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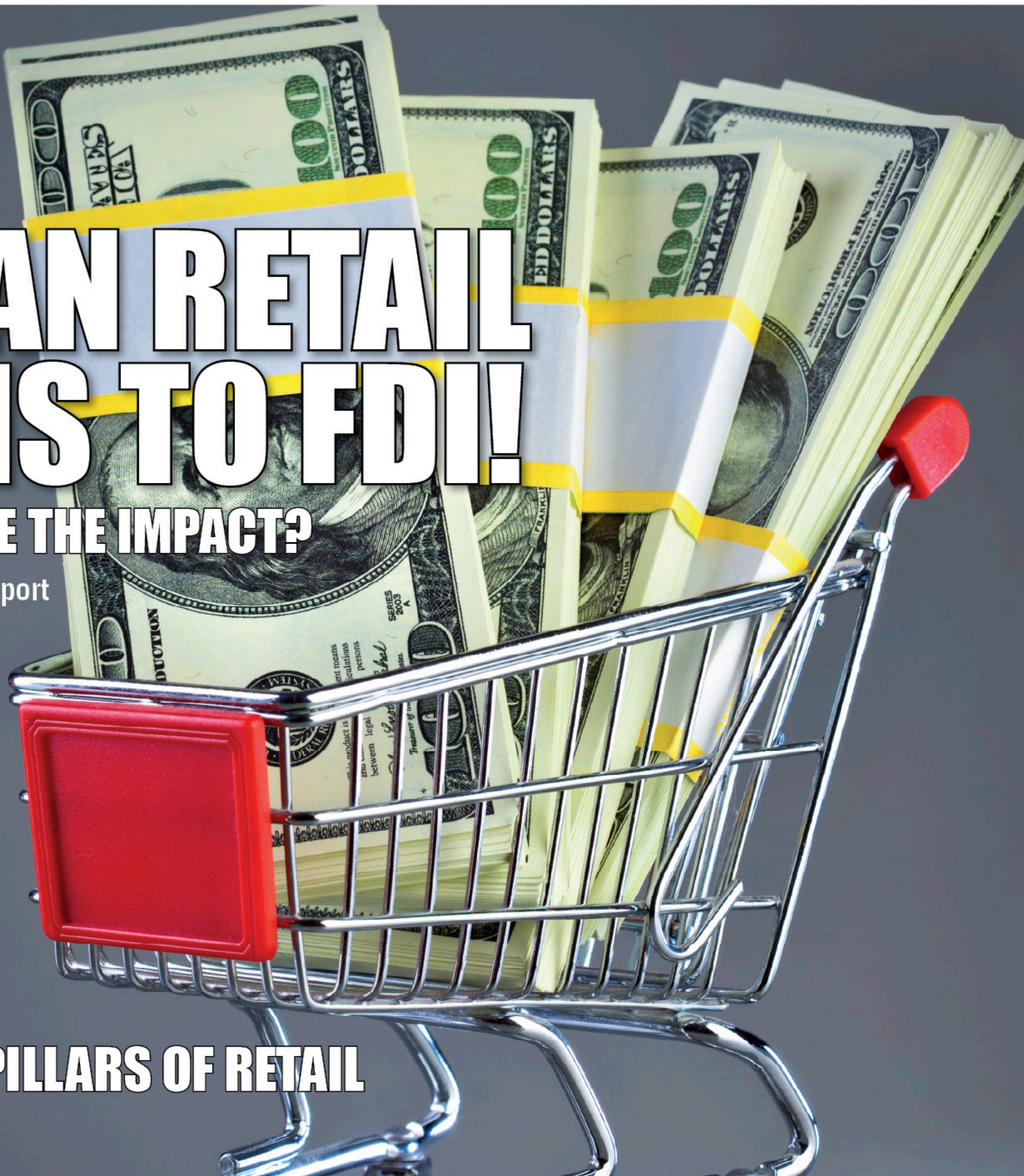
INDIAN RETAIL OPENS TO FDI!

WHAT WILL BE THE IMPACT?

An IMAGES-ASIPAC Report



RETAIL EMPLOYEES' DAY DEC 12

PEOPLE: THE PILLARS OF RETAIL

CRACKED

The impact of Foreign Direct Investment on the Indian retail sector

An exclusive IMAGES-ASIPAC report

The 24th of November 2011 was a historic day for Indian retail. The cabinet of ministers of the Government of India cleared the commerce ministry's proposal to permit 51 percent foreign direct investment (FDI) in multi-brand retail (with several riders), as well as 100 percent FDI in single-brand retail (51percent was already allowed in single-brand retail).

