

RETAIL**Sector Impact - Positive****Background**

The Indian Retail Industry is largely dominated by the unorganised retailers. However with the penetration of organised retail in India around the 5.5% mark during FY09, the presence of organised retailers is yet to be felt, especially in the rural areas. FY09 was 'mixed bag' for the organised retailers with positives in the form of decline in real estate costs/lease rentals, expansion into the Tier- II and Tier-III cities, Joint Ventures (JVs) with foreign retail majors and growing importance of concepts such as revenue-sharing model and shop-in-shop. The retailers however suffered set-back in the form of lower footfalls and declining spend on discretionary items, store-reallocation or closures owing to unviable operations and deferment of expansion plans owing to insufficient funds. However since the latter half of FY10, the gradual growth in the economy has restored the consumers' confidence resulting in increased spending.

Budget Proposals

1. Foreign Direct Investment (FDI) norms to be relaxed
2. Implementation of GST in April 2011
3. Rise in income tax slabs for individual taxpayers

Budget Impact: Industry

1. The relaxation of FDI norms either in Single-brand retailing (currently capped at 51%) or multi-brand retailing (currently not permitted) would result in capital infusion in the Indian retailing context. The Indian retailers would also be benefitted by advanced technologies from abroad which in turn would strengthen their back-end and supply-chain operations.
2. The roll-out of GST is expected to lower the operating expenses of the retailers owing to the easier movement of retail products across the state borders irrespective of the location of the retailers' warehouses. This in turn would streamline their supply-chain operations.

3. The increase in disposable income of the taxpayers (to the maximum extent of Rs.51,500 p.a.) owing to the rise in personal income tax slabs would result in increased spending thereby boosting the retailers' topline.

Budget Impact: Companies

Company	Products	% of Sales	Applicable Proposals	Overall Impact
Pantaloon Retail	Retail sales	100	1, 2 and 3	▲
Shoppers Stop	Retail sales	100	1, 2 and 3	▲
Trent Ltd.	Retail sales	100	1, 2 and 3	▲
Koutons Retail	Retail sales	100	1, 2 and 3	▲
Vishal Retail	Retail sales	100	1, 2 and 3	▲

Legends:

▲▲	Highly Positive	▼	Negative	◀▶	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals