

## Centre opens arms to single brand retail FDI

Choices galore: The new norms will benefit consumers by providing more options and competitive pricing, say analysts.

The Union government on Wednesday liberalised and simplified the Foreign Direct Investment (FDI) regime in a host of sectors, including Single Brand Retail Trading (SBRT) and construction development.

The Union Cabinet, chaired by Prime Minister Narendra Modi, gave its approval to a proposal permitting 100% FDI under the automatic route for SBRT.

### Five-year window

The Centre also eased 'sourcing norms' in SBRT by permitting companies to set off their incremental sourcing of goods from India for global operations in the initial five years — beginning April 1 of the year of the opening of the firm's first store — against the mandatory sourcing requirement of 30% of purchases from India.

After the completion of the five-year period, SBRT entities would be required to meet the 30% sourcing norms directly towards its India's operation, on an annual basis, the government said in an official statement.

The relaxation in sourcing norms could help companies like Apple, which had been seeking exemption from the 30% local sourcing norm, according to Pankaj Mohindroo, national president, Indian Cellular Association (ICA). However, the ICA is keen that companies should source entirely from India, he said.

Apple is learnt to have sought the waiver on the ground that it manufactures 'cutting-edge technology' products for which it is not possible to source as much from India due to the absence of or low capacity of the requisite supply-chain items.

### 'Make in India' gets fillip

"The move will not only attract additional foreign capital into the country, but will also provide an impetus to the retail industry growth, at a time when organised retail is already seeing strong growth over the last 12 months," Rajat Wahi, Partner, Deloitte Touche Tohmatsu India, said in a statement.

He added, "Global brands across different categories, from apparel to electronics to accessories will be aided through this, providing further options to Indian consumers and improving India's ranking in ease of doing business."

The relaxation in local sourcing norms would allow the SBRT entity adequate time to set up their supply chain for local sourcing in India, Mr. Wahi said, adding that it would also provide an impetus to the government's "Make In India" initiative.

On its impact on consumers, Mr. Wahi said the move would open up the Indian retail markets, leading to greater number of brands entering the Indian retail space and thus increasing competition.

"This would provide more options to the consumers as well as competitive pricing," he said, adding

that the move would also indirectly support omni-channel approach for companies who wish to enter both online and offline trade.

Goldie Dhama, Partner - Regulatory, PwC India, said the easier sourcing norms “will provide the single brand retail trading companies the flexibility and time to align their retail and sourcing business.”

### **Break for broking**

In construction development, the Centre said that real estate broking service did not amount to ‘real estate business’ and was, therefore, eligible for 100% FDI under the automatic route.

Bhairav Dalal, partner, Real Estate Tax, PwC India, said that the clarification on real estate broking services was a welcome move “given the number of start-ups in this space offering innovative broking products.”

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