MONTHLY UPDATE
NOVEMBER 2018-JANUARY 2019

INTEREST RATES TO HEAD SOUTH

GLOBAL UPDATE | INDIA UPDATE | ECONOMIC TRENDS | INDIA INFRASTRUCTURE & REALTY UPDATE

GLOBAL UPDATE

Consumer spending to reach USD 6 Trillion by 2030

According to a new study by the World Economic Forum, the Indian economy is expected to become the world's third largest consumer market. It will be second only to the United States and China. It must be noted that, in the present day, the Indian economy is the sixth largest economy in the world and is among the fastest growing economies in the world. The study by World Economic Forum stated that by 2030 private consumption, which is more than 50% of the GDP, will grow to approximately USD 6 trillion.

Indian economy to grow by 7.6% in FY20

According to a study by the UN, while the global economy is expected to grow by 3%, in 2019, the Indian economy is expected to grow by 7.6% in FY20. While the growth rate of India is expected to move up from 7.4% to 7.6% in 2019, a year later, it is expected to cool down at 7.4%. The healthy growth rate of the Indian economy makes it one of the fastest growing economies in the world. While all this is good news, there are certain challenges that the Indian economy needs to grapple with. Prominent among them is the issue of unemployment. With regards employment growth, the UN noted that “well educated youths are struggling to find jobs in the formal sector, and most of them are absorbed into low-paying and vulnerable jobs in the informal sector.”

Growth below expectations; IMF

The International Monetary Fund has warned governments of an economic storm largely because of growth not being able to meet expectations. The New York based lending agency had recently pared down the global economic forecast for this year from 3.7% to 3.5%. Citing risks that could derail the growth of the global economy as, “trade tensions and tariff escalations, financial tightening, uncertainty, related to Brexit outcome and spillover impact and an accelerated slowdown of the Chinese economy.” Chirstine Lagarde, Managing Director and Chairwoman, International Monetary Fund, also stressed on risks posed by increasing borrowing costs.

Weak economic outlook for Britain; Bank of England

As per Bank of England, Britain could be in for its weakest economic outlook in 10 years, in 2019. The country's Central Bank however, maintained that the primary reasons for the bleak economic outlook are mounting Brexit uncertainty and global economic slowdown. The Central Bank nonetheless, stuck to the view that interest rates could rise, if the Brexit deal is done. Mark Carney, Governor, Bank of England, maintained that the fog of Brexit is causing short-term volatility, in the economic data. The Central Bank Governor further stated that this is creating tensions in the economy and tensions for business. It needs to be noted that Britain, which is the world's fifth largest economy, will leave the European Union on 29 March 2019. As regards the growth outlook for the country, for 2019, the Central Bank reduced the country's growth outlook from 1.7% (it made in November last year) to 1.2%. Even for 2020 the growth outlook has been cut to 1.5% from 1.7%. Then Central Bank however, expects the economy to grow by 1.9% in 2021.

INDIA UPDATE

Interim budget: Major highlights

The Interim Budget 2019–20 was presented by Piyush Goyal, Union Minister for Finance, Corporate Affairs, Railways and Coal. With the Lok Sabha elections only a few months away, the populist touch in the budget was there as expected. Nonetheless, some of the major highlights of the budget presented by the Finance Minister (interim) are as follows:

- India is the fastest growing economy in the world.
- Fiscal deficit has been brought down to 3.4%
- Current account deficit expected to be around 2.5%
- Announcement for setting up of an AIIMS in Haryana
- Launch of the “Pradhan Mantri Kisan Samman Nidhi” (PM-KISAN) to provide assured income to small and marginal farmers
- Setting up of a separate Department of Fisheries
- A simplified form for farmers so that they can enrol themselves for easy and concessional credit
- Farmers affected by natural calamities, “where assistance if provided from the National Disaster Relief Fund,” be provided interest subvention of 2% and prompt repayment incentive of 3% for the entire period that their loans are rescheduled
- Government contribution for NPS, for government employees, increased by 4%, making it 14%
- Maximum ceiling of bonus given to labourers increased from INR 3,500 pm to INR 7,000 p.m.
- Maximum ceiling for pay increased from INR 10,000 p.m. to INR 21,000 p.m.
- Maximum ceiling for tax-free gratuity has been increased from INR 10 lakh to INR 20 lakh
- Ceiling for ESI eligibility cover increased from INR 15,000 p.m. to INR 21,000 p.m.
- Minimum pension for every labourer fixed at INR 1,000 p.m.
- In case the labourer dies in service, the amount paid by EPFO has been enhanced from INR 2.5 lakh to INR 6 lakh
- Honorarium for all workers has been hiked by 50% under the Anganwadi and Asha Yojana
- Launch of the “Pradhan Mantri Shram-Yogi Maandhan”, a pension plan for workers in the unorganised sector with a monthly income of up to INR 15,000 p.m. The plan will provide assured pension of INR 3,000, from the age of 60, by providing a monthly contribution.
- A scheme of sanctioning loans up to INR 1 crore, in 59 minutes, has been launched. Further, GST registered SME units will get 2% interest rebate on incremental loan above INR 1 crore
- Capital support from the budget for railways is proposed at INR 64,587 crore in 2019–20
- Allocation for the north-east areas increased to INR 58,166 crore in 2019–20
- Government to make 1 lakh villages into digital villages over the next five years
- Single window clearance for ease of shooting films has now been made available to Indian filmmakers. This facility was earlier available only to foreigners.
- Tax collections increased from INR 6.38 lakh crore in 2013–14 to almost INR 12 lakh crore in 2018–19
- Number of returns filed also increased from 3.79 crore to 6.85 crore
- Within the next two years almost all verification and assessment of returns, selected for scrutiny, will be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers.
- In order to promote a “less cash” economy, the presumptive profit rate has been reduced from 8% to 6%
- Small service providers with turnover up to INR 50 lakh can opt for a composition scheme and pay GST at 6% instead of 18%
- Soon business comprising over 90% of GST payers will be allowed to file quarterly returns

Vision

To become a 5 trillion dollar economy in the next five years and to become a 10 trillion dollar economy in the next 10 years.

- Fiscal deficit would be less than 3.3% in 2018–19 and less than 3.1% in 2019–20
- Capital Expenditure for 2019–20 is estimated to be INR 3,36,292 crore
- Allocation for Centrally Sponsored Schemes (CSS) is at INR 3,27,679 crore, in 2019–20
- Allocation for National Education Mission is at INR 38,572 crore in 2019–20
- Allocation for the Integrated Child Development Scheme is at INR 27,584 crore in 2019–20
- Focus will be on debt consolidation. Efforts to be made to bring down the country's debt to GDP ratio to 40%.
- Stamp duties would be levied on one instrument relating to one transaction and will get collected at one place through stock exchanges.

Personal income tax proposals

- Individual tax payers with an annual taxable income of up to INR 5 lakh to get full rebate. In other words, they will not be required to pay any tax on their income.
- Standard Deduction raised from INR 40,000 to INR 50,000
- Exempt levy of income tax on notional rent on a second self-occupied house
- TDS threshold on interest earned on bank/post office deposits raised from INR 10,000 to INR 40,000
- Benefit of rollover of capital gains increased from investment in one residential house to two residential houses, for tax payer having capital gains up to INR 2 crore. This benefit however, will be available once in a lifetime.
- Benefits under Section 80-IBA of the Income Tax Act extended by one more year
- Extension of period of exemption from levy of tax on notional rent, on unsold inventory, to two years, from the end of year in which the project was completed

It was certainly heartening to note that the Union Finance Minister did give a helping hand to the real estate sector and in his budget speech also hinted that there is more in the offing. The Honourable Finance Minister in his budget speech stated: "Our government wants the GST burden on homebuyers to be reduced and accordingly I have moved the GST Council to appoint a Group of Ministers to examine and make recommendations in this regard at the earliest." The good news is that a decision in this regard was taken in the third week of February.

The much required push

One of the major factors affecting the real estate sector was that the properties that were under-construction attracted GST @12%, while those that that had received the completion certificate did not attract any such tax. What this did was that consumers preferred to wait for a project to receive the completion certificate, before they arrived at the buy decision. For the builder, it was difficult to sell his project that was under-construction. Which meant that, in most cases, the developer would also have had to arrange for the necessary finances to complete the project, which was till recently a bit difficult, especially in the backdrop of the NBFC crisis. This anomaly in tax rates between a ready-to-move-in and under-construction property has now been resolved. The recommendations of the 33rd GST Council meeting state the follow:

- GST shall be levied at 5% without input tax credit (ITC) on residential properties, except affordable housing.
- GST on affordable housing shall be levied at 1% without ITC.

The GST Council also defined what will constitute affordable housing and what will not. The government circular on the matter defined affordable housing as the following: A residential house/flat of carpet area of up to 90 sq metres in non-metropolitan cities/towns and 60 sq metres in metropolitan cities. The value of the residential unit/house, in metropolitan / non-metropolitan locations has been capped at up to INR 45 lakh. Further, metropolitan locations include Bengaluru, Chennai, Delhi NCR (includes Delhi, Noida, Greater Noida, Ghaziabad, Gurugram and Faridabad), Hyderabad, Kolkata and Mumbai (includes whole of MMR).

This decision by the government will go a long way in boosting demand and promoting sales. This decision coupled with the banking regulator's decision to reduce policy rates should give the much needed kick-start, which the sector so badly needs.