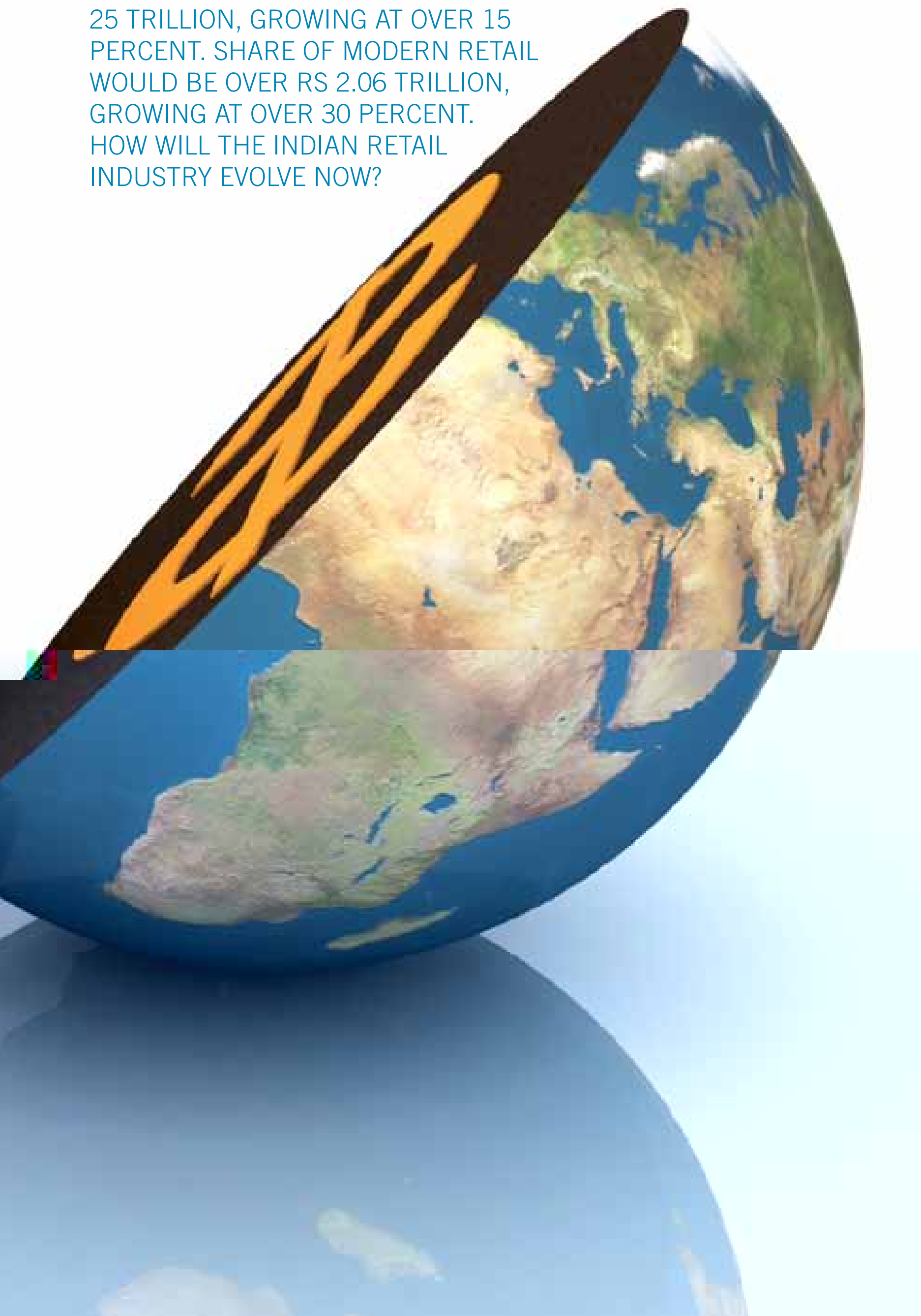
On a panel discussion on the popular news channel CNN-IBN, serial consumer activist Bejon Misra was shouting at the top of his voice that FDI in retail is not good for Indian consumers. When being asked by others present to explain his logic, Misra said that his *kirana*, Guptaji, gave his family goods on credit while organized sector hypermarkets and supermarkets did not.

"I don't need credit, I need the choices that hypermarkets offer me, which kiranas don't" said Sriram Khanna, Managing Trustee, Consumer Voice. "While no one is stopping you from continuing to shop at Guptaji's kirana store, how can you stop me from getting the choices I want? After all, India is a free-market democracy, so let 1.2 billion consumers decide where to shop, instead of you deciding for all of India."

This probably sums up the mood of the Indian consumer – GIVE US CHOICE. As one travels through Rishikesh in the North, Ajmer in the West, or Mysore in the South, you can see more and more consumers flocking to neighbourhood supermarkets which are giving them a choice of brands and products at different price points, allowing them to participate in India's consumer boom.

OPEN!

AFTER YEARS OF DITHERING, THE INDIAN MULTI-BRAND RETAIL SECTOR HAS FINALLY BEEN CRACKED OPEN FOR FOREIGN FUNDING. THERE IS A HUGE OPPORTUNITY WAITING FOR GLOBAL PLAYERS. THE CONSUMER SPEND IS EXPECTED TO TOUCH RS 55 TRILLION THIS FISCAL. THE TOTAL RETAIL WOULD BE OVER RS 25 TRILLION, GROWING AT OVER 15 PERCENT. SHARE OF MODERN RETAIL WOULD BE OVER RS 2.06 TRILLION, GROWING AT OVER 30 PERCENT. HOW WILL THE INDIAN RETAIL INDUSTRY EVOLVE NOW?

