Future India: Captivating Strategic and Private Equity Investments



SEPTEMBER 2020

FOREWORD

Given India's core strengths - a wide spectrum of talent, robust domestic demand and favourable government policy initiatives - the country is leveraging democracy and decisiveness to position itself as a preferred destination on strategic as well as private equity investors' radar. The government has supported an increase in trade opportunities, better global integration, and an increase in investor competitiveness by providing access to a market that offers scale.

The government introduced major FDI policy reforms impacting several sectors, such as defence, construction development, pensions, broadcasting, pharmaceutical and civil aviation. Additionally, they have eased FDI norms by allowing 100% FDI (foreign enterprises) in several sectors, namely automobile, food processing and construction, through the automatic route, a streamlined process. All these reforms and initiatives together with easing of FDI norms and introduction of Real Estate Investment Trusts (REITs) have accelerated the pace of investments in the sector.

However, there is also a need to allow 100% FDI in completed real estate projects. Currently, around Rs 2 lakh crore of investments are stuck in unsold inventory, the money released can be directed into the construction of affordable and low-cost housing projects.

While investment over the coming year may be muted due to pandemic inspired slower decision-making by investors, we expect the segment to grow over the next two-three years as existing participants expand their portfolio and new players enter the market. Positive measures such as infusing liquidity for housing finance companies, relaxation of ECB norms, Alternative Investment Fund (AIF) approval, etc. are expected to bring confidence in the sector.

FICCI and Colliers have co-created this Report on **'Future India: Captivating Strategic and Private Equity Investments'** that portrays the investment scenario in the real estate industry. I am confident, the findings of the Report would be most useful not only for realtors, but also for consumers, Government, research & academic institutes, and the industry. The ideas and deliberations arising out of this Report would go a long way in addressing the regulatory challenges and reflecting on the way forward.



Raj Menda
Joint Chairman, FICCI Real Estate Committee and
Corporate Chairman, RMZ Corp

FOREWORD

The global economic growth is becoming more and more dependent upon Asia's development, in which India is playing an increasingly important role. In 2019 alone, the central government took several steps to maintain India's attractiveness as an investment destination, reducing the corporate tax rate and relaxing restrictions on foreign direct investment in contract manufacturing, coal operations, insurance intermediaries, and digital media news sectors. In 2019, the government changed the concessional rate of taxation to 17% (inclusive of surcharge and cess) for all new domestic companies engaged in manufacturing. We expect India to benefit from a lower tax rate than the global average corporate tax rate of 23.8%, and the Asian average of 21.1%.

These government reforms and other policies aimed to attract India's foreign investment, particularly in the manufacturing sector. Global manufacturing players are evaluating India to set up their respective manufacturing bases, complementing their existing ones in the Asia region. With its large labour force and domestic consumer market, we believe India is well-positioned to increase its global supply chain market share over the next 3-5 years. The accelerated influx of such strategic investments into India should boost its exports and generate increased demand for warehousing facilities.

Buoyed by government reforms, private equity institutional investors (both foreign and domestic) focus on the real estate sector to generate superior returns. The year 2019 recorded an investment total of USD6.4 billion into the industry, an increase of 9.0% from 2018, as foreign funds snapped up key assets in the commercial office sector. Foreign funds accounted for about 80% of the total investments in 2019 - the highest share ever. Investors, both foreign and domestic, are adopting a cautious approach to Indian real estate in 2020 in the backdrop of the ongoing pandemic. Through August 2020, overall private equity inflows into Indian real estate stood at USD866 million, which is just 15% of the corresponding period in 2019. However, asset classes such as data centres and rental housing have gained prominence among investors, steered by growing demand for cloud infrastructure. The data centre segment garnered the highest (46%) share in the total private equity investments in 2020 through August.

Steady rental income from commercial office assets helped retain investors' confidence in the segment. This segment attracted investment inflows of USD 207 million in 2020 through August, accounting for a 24% share in the total investment pie. Further, robust domestic consumption helped investors retain confidence in industrial and logistics assets. The segment attracted interest from multiple large institutional investors, with investment inflows of USD102 million during 2020. We estimate the segment will attract inflows from foreign and domestic funds to the tune of USD4.0 billion during 2020-2023, translating into a CAGR of 5.0%. In the backdrop of robust demand from e-commerce and other consumer-led occupiers, we recommend investors stay focused on the segment to reap the benefits. Additionally, to capitalize on increasing the government's impetus to revive demand in the residential sector, investors should stay focused on this segment.

In an endeavour to understand how India is leveraging its inherent demand and policy decisions to attract investment, Colliers International and Federation of Indian Chambers of Commerce and Industry (FICCI) present a whitepaper on **'Future India: Captivating Strategic and Private Equity Investments.'** In this report, we showcase vital factors contributing to India's growth story leading to increased investments in various sectors and how stakeholders, including government and investors, can seize opportunities in investable India.