Reduction in policy rates

In its Fifth Bi-monthly Monetary Policy Statement 2018–19, in December 2018, the Monetary Policy Committee (MPC) had left the policy rates unchanged. Hence, the policy repo rate remained unchanged at 6.5%. As regards the outlook, the banking regulator had maintained that there had been several important developments "since the October policy which will have a bearing on the outlook." The banking regulator, in its statement noted that even though inflation had cooled down, there were dangers of deflation, especially among components in the food group. On the other hand, inflation had started to harden in non-food groups. Further, post the last policy announcement, international oil prices had dropped, global financial markets were volatile and effects of the "Seventh Central Pay Commission's HRA increase" had continued to wane along expected lines. Taking all these factors into consideration and the fact that monsoons will be normal in 2019, inflation in H2 2018–19 was projected to be 2.7–3.2% and was expected to move up to 3.8–4.2%, in H1 2019–20. This was the stand of the banking regulator, in December 2018, and by the time the Sixth Bi-monthy Monetary Policy Statement 2018–19 was announced there was a change of guard at the Reserve Bank of India (RBI) and also a shift in its stand towards policy rates.

In its Sixth Bi-monthly Monetary Policy Statement, in February 2019, the MPC decided to reduce policy rates by 25 basis points. As a result, of this reduction, the repo rate under the liquidity adjustment facility (LAF) now stands at 6.25%. Further, the reverse repo rate now stands at 6% and the marginal standing facility rate (MSF) and the Bank Rate at 6.5%. As regards the future outlook, the banking regulator, in its statement maintained that "the path of CPI inflation is revised downwards at 2.8% in Q4: 2018–19, 3.2%–3.4% in H1 2019 and 3.9% in Q3 2019–20. In addition, GDP growth for 2019–20 is projected at 7.4% (in the range of 7.2–7.4%, in H1 and 7.3% in Q3).

Lock before it gets too late

With policy rates on their way south, good days should not be too far away, especially for those planning to take a home loan. The recent reduction in GST rate should augur well for the two major stakeholders in the real estate sector—the developer and the consumer. While all this is good news, a possible reduction in lending rates is certainly a sign for the conservative investor to lock into a fixed deposit. While many will agree that over exposure to bank fixed deposits is not a great strategy but most financial planners do advise exposing a small part of your portfolio to fixed deposits. And when it comes to fixed deposits, there is nothing better than bank fixed deposits. So when the monetary transmission happens after the recent reduction in policy rates, banks before reducing lending rates will bring down deposits rates. Hence, before financial institutions do that, you should lock into that FD.

EPF rate hiked to 8.65%

Interest rate on the Employees Provident Fund (EPF) has been hiked from 8.55% to 8.65% for 2018–19. This has been the first hike in the EPF rate in three years. Another important update with regards EPF is that now one can only withdraw up to 75% of the accumulated deposits, as against 100% earlier.

ECONOMIC UPDATE

Manufacturing PMI moves up

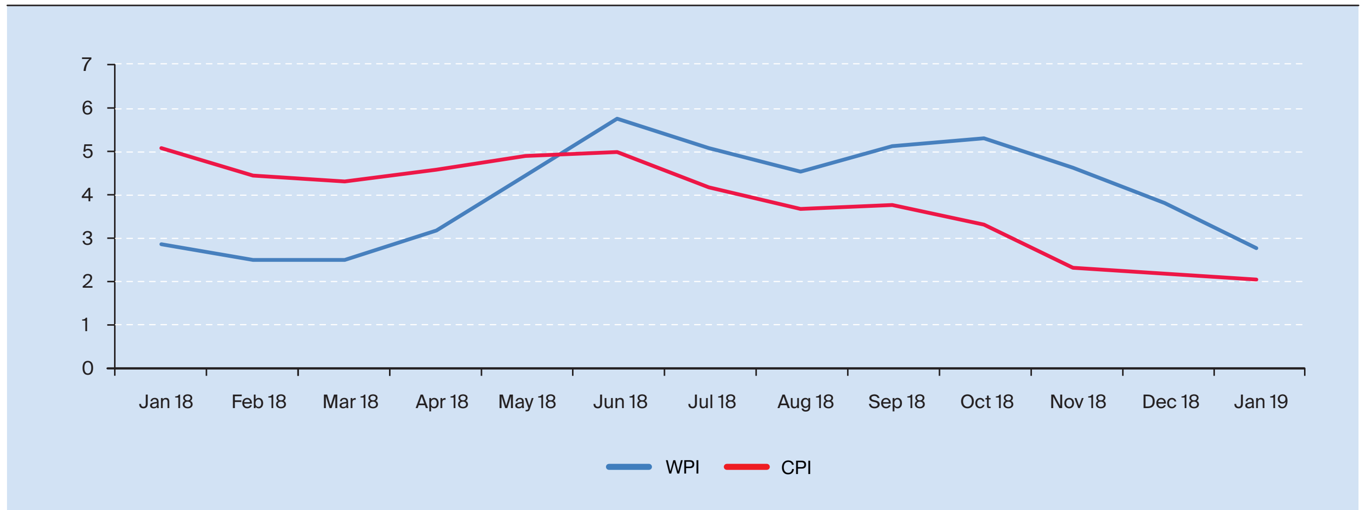
The Nikkei India Manufacturing Purchasing Managers Index moved up in January 2019, compared to the previous month. The index which stood at 53.2 in December 2018 moved up to 53.9 in January 2019. The steady growth of the index is a direct result of the good health of the manufacturing sector. It must be remembered that a score above 50 points towards economic expansion and a one lower than 50 is a sign of economic contraction.