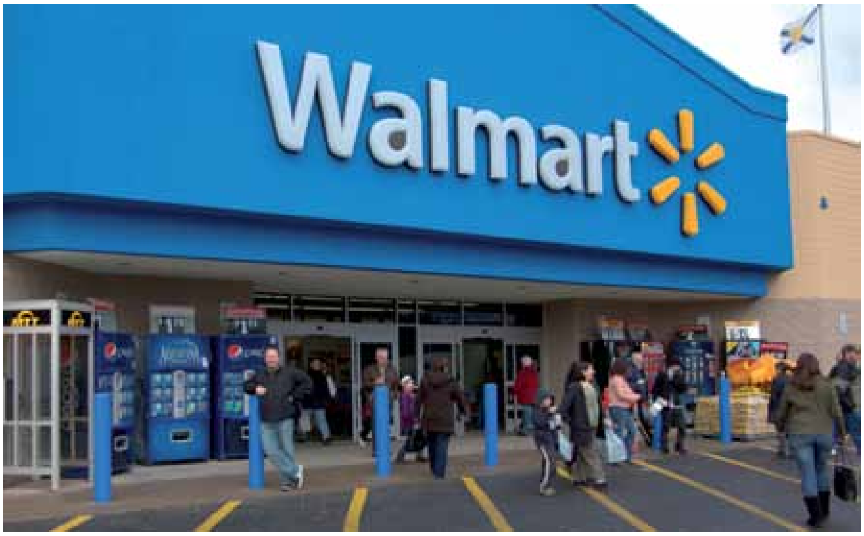


Raj Jain, President, Walmart India and MD, Bharti Walmart, said: "We are grateful the Government has realized and appreciated the value that Walmart will bring to strengthen the Indian economy. This will positively impact the Indian market and will also contribute toward India's image as one of the world's fastest growing economies and a welcoming destination for international businesses. We are willing and able to invest in back-end infrastructure that will help reduce wastage of farm produce, improve the livelihood of farmers, lower prices of products and ease supply-side inflation."

Bharti Walmart Private Limited is a joint venture between Bharti Enterprises (better known for their telecom brand Airtel) and Walmart. The joint venture has wholesale cash-and-carry and back-end supply chain management operations in India. The JV has nine Best Price Modern Wholesale stores which employ 3,372 people. Bharti Retail, wholly-owned subsidiary of Bharti Enterprises, operates neighborhood stores called Easyday, compact hypermarkets called Easyday Market and hypermarkets called Easyday Hyper.

Kishore Biyani, Founder & Group CEO, Future Group (Pantaloon Retail India Limited), agrees: "It's a big win for the agri-sector as investments in back-end in the agri-sector will result in better prices for the sector and reduce inefficiencies, thereby getting better prices for the

WE SEE MORE AND MORE CONSUMERS IN TIER-2 AND TIER-3 TOWNS FLOCKING TO NEIGHBOURHOOD SUPERMARKETS WHICH ARE GIVING THEM A CHOICE OF BRANDS AND PRODUCTS AT DIFFERENT PRICE POINTS, ALLOWING THEM TO PARTICIPATE IN INDIA'S CONSUMER BOOM.



The $419 billion Walmart is renowned for its efficiency and expertise in logistics, supply chain management and sourcing. It employs over 2.1 million people across 9,826 stores under 60 different banners in 28 countries

farmers." Pantaloon Retail had sales of Rs 122.12 billion ($2.35 billion) in fiscal 2011, with operational retail space of 15.24 million square feet, with more than 50 percent of that space occupied by its hypermarket format called Big Bazaar.

"It will help at the farm level by improving productivity and possible better earnings for farmers, as well as investment in food processing. It will also help in generating employment at the farm level as well as in the supply chain," commented Saloni Nangia, SVP Retail, Technopak Advisors.

Adds Goldie Dhama, Associate Director, PwC India: "Increased investment in back end (supply chain and cold storage) infrastructure will help in reducing the wastage percentages of 30-40 percent of food produce from farm to fork. Technology transfer to Indian companies will enable best practices in crop management and food safety and hygiene, thereby improving the quality of food products across the board in the country."

One needs to ask how kiranas will get affected differently by foreign food and grocery (F&G) players, compared with Indian giants in this business (Reliance, Tata, Aditya Birla, Raheja and Future Group) and by foreign retailers such as Walmart and Spar, who are operating through licensing or similar arrangements. What can new foreign retailers do (to harm kiranas) that these players cannot?