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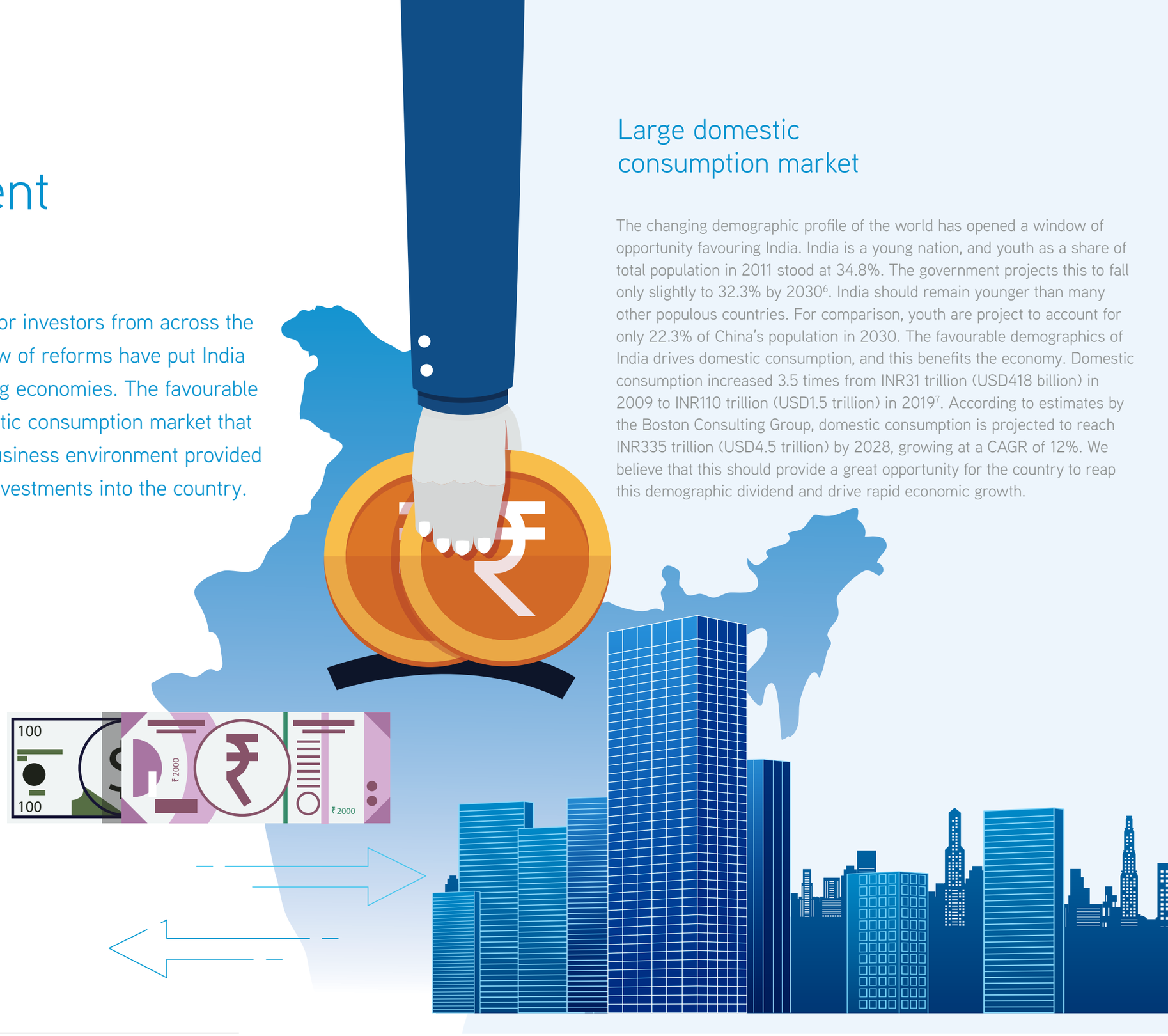
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India becoming a preferred investment destination

India has emerged as a preferred destination for investors from across the globe. Key initiatives, policy changes and a slew of reforms have put India on the global map as one of the fastest growing economies. The favourable demographics of India created a robust domestic consumption market that has propelled growth. Furthermore, the pro-business environment provided by the government policies is helping attract investments into the country.

Fastest growing economy

In 2019, India was ranked as the world's fastest-growing major economy, tying with China[1]. The International Monetary Fund (IMF) expects India to retain this status in 2020[2]. India is gradually enhancing its position as a favourable place to do business. In 2020, India ranked 63rd among 190 nations in the World Bank's Ease of Doing Business Index, showing an improvement of 14 places from that in 2019[3]. From April 2019 to March 2020, India ranked among the top 10 recipients of Foreign Direct Investment (FDI) globally, attracting INR3.7 trillion (USD50 billion)[4] in inflows, registering an increase of 16% from the previous year[5].