Services PMI loses ground

The Nikkei India Services Business Activity Index, which stood at 53.2 in December 2018, slipped to 52.2 in January 2019. Even though the index has slipped in January compared to the previous month, it's still in the expansion zone. As with the manufacturing PMI, even in case of the services PMI, a score above 50 points towards economic expansion, while one under 50 is an indication of economic contraction.

Both CPI and WPI head South

INFLATION



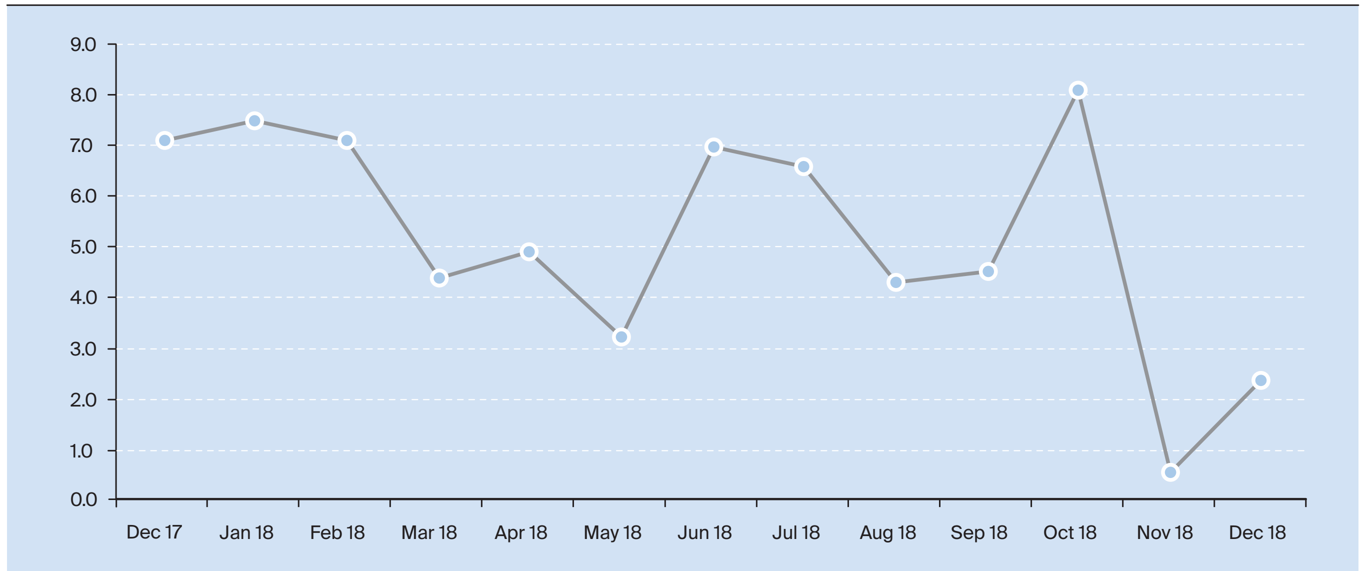
Source: Ministry of Commerce and Industry, Ministry of Statistics and Programme Implementation, Government of India

The most striking part about the retail inflation, especially in January 2019, is the fact that it has hit a 19-month low and stands at 2.05%. The last time the CPI was lower than what has been recorded in January 2019 was in June 2017, when it stood at 1.54%. While the CPI has hit a 19-month low, in January 2019, it needs to be noted that the CPI had been on a downward slide since hitting 5% in June 2018. At the end of the year, i.e. in December 2018, the CPI stood at 2.19%. This has been quite an achievement, considering the fact that retail inflation opened its mark at 5.07%, in January 2018. Retail inflation hit a new low, largely because of low food prices. It is worth mentioning that the consumer food price index stood at -2.17% in January 2019, the same figure stood at -2.51% in December 2018 and in November 2018 it was -2.615%. Among food products, the highest fall was witnessed in prices of vegetables, where prices fell by 13.32% in January 2019, compared to January 2018. During the same period, prices of pulses and products also fell by 5.50%, followed by fruits (-4.18%) and eggs (-2.44%). Among major categories, prices of houses in urban India went up by 5.20% in January 2019, compared to the same period last year. Prices of pan, tobacco and intoxicants went up by 5.62%, those of miscellaneous categories went up by 6.04%, that of clothing and footwear by 2.95%. Interestingly, the prices of food and beverages went down by 1.29%.