"This is a very progressive step and consumers will get a far wider range of quality products at better prices," said Viney Singh, MD of Spar's licensee Max Hypermarkets, part of the Dubai-based Landmark Group. "It will also benefit farmers and the industry that feeds into retail. Currently, many states do not permit us to procure directly from farmers, as these state governments feel that farmers will get exploited with so few organized F&G retailers in India. With many more players [with the capital, scale and organizational capabilities] now coming in and building the scale required at the front-end, the same state governments will understand that the farmer will get the best prices, as he will have many organized buyers to choose from. So I expect

WE WILL HAVE AN ESTIMATED 190 MILLION SQUARE FEET OF HYPERMARKETS, SUPERMARKETS, CONVENIENCE STORES, PHARMACIES AND DRUGSTORES BY 2015, COMPARED TO ABOUT 15.3 MILLON SQUARE FEET TODAY

a lot of change in local APMC laws going forward." Spar currently has 10 operational stores in India and Singh expects to close the current year with a turnover of Rs 5.8 billion ($0.116 billion). In 2010, Spar worldwide had retail sales of $39 billion from 12,136 stores in 33 countries. Singh does not believe there will be any change in the Spar–Landmark Group relationship, as Spar does not invest in most foreign markets, where it follows a licensing/ franchising model.

By 2015, the urban India will have a population of 423 million people. They will need 635 million square feet of total space for food retailing (including grocery, pharma, beauty & FMCG) at 1.5 square feet of per capita food retail space, compared to about 511 million square feet today, including space occupied by modern trade as well as traditional retailers and neighborhood kiranas. The western world has an average of 3.1 square feet and South-East Asia 1.82 square feet. If we assume that the organized sector (including existing players) will capture only 7.5 percent market share in four years, we will have an estimated 47.63 million square feet of hypermarkets, supermarkets, convenience stores, pharmacies and drug stores by 2015, compared to about 15.3 millon square feet today.

The main opposition party BJP and the permanent opposition left parties say that foreign retailers will cannibalise the business of kiranas. Even if foreign retailers capture 50 percent of the organized sector's total market share (which itself is a tall order) and thus have 23.82 million square feet of retail space, at an average ownership of 1,200 square feet of retail space per small business (kirana) owner, this will only affect 19,850 businessmen and not crores of businessmen, as has been hyped by some politicians.

Most discussions about opening up multi-brand retail only talk about food & grocery, but there's much more to retail than just food & grocery. 423 million urban Indians will need 3,680 million square feet of space for non-food retailing, at 8.7 square feet per capita. Assuming 20 percent market share for the organized sector in non-food retail, the organized sector is estimated to have 736 million square feet of non-food retail space.

Let us look at how many jobs will be impacted. At one direct job for every 180 square feet of retail space (across formats), an estimated 4.354 million people will be employed across the 783.63 million square feet of space occupied by organized retail. With 1.5 indirect jobs (in supply chain and logistics) per direct job, it adds up to a total of 10.89 million jobs. Therefore, Anand Sharma is bang on!

A vast majority of the retail employees will be those who have studied only up to the primary school. What other job opportunities (of this magnitude) are there for such people, who either cannot afford to finish high school, or just do not have the IQ required? They will have benefits such as PF and ESI, thus bringing them lot of stability and security. More importantly, the organized sector is not just giving these people employment but is augmenting their skills through training and personality development, thereby making them more marketable. So what does the kirana do to increase India's Human Development Index? In other words, more FDI = better HDI.

"Today, about 90 percent of children do not pursue education beyond schooling. With a large number of new stores opening, modern trade will become a preferred choice of employment to them," says Sanjeev Goenka, Chairman, RP Sanjiv Goenka Group, which runs 220 retail stores including 30 Spencer's hypermarkets.

Why would any political party would want to favour 19,850 small businessmen over 10.89 million youth who do not have many other job opportunities? The left parties and left-leaning regional parties should be at the forefront of supporting FDI, if they really stand for the upliftment of the economically weaker sections of society.

Let us look at the fine print in the FDI announcement made by the Government of India. In allowing 51 percent FDI in multi-brand retail, the following restrictions apply:

- Minimum investment of $100 million.
- 50 percent of investment (or minimum $50 million) has to be in back-end logistics, not including investment in property.
- At least 30 percent sourcing from SMEs or small-scale industry.
- Stores can only be in cities with a population of more than one million people. (Please see the chart with a list of these 39 cities.)
- Government will have first right of procurement of farm produce.

"My initial estimates are that it [FDI] will create over 4 million jobs in the country and in logistics about 5-6 million jobs in three years."
– **Anand Sharma,** Minister for Commerce and Industry, Government of India