Note: USD1 = INR74.2 as on 25th August 2020

[1] https://www.livemint.com/news/india/india-retains-world-s-fastest-growing-rank-tying-with-china-imf-11571150324897.html
[2] https://www.livemint.com/news/india/imf-projects-india-to-be-fastest-growing-major-economy-11586870380725.html
[3] https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf
[4] Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India
[5] https://economictimes.indiatimes.com/news/economy/indicators/india-attracted-49-billion-fdi-in-2019-among-top-10-recipients-of-overseas-investment-unctad/articleshow/73441481.cms

Large domestic consumption market

The changing demographic profile of the world has opened a window of opportunity favouring India. India is a young nation, and youth as a share of total population in 2011 stood at 34.8%. The government projects this to fall only slightly to 32.3% by 2030[6]. India should remain younger than many other populous countries. For comparison, youth are project to account for only 22.3% of China's population in 2030. The favourable demographics of India drives domestic consumption, and this benefits the economy. Domestic consumption increased 3.5 times from INR31 trillion (USD418 billion) in 2009 to INR110 trillion (USD1.5 trillion) in 2019[7]. According to estimates by the Boston Consulting Group, domestic consumption is projected to reach INR335 trillion (USD4.5 trillion) by 2028, growing at a CAGR of 12%. We believe that this should provide a great opportunity for the country to reap this demographic dividend and drive rapid economic growth.

[6] Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India
[7] https://media-publications.bcg.com/pdf/Going-for-Gold-By-creating-customers-who-create-customers.pdf

Favourable government policies



The government introduced major FDI policy reforms impacting several sectors, such as defence, construction development, pensions, broadcasting, pharmaceutical and civil aviation. Additionally, the government eased FDI norms by allowing 100% FDI (foreign enterprises) in several sectors, namely automobile, food processing and construction, through the automatic route, a streamlined process[8].

In addition, the government is putting greater emphasis on raising India's attractiveness as a manufacturing hub for companies. In 2019, the government changed the concessional rate of taxation to 17% (inclusive of surcharge and cess) for all new domestic companies engaged in manufacturing[9]. In context, this compares favourably with the 25% rate in China and 20% in Vietnam[10], making India more competitive globally. We expect India to benefit from a lower tax rate than the global average corporate tax rate of 23.8%, and the Asian average of 21.1%[11]. Also, the Goods and Services Tax (GST) introduced in 2017 has enabled consolidation of the tax structure across states, which is enabling companies to set up a more efficient distribution network.

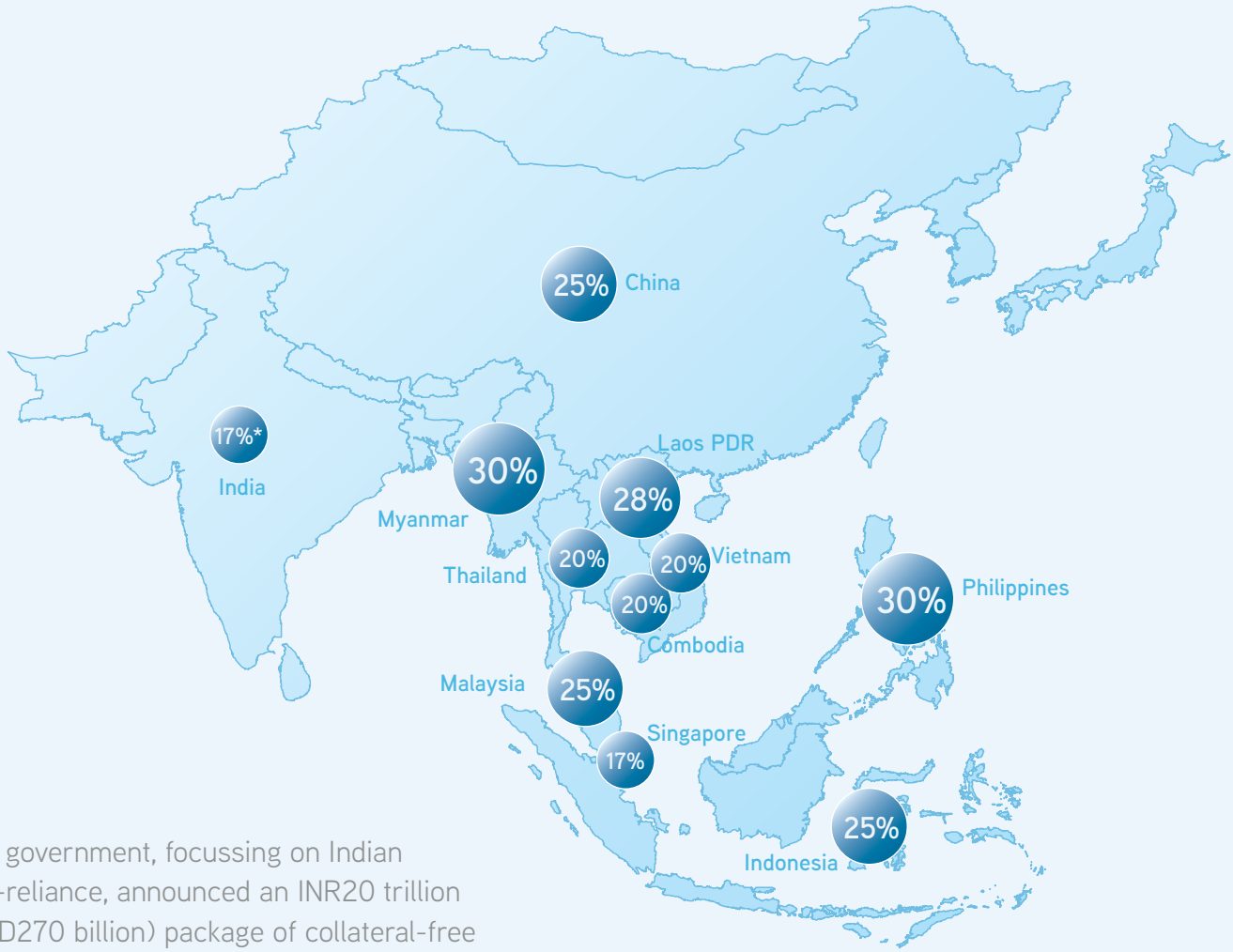
[8] Under the automatic route, the investor is not required to seek prior approval from the Reserve Bank of India or the government

[9] https://pib.gov.in/Pressreleaseshare.aspx?PRID=1585641

[10] https://www.hindustantimes.com/india-news/tax-cuts-will-attract-investors-looking-to-shift-from-china-nirmala-sitharaman/story-vqxemDl87z4ty7x6ZAejqL.html

[11] https://www.outlookindia.com/outlookmoney/finance/india-is-having-one-of-the-lowest-corporate-tax-in-asia-3600#:~:text=The%20global%20average%20corporate%20tax,average%20is%2021.09%20per%20cent.

A comparison of corporate tax rates in India and other Asian countries



% Corporate Tax Rate

*For new manufacturing companies incorporated after 1 October 2019 (inclusive of surcharge and cess)

Source: Government websites

The government, focussing on Indian self-reliance, announced an INR20 trillion (USD270 billion) package of collateral-free loans and equity financing in May 2020 to build manufacturing capacity across sectors, and to promote local products[12]. This includes reforms such as fast-tracking investment clearance and upgrading the industrial infrastructure, among other plans. We believe this has opened up access to credit for micro, small and medium enterprises (MSMEs).

The government has drafted new labour codes to regulate wages, define industrial relations, address occupational safety, health, and regulate social security[13]. We believe that these labour reforms will make Indian manufacturing more competitive.

Several Indian states are also taking steps to offer incentives to companies to expand their industrial facilities. Over the last five months, the state governments of Uttar Pradesh, Maharashtra and Karnataka have initiated reforms to ease the process of obtaining approvals and setting up industrial units by companies.

[12] https://pib.gov.in/PressReleseDetail.aspx?PRID=1623391
[13] https://pib.gov.in/PressReleasePage.aspx?PRID=1595506



Recent state government policies to promote manufacturing

In June 2020, the Maharashtra government announced it would simplify the approval process for setting up industries in the state[14]. By providing promotional incentives, the state is keen to attract investments for logistics parks in Mumbai and Navi Mumbai areas.

In May 2020, the Uttar Pradesh government passed an ordinance to exempt businesses from certain labour laws for three years, to attract fresh investments[15]. The Government is planning to auction shuttered public sector undertakings (aka PSUs, the term for a state-owned enterprise in India) that fall under the industrial development department and create a land bank for industries by auctioning land owned by closed central PSUs[16].

In May 2020, the Karnataka government made amendments to the Land Reforms Act to allow industries to buy agricultural land[17]. In 2020, the government plans to exempt companies setting up industrial units from requiring clearances under multiple state laws, including trade licenses and building plan approvals[18].

Source: Multiple media articles

[14] https://auto.economictimes.indiatimes.com/news/industry/maharashtra-govt-to-simplify-process-to-set-up-industries-cm-thackeray/76543148
[15] https://theprint.in/economy/key-labour-laws-scrapped-in-up-for-3-yrs-as-yogi-govt-brings-major-reform-to-restart-economy/416925/
[16] https://economictimes.indiatimes.com/news/politics-and-nation/uttar-pradesh-takes-steps-to-increase-land-availability-for-industrial-development/articleshow/76086782.cms?from=mdr
[17] https://www.karnataka.com/govt/industries-buying-land-in-karnataka/
[18] https://timesofindia.indiatimes.com/city/bengaluru/karnataka-reform-to-support-industries-clears-scrutiny/articleshow/76350233.cms

