technology and initiatives such as the Goods and Services Tax (GST) are positive. The misses include no progress on the long-held demand of granting the sector industry status, a national retail policy and single window clearance, which have been talked about often.

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- Yves Saint Laurent, Designer

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Story Within The Budget

Exploring the impact on retail real estate. Determined to look at the big picture, stakeholders say that the Union Budget 2015 is positive in many ways.

Retail real estate stakeholders say that in general the budget announcement has been positive. However, some specific focus would have benefitted this sector more. In terms of broad strokes, the stakeholders in retail real estate say that anything that increases the income of consumers benefits retail. Along with this, increased urban growth, real estate investment trusts (REITs), the focus on technology and initiatives such as the Goods and Services Tax (GST) are positive. The misses include no progress on the long-held demand of granting the sector industry status, a national retail policy and single window clearance, which have been talked about often.



Anuj Puri,
Chairman – SCAI, & Chairman &
Country Head – JLL, India

“I don't see any reason for retail to feel left out,” says Anuj Puri, Chairman – SCAI, and Chairman and Country Head – JLL, India.

“Retail as a sector has direct benefits from the increase in income of consumers. The previous budget, which was an interim one in June 2014, did raise the deduction limits, thereby increasing disposable incomes in the hands of individual consumers.

The entire exercise of increasing the pace of urbanisation, move towards cashless society, more job creation (Make in India, FDI liberalisation, etc.), increasing real estate transparency, reduced black money, etc., will help in overall development of the Indian consumer market.

A big positive for retail sector would be the rolling out of GST, which is expected to happen in the next financial year. I don't see any reason for retail to feel left out,” he says.

He also focuses on building positive consumer sentiment and softening inflation, adding that, “Budget announcements on GST, modification of excise duty structure, fund allocations for skill development and rural markets development would ensure long-term consumption boom for the retail sector.”

Others in the industry are keen to take an optimistic view as well. Deep Kantawala, Head – ICS Corporate Advisors, says, “From the point of view of retail real estate, GST is going to help significantly by bringing in uniformity in tax structures.”

He also lists the emphasis on infrastructure creation as a positive for the sector. “Infrastructure development will help create retail nodes.”

The expectation from the government was to put the economy on a path to fast track growth, which has been done, to a certain extent, by projects announced to encourage investment in infrastructure, especially the Make in India campaign.

Dr. Prodipta Sen, Director, Alpha G:Corp Management Services, says, “The reduction of Corporate Tax by five per cent over the next few years will also help to attract further investments from domestic and foreign companies in the retail and real estate sector. In order to attract foreign inflows, the finance minister has announced allowing foreign investments in Alternate Investment Funds and doing away with the distinction between different types of foreign investments, especially between FII and FDI.

REITs formed the focus of much optimism. Puri says, “While many believe that REITs will help office real estate market to grow significantly, even retail real estate market has its own share of benefits through this instrument. There are some attractively positioned retail malls that may not be doing well currently owing to poor mall



Deep Kantawala,
Head – ICS Corporate Advisors

management practices. If REITs are able to identify those assets, buy them and turnaround through expert retail consulting, these under-performing malls could do well and will add to the supply of quality mall space in India. Currently, quality retail space is limited even in leading metropolitan cities of India."



Dr. Prodipta Sen,
Director, Alpha G: Corp
Management Services

Clarifications on REITs have been very welcome. Dr Sen says, "The positive announcement in the budget was the tax clarification on REITs. Further, the rental income arising from real estate assets, directly held under REIT, is also proposed to be allowed to pass through. This will bring stronger demand for high quality property, especially for suburban retail malls and commercial projects. Once REITs come into existence, retail and commercial real estate developers will get access to cheaper funding and investors in retail will also be benefited further."

Kantawala says that this will have an additional benefit of allowing small investors to back retail real estate. "Granting pass through status for taxation is welcome and essential step for successful implementation of REIT's in India. It will help in easing liquidity requirement for developers and will pave way to raise capital. It will also provide access to retail investors to benefits from regular income and appreciation benefits from real estate.