INDIAN CITIES WITH >1 MILLION POPULATION

Rank	City	State	Population (2011)
1	Greater Mumbai	Maharashtra	19,130,565
2	NCR	Delhi	15,828,138
3	Greater Kolkata	West Bengal	9,209,301
4	Bangalore	Karnataka	8,425,970
5	Hyderabad	Andhra Pradesh	6,809,970
6	Chennai	Tamil Nadu	5,751,981
7	Ahmedabad	Gujarat	5,778,884
8	Pune	Maharashtra	4,844,790
9	Surat	Gujarat	4,462,002
10	Jaipur	Rajasthan	3,073,350
11	Lucknow	Uttar Pradesh	2,815,601
12	Kanpur	Uttar Pradesh	2,767,031
13	Patna	Bihar	2,405,421
14	Indore	Madhya Pradesh	2,250,069
15	Raipur-Bhilai-Durg	Chhattisgarh	1,904,463
16	Bhopal	Madhya Pradesh	1,795,648
17	Visakhapatnam	Andhra Pradesh	1,730,320
18	Nagpur	Maharashtra	1,683,200
19	Vadodara	Gujarat	1,666,703
20	Ludhiana	Punjab	1,613,878
21	Agra	Uttar Pradesh	1,574,542
22	Nashik	Maharashtra	1,486,973
23	Meerut	Uttar Pradesh	1,309,023
24	Rajkot	Gujarat	1,286,995
25	Varanasi	Uttar Pradesh	1,201,815
26	Srinagar	Jammu and Kashmir	1,192,792
27	Aurangabad	Maharashtra	1,171,330
28	Dhanbad	Jharkhand	1,161,561
29	Amritsar	Punjab	1,132,761
30	Chandigarh	Chandigarh	1,125,397
31	Allahabad	Uttar Pradesh	1,117,094
32	Ranchi	Jharkhand	1,073,440
33	Coimbatore	Tamil Nadu	1,061,447
34	Jabalpur	Madhya Pradesh	1,054,336
35	Gwalior	Madhya Pradesh	1,053,505
36	Vijayawada	Andhra Pradesh	1,048,240
37	Jodhpur	Rajasthan	1,033,918
38	Madurai	Tamil Nadu	1,016,885
39	Kota	Rajasthan	1,001,365

"Although the announcement has taken away the uncertainty, the number of clauses make it quite difficult and very serious concerns remain about state-level decisions," said Mark Ashman, CEO of Hypercity Retail.

"This will definitely help the SSI sector, as they will have a wider choice of buyers," says Kabir Lumba, MD of the Rs 28 billion Lifestyle (part of Dubai-based Landmark Group). "Import duties are very high, so manufacturing will get a boost."

Darshan Mehta of Reliance Brands had a different point of view. "To source locally, you need to buy minimum 1,000 metres of shirting of the same color and design. This will produce 833 shirts, which will require at least 30 stores to sell them from – how long will it take for new entrants to get to 30 stores – so imports [even though costly] will continue for a few more years."

So what does all this actually mean? $50 million in front-end by the foreign 51-percent partner translates to Rs 5.1 billion in total investments by the entity, including the Indian partner's 49 percent investment. It will be a similar amount for the back-end.

Of the Rs 7,000 per square foot investment required in front-end infrastructure, about Rs 4,500 per square foot will be done by the landlord and Rs 2,500 per square foot by the retailer. Thus, a retailer has to create 2.04 million square feet of front-end retail space to meet the Rs 5.1 billion minimum investment requirement.

This completely rules out a specialty retailer like the $1.46 billion Sephora (the LVMH-owned world's largest beauty retailer) from coming in, as they will need to open 680 stores of average 3000 square feet. With only 750 stores worldwide (17 countries) and 400 stores in USA (including 150 shop-in-shop counters at JC Penney), Sephora is certainly not going to open 680 stores in India anytime soon. Bijou Kurien of Reliance Retail should be happy, as Sephora will still need a capable Indian partner (read licensee) and Reliance is reportedly a front-runner.

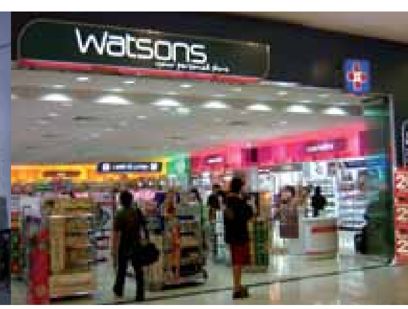
However, the UK-based Boots ($31.3 billion health & beauty retailer with a presence in 25 countries) may come in. With an average store size of 10,000 square feet, Boots only needs to open 204 stores. With 3,280 Boots stores worldwide, opening 204 in India is certainly not a tall order. Similarly, the $72 billion American health and beauty giant Walgreens (7,779 stores) can come in. And so can the Hong Kong-based $18 billion AS Watson, which has 9,400 stores globally, and will need to open 510 stores of average 4,000 square feet each, which is quite feasible in the 39 cities.

The Indian health and beauty retail market is currently at $36.5 billion and is growing at 17 percent per annum. Organized sector penetration is only 3.2 percent, compared to over 23 percent in jewelry and watches and over 15 percent in CDIT (consumer durables, information technology and telecom) – this should be exciting enough for any global health and beauty giant.

Let us look at another popular and fast-growing multi-brand category – CDIT. With an average store size of 15,000 square feet, a new foreign entrant only needs to open 136 stores (Croma has 73 stores and Reliance Digital 51 stores). The $32.7 billion Indian CDIT market can easily absorb 850 CDIT megastores doing annual business of $7.7 million each, which will give these types of retail formats a 20 percent market share.