Enablers for India as an investment destination



1. Improving *ease of doing business* ranking

2. During FY April 2019 – March 2020, India was among the top 10 recipients of FDI

3. Rising domestic demand, with a large middle-class population

4. Globally competitive corporate tax rate

5. Streamlined indirect taxation system through enforcement of the GST

6. Easing of FDI norms by allowing 100% FDI in several sectors through the automatic route

7. To promote manufacturing, the Central and State Governments have sector-specific policies, incentives and subsidies

Source: Colliers International



Investment Into Indian Manufacturing

In the backdrop of COVID-19, government reforms and incentives have accelerated strategic investment by global manufacturing players into India. Additionally, the government is proactively providing regulatory and fiscal support to incentivise global companies to establish manufacturing bases in India. For instance, the Ministry of Electronics and Information Technology announced incentives worth INR480 billion (USD6.5 billion) for electronics manufacturers in April 2020 and is likely to ease requirements for plant evaluation for electronics companies looking to relocate their manufacturing bases.

These government initiatives are already showing results as India continues to attract major corporates from across the US and European region. Globally, manufacturing companies are actively evaluating a *China+1* supply chain strategy, whereby they establish an incremental supply base outside China[19]. Companies such as Foxconn, Pegatron Corporation, Wistron Corporation, Volkswagen, Hyundai Motor Company and Honda Motor Company, among others, are evaluating India to set up their respective manufacturing bases, complementing their existing one in China[20].

[19] https://tfipost.com/2020/04/big-hyundai-steel-and-several-other-south-korean-majors-are-all-set-to-shut-china-factories-and-move-to-india/
[20] https://in.reuters.com/article/usa-trade-china-india/exclusive-india-to-woo-foreign-firms-like-apple-to-capitalise-on-us-china-trade-war-idINKCN1VJ1OM

Key examples of global manufacturing companies planning to set up bases in India

Apple is looking to shift nearly one-fifth of its contract manufacturing to India in anticipation of producing INR3.0 trillion (USD40 billion) worth of smartphones in next five years

Foxconn plans to invest up to INR74 billion (USD1.0 billion) to expand a factory in southern India where the Taiwanese contract manufacturer assembles Apple iPhones

A German footwear brand Von Wellx plans to shift its entire production from China to India, bringing an initial investment of INR1.1 billion (USD15 million)

Anecdotally, a large chemicals manufacturer suggests that they are planning for India-based manufacturing. Their manufacturing facility in India is scheduled to become operational by early 2021, and replace their current supply source from East Asia

Source: Colliers International, Multiple media articles

The entry of global manufacturing multinationals into India should provide a boost to the country's exports along with generating increased demand for warehousing facilities. We recommend manufacturers utilize government incentives to build suitable manufacturing facilities.
We recommend electronics and pharmaceuticals companies focus on Bengaluru and Hyderabad, while the automotive segment should focus on Pune and Chennai.



Private Equity Real Estate Investment Landscape

Investors, both foreign and domestic, are adopting a cautious approach to Indian real estate in the backdrop of the ongoing pandemic. According to Colliers International, through August 2020, overall private equity inflows into Indian real estate stood at INR65 billion (USD866 million), which is just 15% of the corresponding period in 2019. However, we highlight that newer asset classes such as data centres and rental housing gained prominence among investors. During 2020 through August, the leading segments have been data centres, driven by demand for cloud infrastructure, as well as offices as they tend to offer steady rental income. Robust domestic consumption also maintained investors' confidence in industrial and logistics assets.



Data centre segment attracts big ticket private equity investments

India represents the second largest and fastest growing market for digital consumers, with 560 million internet subscribers in 2018, second only to China[21].

On an average, Indian mobile data users consume **8.3 gigabytes (GB)** of data every month, compared with 5.5 GB for mobile users in China and 8.0 GB in South Korea, an advanced digital economy[21]. Indians have **1.2 billion** mobile phone subscriptions and downloaded more than 12 billion applications in 2018[21].

As consumer demand for digital services continue to increase, including the shift to a technology-enabled contactless environment, India is witnessing a surge in demand for data centres, home to the servers, computers and networking equipment that enable the mobile internet. Additionally, the Indian government's data localisation law emphasising the creation of a cloud warehouse, is propelling demand for data centres that offer robust, scalable applications and storage services to individuals or businesses following their demand for cloud and big data storage.

The growing demand for data centres provides an attractive opportunity for investors to capitalize on the interplay of real estate (location), infrastructure (power and fibre network) and technology (cloud services). Per Colliers International, through August 2020, data centres attracted investment of INR29 billion (USD396 million) spread across two deals in Delhi and Mumbai. The segment garnered the highest (46%) share in the total private equity investments in real estate in India, replacing commercial office segment from its usual, top position.