While retail inflation hit a 19-month low, WPI hit a 10-month low in January 2019, when it stood at 2.76%. After hitting a high of 5.28% in October 2018, the WPI has been on a downward spiral. It stood at 4.64% in November and 3.80% in December 2018. The primary reason for WPI cooling off is low fuel prices. On a year-on-year (y-o-y) comparison, prices of fuel and power grew by 1.85%, in January 2019. It is worth noting that prices of LPG declined by 7.47% and that of petrol by 3.35%. Further, prices of primary articles went down by 3.54%. Among primary articles, the prices of vegetables went down by 4.21%, those of onion by 65.60% and that of fruits by 4.53%.

IIP lifts after hitting rock bottom

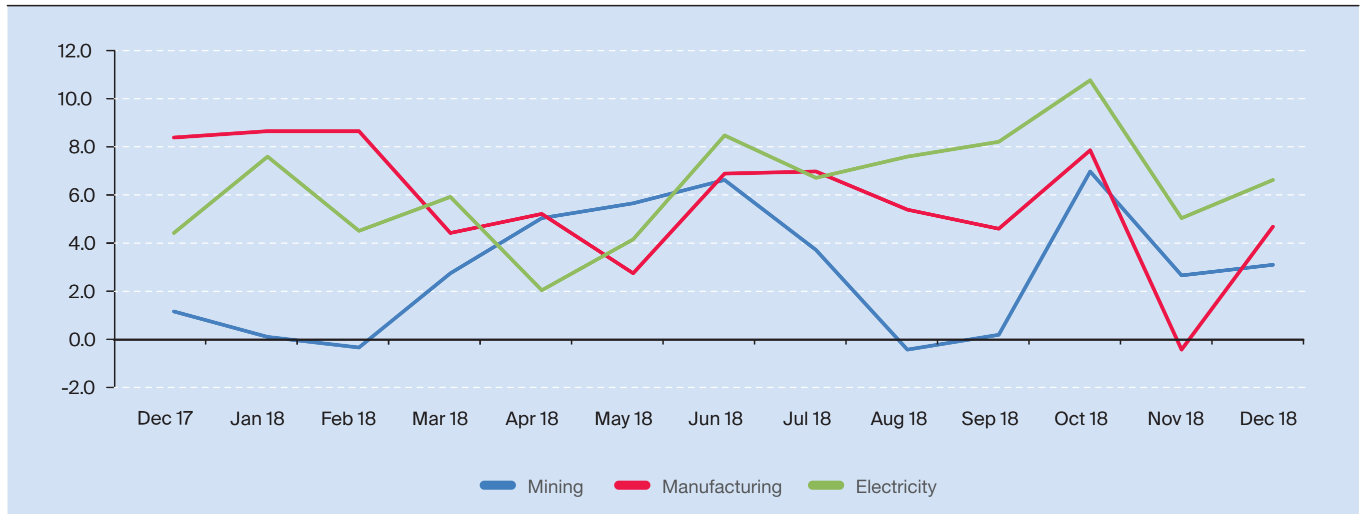
IIP (GENERAL INDEX)



Source: Ministry of Statistics and Programme Implementation, Government of India

The growth rate of the Index of Industrial Production (IIP) has had a very topsy-turvy ride post September 2018. The growth rate of the IIP touched a high of 8.1% in October and then slid to a low of 0.5% in November. A reason for this could be the manufacturing sector slowing down post Diwali. The momentum however picked up slightly in December 2018 and stood at 2.4%.

IIP (SECTOR WISE)