However, Vivek Kaul, Head Retail Services, CBRE South Asia, says much still needs to be done. "Despite the greater clarity provided by the budget announcement, much still needs to be done to finalize REITs' tax structures and make them attractive for investors, particularly foreign groups. Essentially, the pricing and quality of assets will be crucial for the successful launch of the REIT market in India. The announcements fell short of industry expectations that REITs and their sponsors would be granted complete exemption from taxation. A tax will still be levied on REITs' distribution of dividends to investors. Moreover, there will be no exemption of stamp duty for sponsors which directly transfer assets to a REIT."



Vivek Kaul,
Head Retail Services,
CBRE South Asia

As industry leaders come together to have their say, the bureaucracy putting shape to rules and regulations is paying heed. Kaul says, "Other challenges Indian REITs must overcome include lengthy registration processes and burdensome stamp duties; risks concerning asset selection; and low yields comparative to other investment vehicles such as government securities and AAA bonds, with yields now at a range of nine per cent. Authorities are expected to continue to take counsel from the real estate industry and review the performance of other regional REIT markets before making further announcements in the near future."

Retail real estate majors and experts say that the budget could have handled some issues with more clarity. The expectations from the government were high also because of the current state of retail real estate sector.

Kaul says, "At a time when sentiments in the real estate sector have been subdued, much was expected out of the Union Budget. The retail real estate sector had expected a greater thrust towards promoting Foreign Direct Investments (FDI). The industry expected relaxation in FDI norms in retail and e-commerce sectors, among others. However, there were no major announcements on this issue."

Clearly, the expectations from the government known to be friendly to business and trade interest are bound to high. However, says, Dr Sen, "expectations from the real estate and retail sectors were high from the Union Budget, there is not much to cheer about at the moment."

He lists the short-term impact of increase in surcharge and service tax as a matter of concern for all. "The increase of nearly two per cent in service tax is going to increase the overall costs for those availing services from the retail real estate sector."

Puri agrees, listing the concern of specific tenant groups. "Brick-and-mortar retailers in the country have been going through tough times. Fighting dampening consumer sentiment that impacted footfalls plus deep discounting by online rivals that are increasingly wooing away Indian consumers, amidst this the proposal to increase the service tax from 12.36 per cent to 14 per cent will definitely hamper the consumption levels. Just when the consumer products industry was looking to rise over its worst slowdown in a decade, the budget proposal to increase service tax coupled with lack of any sops for consumers will impact the overall consumption. The service tax increase may have adverse impact on restaurants and grooming services such as beauty salons and spa," he says.

On one hand, retail benefits when consumers' spending powers are enhanced, on the other, they bear the brunt of increased taxation. Says Kaul. "While the government expects to receive higher revenues with the service tax hike, it effectively means that a consumer now will have to shell out more at restaurants and cafes. Formats such as the Quick Service Restaurant (QSR) might feel the pinch with this tax hike, as it is a very competitive and price sensitive format."

From the retail real estate point of view, the long-term, indirect benefits from the budget are many but there are as many areas that still need to be focused on.

"When women are depressed, they eat or go shopping.
Men invade another country. It's a whole different way of thinking."

- Elayne Boosler, Actor



SHOPPER TALK

Share Of Wallet!

Consumers speak about the impact of the budget on their spending.



Positive consumer sentiment is necessary for growth of the retail sector. Naturally, India's vast middle class will see the impact of this budget on their spending power.

For some shopping is a way of life. "I shop like it is entertainment. Some people don't or stick to buying things when they need to but I always like to think of shopping as an end in itself," says Pooja Mehra, a Mumbai-based shopper.

"I will often take off for shopping trips when I feel like it. I like to go over shelves full of clothes and accessories and find those hidden gems that only I can," she says, bringing whimsy into the picture.

However, in the wake of global recession, Indian shoppers are yet to go back to shopping like they used to. A shopper in Bangalore, Sheilu Menon says that it would take time to go back to the same splurge-happy consumers.

"The recession has made us price conscious, so anything that screams of too much *mehngai* (high prices), is a problem" she says.

"When it comes to shopping now, I find that what was earlier considered a luxury is now a necessity. We may hunt deals but we want a new mobile phone every couple of years. Things are no longer built to last. We are constantly reminded that we are behind the times when it comes to owning the good stuff."

"Sometimes you may end up feeling that you cannot keep up," she says.