In July 2020, The Carlyle Group entered into an agreement to invest INR17.4 billion (USD235 million) for a 25% stake in Nxtra Data Limited, which is a wholly owned subsidiary of Airtel engaged in the data centre business. This is well supported by our April 2019 survey *Investors in India look to office, data centres,* where about 63% of the respondents preferred data centres as their first choice among newer avenues for investment.

On the back of strong fundamentals in the form of the data localisation law and rapid growth in data usage with upcoming 5G services, the demand for data centres is likely to grow in India with new players entering the market. For example, in October 2019, Adani Group signed a memorandum of understanding with Digital Realty Trust to develop data centres as Adani plans mega data parks with INR700 billion (USD9.4 billion) investments in India[22]. Also, in July 2019, Hiranandani Group announced an INR140 billion (USD1.9 billion) investment plan to build data centres in Mumbai[23].

[21] Report McKinsey&Company, April 2019 - Digital India: Technology to transform a connected nation

[22] https://www.mingtiandi.com/real-estate/finance-real-estate/digital-realty-signs-india-data-centre-mou-with-adani/

[23] https://www.thehindubusinessline.com/info-tech/hiranandani-to-invest-15000-crore-to-develop-data-centre-parks/article28559056.ece

We advise investors focus on data centres in order to leverage growing demand for cloud computing. Since core data centre segment in India is currently dominated by well-capitalized players, we recommend investors evaluate partnership opportunities with domestic or international operators at the development stage.

INDIAN DATA CENTRE INVESTMENT, 2020 THROUGH AUGUST

235 USD million

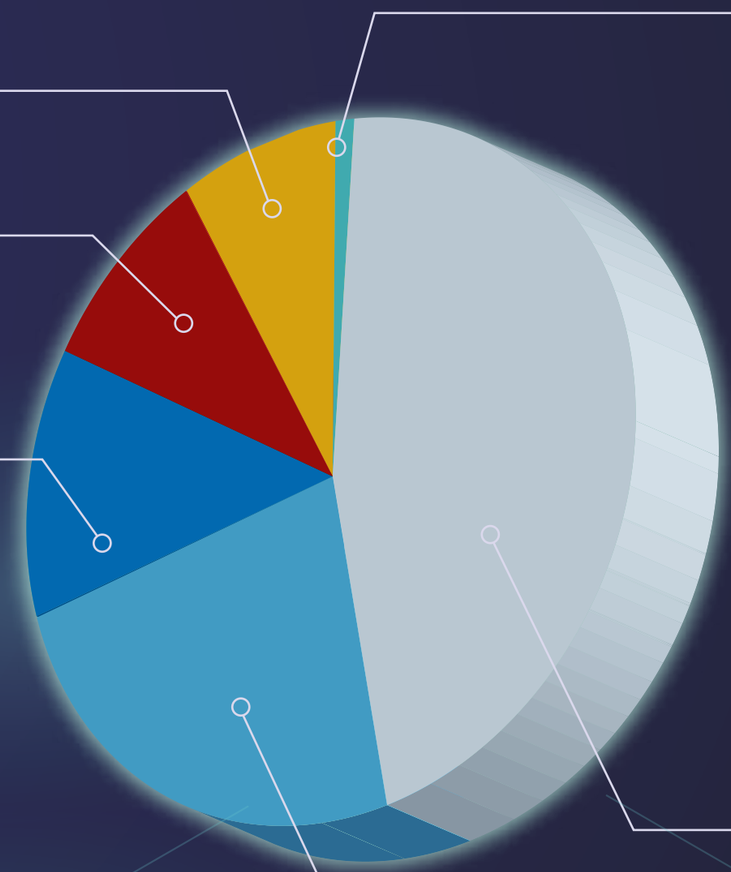
BUYER: Carlyle
SELLER: Airtel
TIME PERIOD: Q3 2020

161 USD million

BUYER: Equinix
SELLER: GPX India
TIME PERIOD: Q3 2020

Source: Colliers International

Indian real estate investment by segment, 2020 through August







Source: Colliers International





Continued investor confidence in office segment, despite the work-from-home culture sweeping in

The commercial office segment in India continues to attract significant interest from investors even in the current times of uncertainty around the remote working culture that is likely to continue till the end of 2020. Per Colliers International, the segment attracted investment inflows of INR15 billion (USD207 million) during 2020 through August, accounting for a 24% share in the total investment pie. Additionally, media reports suggest that foreign funds such as Blackstone and Brookfield are planning to invest in office assets over the next year to the tune of INR183 billion (USD2.5 billion)[24].

The investor interest is buoyed by certain sectors such as e-commerce and fintech expanding their footprint in the pandemic-induced environment of contactless and digital operations. In our recent report *Occupiers' strategies to re-populate workplaces*, we highlighted that 25% of occupiers surveyed stated that they plan to expand their footprint over the next six to eight months and that almost half of these occupiers intend to expand their CRE portfolio by up to 20%, reflecting positive occupier sentiment in the market.