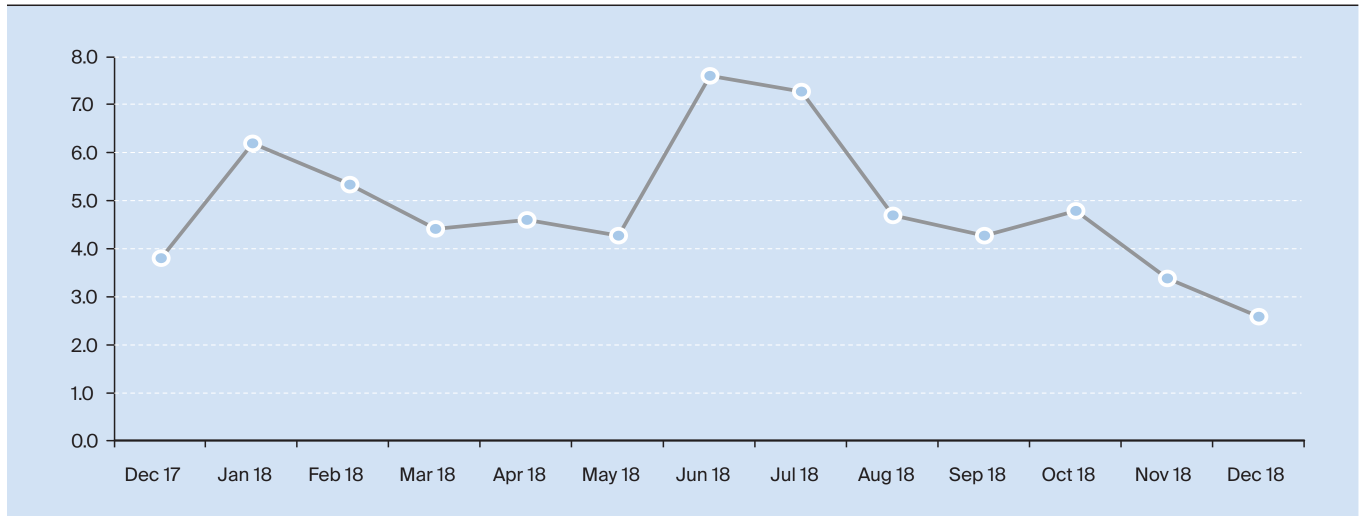


Source: Ministry of Statistics and Programme Implementation, Government of India

Of the three months (October to December 2018), the growth rate of the IIP was the best in October. It could largely be attributed to the festive season. In fact, the growth rate recorded by the IIP in October was the best in the entire calendar year. The stellar performance of the IIP is well and truly reflected in the growth rate of the sectors that make up the IIP. Of the three sectors, the growth rate recorded by the electricity was the best ay 10.8%, followed by manufacturing (7.9%) and mining (7%). The next month, i.e. in November 2018, the growth rate of the IIP was in doldrums, which is also evident from the performance of the sector comprising the IIP. In January 2019, however, the growth rate of the IIP picked up and this is evident in the growth rate of the sectors that make up the IIP. Among the three sectors electricity recorded a growth rate of 6.6%, followed by manufacturing at 4.7% and mining at 3.1%. Even though the growth rate of the core sector has been slipping in the past three months, all is not that gloomy. To give an idea, the growth rates for steel and cement sector have been fairly impressive. In fact, both the sectors have recorded decent growth rates and in December 2018, the growth rates of the two sectors were in double digits

Core sector slips further

INDEX OF EIGHT CORE INDUSTRIES

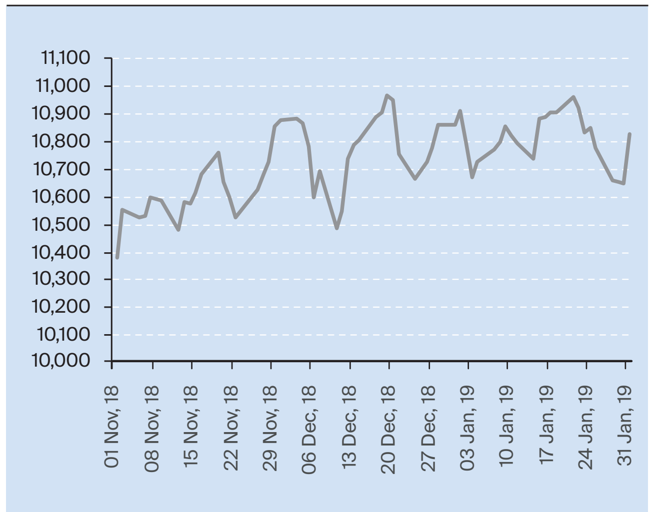


Source: Ministry of Commerce and Industry, Government of India

The past three months have certainly not been that great for the Index of Eight Core Industries. The growth rate of the core sector, which hit a high of 7.6%, in June, in the calendar year, has been on its way south, since then. The growth rate went sub 5%, in August 2018, and post that it has slid further. It needs to be mentioned that even though the growth rate of the core sector has been heading south for the past couple of months, it still remains positive. An interesting thing to note about the growth rates of the core sector is the fact that the growth rates of two sectors have been in the red in the past three months – Crude oil and Fertilizers sectors have recorded negative growth rates between October and December 2018.

NIFTY

NIFTY 50

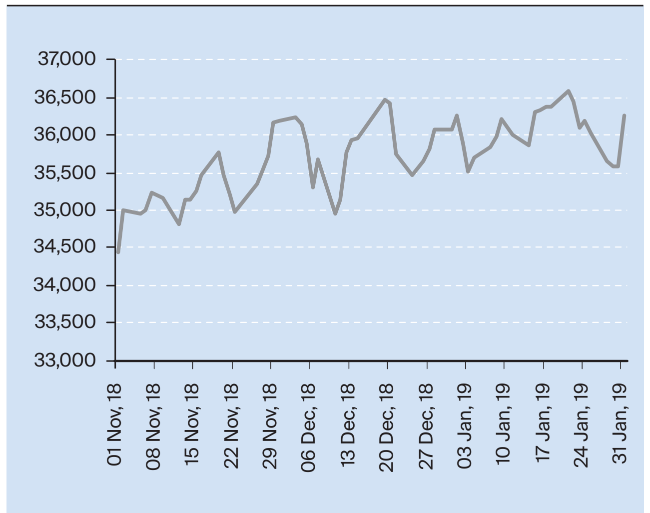


Source: National Stock Exchange

The NIFTY 50 gained 4% between November 2018 and January 2019. The NIFTY 50 opened at 10,380 points on 1 November and closed at 10,831 points on 31 January 2019. At the time of closing this edition, the NIFTY 50 closed at 10,806 points (on 27 February 2019).