Shoppers say that the new budget, which will result in having more service tax passed on to them will definitely affect spend. Ratan Rathore, a Delhi-based shopper says, "If eating out is going to cost more, we are definitely going to eat out less. For large families such as ours, or even an average family of four, all costs are multiplied. I do wish that retailers would accept some of the burden of the tax. In some places, they even list taxes separately and don't tell you on the menu. It's crazy to keep adding percentages to the food while making a choice."

Mehra says, "Eating out may become more expensive but I think there are many opportunities to enhance your income. I plan to follow the old maxim that don't reduce your spend but increase your income. I do hope that the government and other people who decide fates are able to look after our economy."

The point that general prosperity leads to great spending is not lost. "There are so many times when we take out of town visitors shopping. They are quite happy to do that and so are we. At such times, you want to show off your city and its great retail experience. I believe that until such time that there will be differentiated retail in cities, there will be many who will feel the same," says Menon.

It is clear that consumers adapt to various models of shopping. For them, it's about having choices rather than picking one over another.

Clearly, prudence meets aspiration in case of Indian shoppers.



INDUSTRY TALK

Anuj Puri, Chairman – SCAI & Chairman and Country Head – JLL, India On "Opening Of REITs Will Decrease Pressure On Cash-Starved Developers"

"The finance minister has said that he proposes to rationalise the capital gains regime for REITs, but has not given any specifics. This could mean that the sponsor of a REIT may get a one-time capital exemption in exchange for units, but this needs to be confirmed.

The opening of REITs, as a possible route for investing in real estate, will help decrease the pressure on cash-starved developers. However, the listing of new REITs will be slow and steady. REITs will take at least three to four years to become an influencing instrument in the Indian real estate sector.

However, it will definitely gain popularity among developers and investors over mid- to long-term. Once REITs come into existence, commercial real estate developers—particularly large and listed names—will get access to cheaper funding. Retail investors, too, may benefit. It will provide a new investment route to small investors who are looking for a way to become a part of the real estate growth."



Anuj Puri,
Chairman – SCAI, & Chairman &
Country Head – JLL, India

Dr. Prodipta Sen, Director, Alpha G:Corp Management Services On How “GST Will Have A Positive Impact On The Retail Sector”



Dr. Prodipta Sen,
Director, Alpha G:Corp
Management Services

“To satiate the long-pending desire of single window clearance and ease of doing business in India, the Finance Minister has launched an e-Biz Portal that integrates 14 regulatory permissions at one source. Also, an expert committee is being appointed for this purpose to examine the possibility of replacing multiple prior permissions with a pre-existing regulatory mechanism. This will of course immensely help those who had to earlier wait for stringent clearances and permissions from different departments.

The announcement of GST as a state-of-the-art indirect tax system by 1st April, 2016 will have a positive impact on the retail sector as it will break tax barriers between states, bringing in a uniform tax rate across the country. This will replace all indirect taxes on goods and services by the central and state governments, and will boost the retail sector where companies can look at streamlining warehousing and logistics processes as they prepare to operate under GST. And, also this will enable consumers in the retail sector to enjoy uniform prices across the board.”



TRADE TALK

Xander Group's Virtuous Retail Looking At Strategic Partners

Private equity major Xander Group is looking to rope in strategic investors into its retail realty asset platform Virtuous Retail in the next three to six months. This will be a precursor to a public listing of the platform in Singapore or India in the next 12-18 months, as per news reports.

According to news reports, the fund is looking to expand into other important markets like Mumbai, the National Capital Region and Kolkata. It currently has presence in Bengaluru, Pune, Chennai and Surat.

Xander's retail-dedicated fund, which has invested over Rs. 2,000 crore into this venture, has three years before it expires in May 2018. Virtuous Retail is the largest institutionally owned private retail realty development and operating platform in India. Its existing portfolio has around 5 million sq. ft., of gross leasable area across five assets.



Indian Govt. Approves Hong Kong's Wacoal's FDI Proposal

Based on the recommendations of Foreign Investment Promotion Board (FIPB), the Government of India has



approved a proposal of Wacoal International Hong Kong Co. Ltd. (Hong Kong) for foreign direct investment (FDI) in single brand retail trading (SBRT).