However, there is another problem here. How will they source 30 percent from the SME/SSI sector? Surely, Indian consumers will prefer buying LG, Samsung and Sony products, compared to those made by obscure Indian manufacturers. Perhaps they will be able to work out the math by sourcing accessories, components and the like from the SME/SSI sector, but this will need further and deeper study. This may lead to some global players coming in.

"All SME and SSI vendors of the automobile industry became billion dollar market cap companies, so we will see the same benefits coming to retail industry vendors now," said BS Nagesh, Vice Chairman of Shoppers Stop, who now runs a trust called TRRAIN which is committed to upgrading the lives of people in retail, both at work and at home. "Ikea is already sourcing from several Indian vendors for exports; now they will start sourcing for selling in India."



"ALL SME AND SSI VENDORS OF THE AUTOMOBILE INDUSTRY BECAME BILLION DOLLAR MARKET CAP COMPANIES, SO WE WILL SEE THE SAME BENEFITS COMING TO RETAIL INDUSTRY VENDORS NOW."

– BS NAGESH, VICE CHAIRMAN, SHOPPERS STOP

Most retail experts agree that global bookstore or leisure store chains will probably not be able to take advantage of this policy change, as they will not be able to invest 50 percent in the back-end.

That brings us to the largest non-food multi-brand retail category – department stores. At an average size of 120,000 square feet, a foreign retailer only needs to open 17 department stores. Shoppers Stop has 46 stores and Lifestyle 34 stores. Nagesh said that department stores cannot invest the minimum amount for the back-end, as they do not require huge back-end investments. He felt that the policy was more oriented towards food retailers. Lifestyle's Lumba agreed.

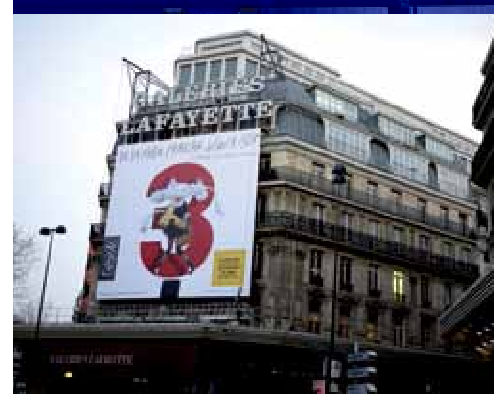
This can be looked at from another perspective. To open 25 department stores of 120,000 square feet each, a chain will need 10,000 retail staff and at least 1,200 other staff. At just Rs 150,000 per employee to be spent on recruitment and training, they could invest Rs.1.68 billion on training alone. With 30 percent sales from private labels and minimum one month's inventory, they will need Rs 1.08 billion in inventory. That takes care of Rs 2.76 billion of the Rs 5.1 billion minimum back-end investment, leaving Rs 2.34 billion to be invested. This could be easily deployed in investing in other brands' inventory and negotiating far higher margins than what they are getting from brands under their current business models of "sale or return" or "consignment sales."

For the $15.5 billion Isetan or $10 billion Takashimaya (both from Japan), the $12.83 billion El Corte Ingles from Spain, $7.74 billion Galeries Lafayette from France or $5.94 billion Lotte from South Korea, $100 million is not difficult to invest. Even Central and Robinson from Thailand are strong contenders. Growth opportunities are restricted in their home markets and the Indian market growth offers a compelling story. All these chains are already present in multiple countries.

Company	Origin	Stores	Countries present	Total sales FY 2010
Walgreen	US	7,779	2	$72.2 billion
Lotte	South Korea	164	5	$54.2 billion
Isetan	Japan	50	11	$33.4 billion
Boots	UK	3,280	25	$31.2 billion
IKEA	Sweden	332	42	$31.3 billion
AS Watson	Hong Kong	2,300	11	$24.0 billion
H&M	Sweden	2,300	36	$18.2 billion
Gap Inc	US	3,248	90	$14.7 billion
El Corte Ingles	Spain	70	5	$12.0 billion
Uniqlo	Japan	2088	12	$10.6 billion
Takashimaya	Japan	23	4	$10.5 billion
Galeries Lafayette	France	63	4	$3.4 billion
Central	Thailand	18	1	$2.2 billion

Now let us look at where FDI in multi-brand retail will really come in from: the food retailers (actually the hypermarket/supermarket operators). The Indian food & grocery market size is $154.4 billion, with less than 3 percent organized sector penetration.

If 80 percent of the 47.63 million square feet of total organized sector food retail space is comprised of hypermarkets, at an average size of 70,000 square feet, we are talking about 544 hypermarkets. India currently has 240 hypermarkets. Of the new 304 hypermarkets, if foreign retailers have to capture 50 percent market share, they need to build 150 hypermarkets – so there is space for six to eight players. Who are these going to be?



There is no doubt in anyone's mind that Wal-Mart, Carrefour and Tesco will be amongst the players. In all probability, the others would be out of the following eleven: Rewe (Germany), Auchan (France), Aeon (Japan), Le'clerc (France), Ahold (Netherlands), Groupe Casino (France), Intermarche (France), Shinsegae (South Korea), Shoprite (South Africa), Lotte (South Korea) and Giant (HK/Malaysia). Details about these chains are given in the table on the next page.

"Several Japanese, Korean and South American retailers have retail business models suitable for India. I see someone like Pao De Acucar of Brazil coming in. Even American retailers like Home Depot and Best Buy may consider coming to India. Carrefour may either buy into an existing Indian retailer or move from B2B model to a B2C model," said Bijou Kurien, President, Lifestyle Business, Reliance Retail, a company which is expected to have a retail turnover of $2.7 billion in the current

Company	Origin	Stores	Countries Present	Total Sales FY 2010
Rewe Zentral	Germany	13,148	13	$70.6 billion
Groupe Auchan	France	1,339	12	$56.6 billion
Aeon Co	Japan	5,000	9	$54.0 billion
E Leclerc	France	108	6	$41.0 billion
Ahold	Netherlands	2,970	10	$39.3 billion
Groupe Casino	France	10,783	25	$38.7 billion
Intermarché	France	2,000	8	$38.1 billion
Shinsegae	Japan	164	2	$11.2 billion
Shoprite	South Africa	331	17	$8.5 billion
Lotte	South Korea	31	5	$7.3 billion
Giant	Malaysia	206	4	$4.9 billion

market is already at $40.4 billion and is growing at over 15 percent per annum. Organized sector. penetration is less than 4.5 percent.

The action on single brand retail is likely to happen much faster than in multi-brand retail. In single brand, we should start seeing announcements from as early as March or April 2012. In multi-brand, we will probably have to wait till at least July-August to see any major announcement.

"The impact will be seen from the third to the fifth year," said Nagesh.

fiscal, and part of the $50 billion Reliance Industries, India's largest private sector company.

"There are 25 regional hypermarket chains in the US alone, bigger than most Indian hypermarket chains," said Mark Ashman, CEO of Hypercity, part of the Rs 23.8 billion Shoppers Stop group. "The Tata Trent -Tesco arrangement may become a joint venture now," says Nagesh. Singh of Spar and several others echoed the same sentiment.

Now let us look at the impact of the government allowing 100 percent FDI in single brand retail. Four things will happen in this space:

- Retailers who are running 51 percent owned operations in India with the balance 49 percent being held by sleeping/silent Indian partners will most likely take 100 percent ownership. These include names such as Louis Vuitton, Tod's and Christian Dior. "There are many 83-year-olds in places such as Coonoor and Dharamsala who have facilitated such JVs," says Darshan Mehta of Reliance Retail. "Many global retailers will still prefer to have Indian partners, as the market in the country is very complex."
- Some retailers who normally operate internationally with only 100 percent ownership, and have thus been operating in India through licensing/franchising, will come in with some own stores, while they may parallely continue with the existing licensed/franchised stores. The first name that comes to mind is Apple. Lumba of Lifestyle feels that brands like Mango – where the franchisee has only opened 12 stores of approximately 2,000 square feet each – may come in directly. Mehta disagrees: "Mango is here as a franchisor because they didn't want to invest. They didn't take 51 percent when it was allowed."
- Retailers such as Ikea, H&M, Uniqlo and Gap/Banana Republic, who have patiently waited for 100 percent FDI, may now come in. "Ikea will impact Home Centre's business – we compete very well in seven countries in the middle east region. They will help expand the market, as more people will buy readymade furniture," says Lumba.
- There are likely to be some investments in the F&B space. Entrants in this space are likely to include Wendy's, Starbucks, Dairy Queen, Hardees, Popeyes, Quiznos, Chipotle, Panda Express and dozens of others. Many of them would be coming in through the franchising route, so they would have come anyway even without this policy change. The Indian F&B

Reliance's Kurien says that "the early bird catches the worm, as this is a property grab business," suggesting that those who take faster decisions will benefit from the new policy.

"Retailers like Ikea, H&M, Prada and Dolce & Gabbana will come in," says Timmy Sarna, Chairman of DLF Brands, "and many developers will now start building malls all over again." Adds Lumba: "Brands like Uniqlo, which are extremely relevant for India, should come in; H&M is also likely; Gap will probably come through 74 percent or 100 percent ownership – this will all lead to a lot more choice, excitement and energy for Indian retailers and consumers."

Apart from foreign retailers entering India, FDI is also likely to come from overseas PE/VC investors who may invest in established Indian retailers. This will happen in both, multi-brand as well as single brand space, including online retail. We have already seen PE/VC investments into retailers such as Nilgiris, Nirula's, Lilliput, Kimaya, Spykar and Fabindia. Several old and established Indian retailers are ripe for investment.

"FII was constrained by FDI in

India," says Kurien. Ashman agrees. "Indian groups got few years to establish themselves in retail and now they will be ready to offer their platform to foreign investors to come in and also get good valuations," adds Nimesh Shah of Equirus Capital.