Sensex

S&P BSE SENSEX

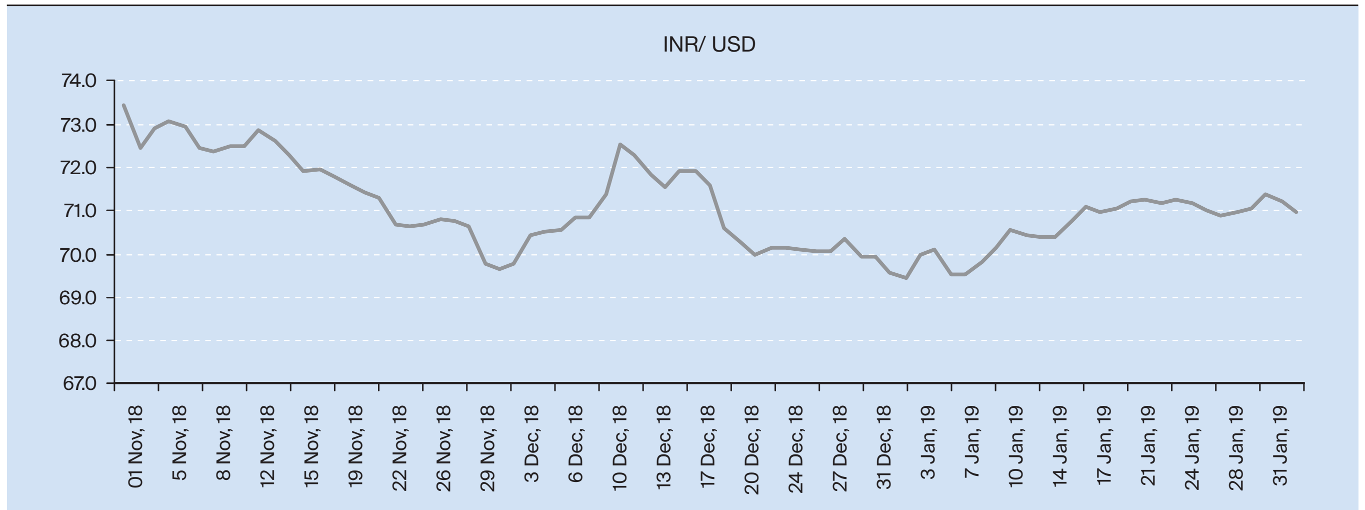


Source: Bombay Stock Exchange

The S&P BSE SENSEX gained 5% between 1 November 2018 and 31 January 2019. The S&P SENSEX opened at 34,432 points and closed at 36,257 on 31 January 2019. At the time of closing this edition, the S&P SENSEX closed at 35,905 (on 27 February 2019).

Currency

CURRENCY



Source: https://in.investing.com

The INR gained 3% against the USD between November 2018–January 2019.

INDIA
Infrastructure & Realty update

Delhi metro services to reach Najafgarh; Red line to be operational soon

If all goes as per plan, then the Delhi Metro Services could reach Najafgarh by this September. 90% of the work on the Dwarka–Najafgarh line (4.29 kilometres) has been completed and work on the Najafgarh–Dhansa section has already started. It needs to be noted that work on the Dwarka–Najafgarh section was awarded in late 2017, with the target completion date of December 2020. In other updates regarding the Delhi Metro, going forward all metro stations of the Delhi Metro Rail Corporation (DMRC) will have ATMs. In fact, the past couple of months have seen many developments with regards metro services across different centres, in the country. Further, the Red Line of the Delhi Metro could become operational soon. The 9.63-kilometre stretch between Dilshad Garden and New Bus Adda recently received the green signal from the Commissioner for Metro Rail Safety last week, which has raised expectations that this stretch of the Delhi Metro could see operations very soon. For those not conversant with Delhi NCR, this section of the Delhi Metro is an extension of the Rithala–Dilshad Garden corridor or the Red Line.

Metro services to reach Hitech city

The Hyderabad Metro, which started services in November last year, is gradually spreading its presence across the city. The Miyapur–LB Nagar line was opened for public use last year and this year, in September, the section between Ameerpet–Nagole was made operational. With the opening of the second line, the total length of the operational line, in the Hyderabad metro rail network, is approximately 42 kilometres, thereby making it the second largest metro network, in the country, after the Delhi Metro. Going forward, metro services should reach the IT corridor of the city. Once that happens, the metro services are expected to further unlock the real estate potential of the city. If all goes as per plan, then the Ameerpet–HITECH CITY line should be operational soon.