Further, the recent listing of Mindspace REIT and partial stake sale by Blackstone in Embassy Office Parks REIT establishes REIT as a potential liquidity avenue for private capital investors looking to invest in the sector. The initial public offer of INR45 billion (USD606 million) Mindspace REIT was 13-times oversubscribed[25]. In June 2020, Blackstone monetised part of its investment in the Embassy REIT for about INR23 billion (USD310 million)[26].

We recommend investors to continue to focus on commercial office segment to capitalize on steady rental income as well as enhanced liquidity offered by REITs. We advise investors to look at popular office occupier centres with solid rental growth that offer the greatest potential for long-run capital appreciation.

[24] https://www.moneycontrol.com/news/business/blackstone-may-buy-prestige-groups-assets-for-over-rs-12700-crore-report-5672501.html
[25] www.livemint.com/market/ipo/mindspace-reit-s-4-500-cr-ipo-subscribed-13-times-11596033288854.html
[26] www.bseindia.com/xml-data/corpfiling/AttachHis/3881df65-25b3-4ab0-9602-23a83f777400.pdf

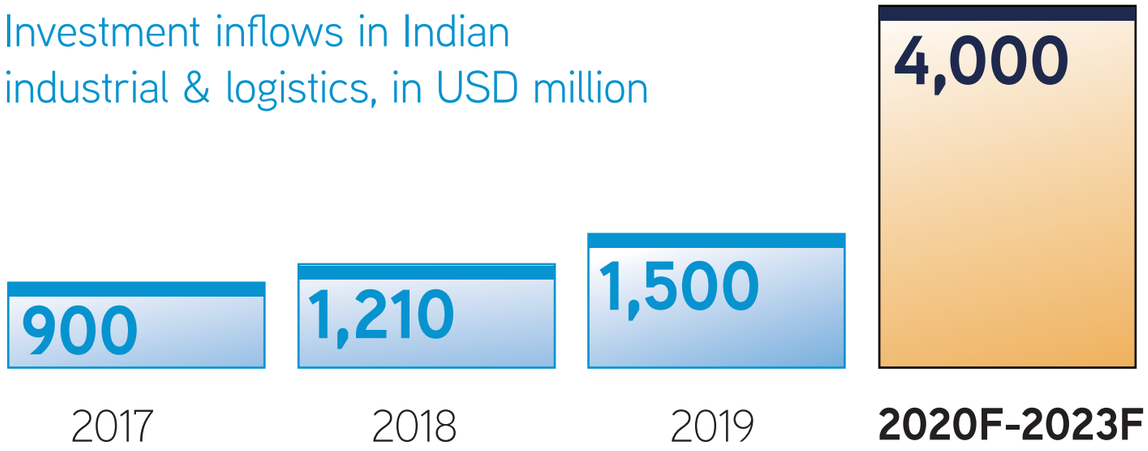


Investors see upside in industrial and logistics assets

Buoyed by reforms including the Goods and Services Tax (GST), the creation of a logistics park policy and the development of multimodal infrastructure, among other factors, the industrial and logistics sector is becoming more organized with investors showing significant interest since 2017. The segment's growth story is accentuated by robust demand from e-commerce and other consumer-led occupiers during the current pandemic. As per Colliers International, in 2020 through August, the segment attracted interest from multiple large institutional investors, with investment inflows of INR7.8 billion (USD102 million).

While investment over the coming year may be muted due to pandemic inspired slower decision-making by investors, we expect the segment to grow over the next two-three years as existing participants expand their portfolio and new players enter the market. We estimate the segment will attract inflows from both foreign and domestic funds to the tune of INR297 billion (USD4.0 billion) during 2020-2023, translating into a CAGR of 5%. In the backdrop of robust demand from e-commerce and other consumer-led occupiers, we recommend investors stay focussed on the segment in order to reap the benefits.

Investment inflows in Indian industrial & logistics, in USD million



Source: Colliers International

Green shoots in residential segment

Due to the ongoing pandemic, the residential segment has experienced lower sales velocity, leading to near-stagnation. Therefore, the Reserve Bank of India, as well as various state governments, are taking measures to infuse liquidity into the market and enhance the purchasing power of homebuyers in order to boost the stagnant market. From April 2019 to July 2020, the Reserve Bank of India reduced the repo rate by a total of 160 bps, to 4.0%[27]. Also, on August 26, 2020, the state government of Maharashtra decided to temporarily reduce stamp duty on housing units from 5% to 2%, effective September 1, 2020 until December 31, 2020 and then raise it only modestly to 3% from January 1, 2021 to March 31, 2021[28]. We believe these steps will reduce borrowing costs and therefore increase affordability for homebuyers. We expect this move to benefit the end users and foster demand creation, and also stimulate related industries and generate employment.

We understand from our market research that certain developers are looking to offload bulk inventory to investors by offering steep discounts, owing to tough market conditions. We recommend investors to consider equity investment in completed units of affordable and mid-segment residential projects that may offer desirable returns beyond a holding-period of 3-4 years.