There is also likely to be M&A activity. "This will certainly be met with open arms by several domestic retailers. In particular, players such as Pantaloon Retail and Vishal Retail need to ease their current debt levels. Foreigners looking to capitalise on this new policy may help support them. Vishal Retail has around Rs 70 billion of debt as of June 2011. Pantaloon Retail is also carrying a debt burden of Rs 40 billion," says Parita Chitakasem of Euromonitor International.

At estimated sales of Rs 2,000 per square foot per month in 2015, the 783.63 million square feet of organized retail space will generate annual revenues of Rs 18.807 trillion and taxable profits of Rs 564 billion (assumed at only 3 percent of revenues). This translates to Rs. 2.594 trillion in GST collections (@ 16 percent GST) and Rs 174.28 billion in corporate income tax. The government is losing minimum 50 percent of this potential tax revenue because half of the business of the unorganized retail is probably escaping the tax net.

The organized retail sector will have at least 780,000 managers earning an average taxable salary of Rupees one million per annum. This will generate at least Rs 195 billion of additional personal income tax collections.

The total Rs 1,576 billion in additional tax collections (Rs.1294 billion in GST [50 percent of total] + Rs 87 billion in corporate income tax [50 percent of total] + Rs 195 billion in personal income tax) translates to an increase of more than 11 percent in the tax collection of the centre and states, wiping out the revenue deficit and making India a revenue surplus economy.

Of the 783.63 million square feet of organized retail space, about 103.9 million square feet already exists – so we are talking about 680 million square feet to be added anew. This will need infrastructure investments of Rs 4.76 trillion (at an average Rs 7,000 per square foot at 2012–2015 costs, for building construction, interiors and shop fit-ins) and Rs 1.904 trillion in inventories (@ Rs 2,800 per square foot), or a total investment of Rs 6.664 trillion ($128 billion).

If 50 percent of this is foreign investment (by foreign retailers as well as financial investors), we are talking about FDI of $64 billion in four years, or $16 billion per annum, an 80 percent increase over the actual inflows of fiscal 2010-11.

ALMOST 11 MILLION YOUTH WILL HAVE NEW (OR BETTER) JOBS. THAT'S ALMOST 7.5% OF THE YOUTH POPULATION OF URBAN INDIA. FDI WILL GO UP ALMOST 80%, HOPEFULLY LEADING TO THE RUPEE BOUNCING BACK AGAINST MAJOR WORLD CURRENCIES. THE BUDGET DEFICIT AND THE FISCAL DEFICIT WILL BE WIPED OUT, THUS PUTTING INDIA AHEAD OF CHINA IN THIS DECADE

"We will get around $8 billion to $10 billion of fresh investments coming into the country over the next 5 to 10 years," said Kishore Biyani to many TV channels and to *IMAGES Retail*. "I expect at least $15-20 billion of investment over the next 10 years. Initially it will be smaller, but will pick up once international players get a hang of the market," said Harminder Sahni of Wazir Advisors. According to the BBC, foreign retailers have said that investments will be closer to $40 billion. Certainly, these foreign retailers have done their homework.

"India has been a very exciting market and all this just adds to the excitement," says Martin Jones, CEO of Marks & Spencer Reliance India. "We will not do anything different – we are happy with Reliance as a partner, as both parties bring different skills to the table."

To sum up, if Dr. Manmohan Singh can make the state Chief Ministers and opposing party leaders (including some UPA allies) understand the tremendous impact that this bold move will have on the Indian economy, he will well deserved Vijay Mallya's recently vacated position of "the king of good times."

Almost 11 million youth will have new (or better) jobs. That's almost 7.5 percent of the youth population of urban India. FDI will go up almost 80 percent, hopefully leading to the rupee bouncing back against major world currencies. The budget deficit will be wiped out, thus putting us ahead of China in this decade. Most importantly, about $180 billion will get converted from black market economy to accountable economy, and we may need a much smaller Lokpal authority!

RBI Governor Dr. D Subbarao said on 25th November: "For India to regain its growth momentum and indeed accelerate it further, the country has to address key challenges: raise agricultural production and productivity; expand employment; bridge infrastructure deficit; promote financial inclusion; and provide a stable and predictable macro-economic environment."

FDI in retail takes care of most of this. Can this UPA government go the whole hog on this?

ABOUT IMAGES GROUP

IMAGES Group is a retail intelligence organization with publications, research, education, events (conventons and exhibitions), awards and retail support services. It is trusted as the catalyst for profitable growth of modern retail through knowledge platform leadership.

ABOUT ASIPAC

ASIPAC undertakes strategic research on the retail as well as the retail real-estate sectors. In retail real estate, Asipac has provided development strategy, planning and lease management on retail/ shopping center projects of more than 17 million square feet, including 7 of the 15 largest shopping centres in India. The company has leased more than 8.5 million square feet of retail real estate in South India alone in just six years. ASIPAC has current leasing mandates for nine malls in five cities, with combined GLA of 8.2 million square feet.