Metro services reach Greater Noida

After much delay, the metro services between Noida and Greater Noida started in January 2019. Known as the Aqua Line, metro services were flagged off by Yogi Adityanath, Chief Minister of Uttar Pradesh. This line of the Noida Metro Rail Corporation was touted to be a lifeline for residents of Noida, especially those living along the Noida–Greater Noida Expressway. It needs to be noted that areas along the Noida–Greater Noida Expressway, is also home to the new residential colonies that have come up in the recent past. The now operational metro line, which is approximately a 30-kilometre stretch of the Aqua Line, connects Noida Sector 71 and Greater Noida's Station depot. In the present day, the Aqua Line does not provide any connection to the Blue Line of the Delhi Metro, which is to a great extent creating some amount of stress for people who wish to travel to Delhi from Greater

Noida. It is heartening to note that the authorities have taken note of that and going forward the Blue Line of the Delhi Metro will be integrated with the Aqua Line. Further, work related to the second phase of the Noida metro rail is already underway. Under the second phase, metro services will be extended from Noida Sector 71 to Knowledge Park 5 in Greater Noida and will comprise of nine stations. Going forward, there are also plans of having a direct metro line connectivity with the upcoming Jewar Airport".

Metro rail planned for Agra; Metro services planned in other cities

If all goes well then metro services should start in Agra, in the near future. Decks have already been cleared for metro services in the city of the Taj Mahal. The proposed metro services will run on two corridors and will have a 30-kilometre network. Further, metro rail services have also been planned for Kanpur and Patna. Also, the Public Investment Board (PIB) has given the green signal for the Delhi–Ghaziabad–Meerut Rapid Rail Transit corridor. In another update, trial runs have already started for the Nagpur Metro.

Progress on student housing

The major metros in the country, apart from being major business centres, are also education hubs where students from across the country come to pursue higher studies. Of the students coming to these education hubs, a major chunk of them are from Northeast India. Though there are hostel facilities to take care of the needs of students coming from other centres, they are fairly inadequate. Over the years the government has been trying to tackle this issue and there has been an update on the matter. A hostel for girls coming from the Northeast is already complete within the campus of Bangalore University. The only thing left is the inauguration of this hostel. A hostel, exclusively for students from Northeast India, is also under construction within the campus of the Jawaharlal Nehru University. Further, land has also been acquired in Rohini, close to the north campus of the Delhi University. Land has also been acquired in Dwarka, New Delhi for a state-of-the-art Northeast Convention Centre.

New railway line between Palwal and Kundli

It is only last year that that a new Ring Road came up around the National Capital, in the form of the Eastern Peripheral Expressway and the Western Peripheral Expressway. Now, the incumbent government, in the state of Haryana, has plans of constructing a railway line along the Western Peripheral Expressway, between Palwal and Kundli. Known as the Haryana Orbital Rail Corridor, the project will connect major industrial centres in the state, which in turn should give a boost to the warehousing and logistics sectors. The project will be constructed at the cost of INR 4,100 crore. Further, the Haryana Rail Infrastructure Development Corporation (HRIDC) will conduct a feasibility study for new rail lines. Some of these include, new rail lines between Chandigarh and Yamunanagar, Sohna–Nuh–Alwar and Karnal–Yamunanagar, Farukhnagar–Jhajjar–Charki Dadri.

Highway projects for Himachal Pradesh

Road infrastructure in the hill state of Himachal Pradesh is expected to improve further. Nitin Gadkari, Union Minister for Road Transport and Highways laid the foundation stone for seven highway projects, amounting to over INR 4,300 crore. The projects include the following:

- Four-laning of the 37.03-km long Punjab–Himachal Pradesh border to Sihuni section of NH-154;
- Construction of 104.6 km long Paonta Sahib–Guma–Feduzpul section of NH-707;
- Construction of 109.45 km long Hamirpur–Mandi section of NH-70;
- Construction of 15.75 km long Una to Bhiroo section of NH-503A;
- Construction of 23.105 km long Mataur–Dharamshala–Mcleodganj section of NH-503;
- Four-laning of 7 km long Paonta Sahib Town section of NH-7; and
- Construction of retaining wall and installation of crash barriers on 94 km long Sainj–Luhri–Anni–Jalori–Banjar–Aut section of NH-305

COMMERCIAL BRIEFING
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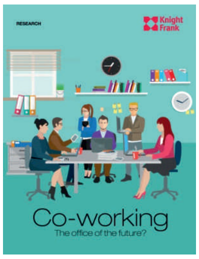
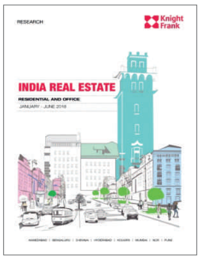
RECENT MARKET-LEADING RESEARCH PUBLICATIONS

INDIA WAREHOUSING MARKET REPORT 2018



CO-WORKING: THE OFFICE OF THE FUTURE?



INDIA REAL ESTATE JAN - JUN 2018

REAL ASSET MONETISATION 2018

CIN No. – U74140MH1995PTC093179