Wacoal International had sought approval to set up a joint venture with 51 per cent equity participation for undertaking single brand retail trading of products under the brand name 'Wacoal', said news reports. The remaining 49 per cent of the equity share is to be held by an Indian partner.

Wacoal, which specialises in women's lingerie, has proposed to bring FDI of US\$ 255,000 (approximately Rs. 1.58 crore) into India.

Health Check-Up For Mall Construction Workers

Real estate developer Merlin Group set up health check up camps to offer preliminary checks to construction workers at their upcoming shopping mall, Acropolis in Kolkata.

The camp saw more than 300 workers queue up for check-ups. The health camp which include check-up of eye, nose, throat, nutrition, diabetes and overall health indicators, which will be offered along with free medicine assistance under guidance of specialized doctors and medical team from KPC Medical College & Hospital.



Over these two days doctors from KPC Medical College & Hospital conducted check-ups on the workers and provided a basic medical report and a prescription based on a physical examination of their chest and abdomen, random blood glucose count and a record of their height, weight and blood pressure, plus their blood grouping.

In case any worker has a long-term ailment Merlin Group has committed to bear the cost of their treatment. Representatives from Merlin Group and medical staffs/volunteers from KPC Medical College & Hospital distributed booklets and explained the details for the importance of a healthy lifestyle.

Commercial Building Plans To Be Fast-Tracked In Delhi



A high powered committee has been set up for fast track approval of building plans in Delhi, according to a press statement.

To enhance the ease of doing construction business in Delhi, the Minister of Urban Development M.Venkaiah Naidu has set up a High Powered Review and Monitoring Committee to enable fast track approval of building plans in Delhi. The 16-member committee will be headed by the Vice-Chairman of Delhi Development Authority (DDA).

The committee has been mandated to review and monitor sanctioning building plan approvals for land area of 5,000 sq., and more for commercial/industrial purposes and 10,000 sq., and more for residential purposes. The committee seeks to enable building plan approvals within 30 days from the date of application to the concerned urban local bodies.

The committee will meet once every month and sort out inter-departmental issues that result in delay in issuing the required No Objection Certificates/clearances. The committee, if required, can call the applicant to seek clarity to resolve the issues.

Puma Plans To Buy Out Partners Stake

Puma Sports India, which recently got the government's approval for bringing in FDI, is planning to buy out its partner Knowledge Fire's 49 per cent stake in joint venture Puma India Retail, and to launch own stores in the country.

Also on the cards is making India a manufacturing hub for the company's products, said Abhishek Ganguly, Managing Director, Puma Sports India.



According to news reports, Puma had proposed to bring in Rs. 10.1-crore (\$1.66-million) FDI, which the Foreign Investment Promotion Board approved late last year.

Currently, Puma has two companies in India — Puma Sports India (the holding company) and Puma India Retail, a 51:49 joint venture with Knowledge Fire. It is operating in the country through the single brand retail route.

DLF Promenade Launches Loyalty Program



DLF Promenade has launched a special premium loyalty program for its patrons. The customers need to enrol themselves at the mall to avail the lifetime shopping benefits. The Silver, Gold and Platinum Perk Cards launched by the mall in March are focused on specialized profits for the consumers.

The loyalty program offers various benefits for the shoppers ranging from free movie tickets, discount vouchers, assured gifts and free parking at the mall.

The loyalty program also allows shoppers to earn and redeem loyalty points, which are redeemable through redemption vouchers of various denominations across all stores at the mall.

Mars Inc. To Open Its First India Chocolate Factory

Mars Inc. has said that it is on track to open its first chocolate plant in India, where its popular Snickers and Galaxy bars will be made to meet growing demand, the company said in a statement.

Mars International India, a wholly owned subsidiary of Mars Inc., signed a memorandum of understanding with the Maharashtra government in Mumbai for a \$160 million plant in Pune, Maharashtra.

The "chocolate industry in India is growing at nearly 20 per cent every year and we see this as a huge opportunity to expand our chocolate portfolio in the country in the coming years," MV Natarajan, General Manager of Mars International India, said in a release.

Mars India currently imports chocolate and manufactures its Pedigree and Whiskas pet care products.



"Credit buying is much like being drunk. The buzz happens immediately and gives you a lift.... The hangover comes the day after."

- Joyce Brothers, Writer