Investors should benefit from low entry price and gradual recovery in the economy due to increasing impetus of the government to revive demand in the residential sector.

An alternative route for investors to access residential sector is through the acquisition of the loan books of Non-Banking Finance Companies (NBFCs) that are actively seeking liquidity, as seen in recent transactions. In July 2020, Oaktree Capital acquired part of the real estate loans of Indiabulls Housing Finance for INR22 billion (USD297 million)[29]. Also, as of August 2020, Piramal Capital & Housing Finance is in the final stage of discussion with Apollo Global Management to raise about INR37 billion (USD500 million) by pledging a portion of its loan portfolio[30]. We believe that these financing deals indicate rising interest among overseas investors for debt books of Indian NBFCs with exposure to residential real estate. We believe that investors have acquired these loan books from NBFCs at fairly comfortable safety margins on portfolio value and that this should provide an attractive entry point for investors to benefit from a gradual pick-up in end-user demand in the residential segment.

[27] https://www.cnbctv18.com/finance/covid-19-impact-a-look-at-interest-rate-transmission-so-far-to-infuse-liquidity-6302631.htm
[28] https://www.moneycontrol.com/news/business/real-estate/maharashtra-govt-slashes-stamp-duty-by-2-until-dec-2020-to-boost-demand-in-real-estate-5759971.html
[29] https://www.hindustantimes.com/business-news/indiabulls-arm-gets-2-200crore-lifeline-from-oaktree-capital/story-00v7oRblB2J4oYZfhXSj4M.html
[30] https://www.timesnownews.com/business-economy/companies/article/piramal-capital-in-advanced-talks-with-apollo-global-for-500-million-loan/641998

The Way Forward

Given India's strengths - a wide spectrum of talent, robust domestic demand and favourable government policy initiatives - the country is leveraging demand, democracy and decisiveness to position itself as a preferred destination on strategic as well as private equity investors' radar. The government has supported an increase in trade opportunities, better global integration and an increase in investor competitiveness by providing access to a market that offers scale.

However, there is more that can be done to capitalize India's potential to the fullest and enhance its attractiveness in comparison to other countries in Asia. There is a need for a multi-faceted approach to emerge as one of the most preferred country in the present geo-political and geo-economic context. Additionally, institutional investors can focus on the real estate sector by identifying early-stage opportunities that can generate superior returns over the next 4-5 years.

We suggest strategies for the government as well as private equity investors that should enable them to derive maximum benefit from investment in India.

COLLIERS' RECOMMENDATIONS for the government

- We recommend the government establish a specific fund to incentivize companies that wish to establish their manufacturing base in India or move their existing one from China to India.
- We advise the government to consider declaring a tax holiday for a period of 5 to 10 years, depending on the amount of investment and value of the finished product. Alternatively, the amount of a tax waiver can be linked with the extent of employment generation, where tax waiver can be directly proportional to the level of employment generation.
- In order to promote coastal districts in various states, we advise the government to incentivize developers to set up industries in such areas, especially companies dealing with product assembly using imported components, as this can reduce the cost of transport as well as tap the talent-pool emerging in these districts.
- We recommend the government designate and demarcate environmentally-sensitive zones in advance, so that companies wishing to set up their plants can focus only on suitable locations. Additionally, the government should designate special zones where environmental clearances are pre-secured. This will likely save the companies from waiting for environmental clearances and expedite the business-commencement process.

COLLIERS' RECOMMENDATIONS for investors

- We advise investors to focus on data centres in order to leverage growing demand for cloud computing. Since the core data centre segment in India is currently dominated by well-capitalized players, we recommend investors evaluate partnership opportunities with domestic or international operators at the development stage.
- We recommend investors to continue to focus on the office segment to capitalize on steady rental income as well as enhanced liquidity offered by REITs. We advise investors to look at popular office occupier centres with solid rental growth that offer the greatest potential for long-run capital appreciation.
- In the backdrop of robust demand from e-commerce and other consumer-led occupiers, we recommend investors stay focussed on the industrial and logistics segment in order to reap the benefits.
- We recommend investors to consider equity investments in completed units of affordable and mid-segment residential projects that may offer desirable returns beyond a of 3-4 year horizon. They should benefit from low entry price and gradual recovery in the economy due to increasing impetus of the government to revive demand in the residential sector.
- Investors should consider partnering with top-tier developers and invest in greenfield residential projects to capitalize on inherent end-user demand.
- We recommend investors consider opportunistic assets in hospitality and retail real estate segments that offer attractive valuations. We believe investors can benefit from revival in demand going forward.
- Investors should explore opportunities presented by over-leveraged developers who are keen to monetize their assets in order to reduce debt-burden.



Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies. A not-for-profit organisation, FICCI is the voice of India's business and industry.

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