

Perspectives Sharing with the Institutional Investors and Industry stakeholders: *Providing Thrust to the Opportunities within the Indian Real Assets Sector*

APREA conducted a leadership dialogue between the Government and industry leaders to enable sharing of perspectives on opportunities within the Indian real estate and infrastructure sector.

The Hon'ble Minister of Railways and Minister of Commerce and Industry, Shri Piyush Goyal ji along with over 60 industry leaders of major pension funds (PFs), sovereign wealth funds (SWFs), investment and asset managers, developers and real estate service companies across the globe participated in this meeting.

Meeting	Shri Piyush Goyal Hon'ble Minister of Railways and Minister of Commerce and Industry Government of India
	Joint Secretary, Ms. Sumita Dawra Joint Secretary, Mr. Shyamal Mishra OSD to Hon'ble Minister Mr. Anuj Gupta
	The meeting was led by APREA India Chapter Chairman Mr. Neel Raheja, President K Raheja Corp; Co-Chair Mr. S. Srinivasan, MD Kotak Investment Advisors and moderated by Mr Ruchir Sinha, Leader, Corporate Transactions Group, Nishith Desai Associates.
Date	Monday, July 27, 2020
Time	12 noon – 2:00pm

Below are the minutes of the proceedings.

A) Welcome Session

Welcome Address by Ms. Sigrid Zialcita (CEO, APREA):

- Growth in Asia is expected to outpace the rest of the world by 2030 and for this reason, leadership dialogues between industry players and the Government helps foster a better business environment.
- In 2019, India launched its first Real Estate Investment Trust (REIT) with the second REIT launching in July, 2020.
- APREA enabled the collaboration between the industry stakeholders and the Government, which was supported by the unrelenting efforts of SEBI and the Ministry of Finance (MoF) that led to the creation of a REITs framework that matches global standards.
- APREA has in the times of COVID, worked with policymakers across Asia Pacific to ensure that stimulus packages assist the stakeholders with a focus not just on preserving jobs in the real estate sector but also job creation in the future by removing barriers to cross border investment.

Remarks by Mr. S Srinivasan (MD, Kotak Investment Advisors & Co-Chair, APREA India):

- Investor attendees have an estimated \$1 trillion in assets under management.
- In the period 2010-2015, there was an investment of \$8 billion in the infra sector of which PFs and SWFs accounted for 8% of the total capital invested. And the investment in the period 2015-2020 has shot up to \$25 billion (PFs and SWFs accounting for 28% of the total capital invested).

- The investment regime easing for the PFs and the SWFs has been widely welcomed by the industry.
- However, majority (85%) of the investment has gone into completed income generating infrastructure assets; long term capital investments has not been seen in the developmental asset category which is required for growth of the country.

Remarks by Mr. Neel Raheja (Group President K. Raheja Corp & Chairman, APREA India):

- Infrastructure Investment Trusts (InvITs) and REITs have been a regular part of the budget speeches since 2014, which has resulted in path breaking legislation being passed in the infrastructure and the real estate sector.
- Importance of debt investment in the infrastructure sector through the FPI route has been recognized by the Government.
- Even though bank lending in the REITs space is restricted, the same is permitted for the InvITs.
- Currently REITs and InvITs are not treated at par with listed companies, that results in longer holding periods and higher compliances for such platforms.

B) Interactions Session with questions/suggestions being put forth for infrastructure and real estate investments:

Mr. Zaman Velji (Senior Portfolio Manager, BCI):

- Freight movement via road transport is higher in India than other countries.
- Perspective needed on modernization of railways and the challenges with respect to privatization of railways over a multi-year time frame.

Mr. Pushkar Kulkarni (Director Infrastructure, CPPIB):

- The thought process of the Government on monetization of assets (non-core infra such as gas pipelines, tanking stations etc.) held under PSUs.
- The standpoint of the Government on ensuring efficiency in translation of policy around the compensation provided for federal concessions into actual on ground actions.

Mr. Saurabh Agarwal (MD, Infrastructure South Asia, CDPQ):

- Clarifications sought on the Press Note 3 Notification under the FDI Policy as to the following: A) whether downstream investments of companies covered under the notification will be subject to approvals, B) whether a threshold has been prescribed for the beneficial ownership under the notification, C) whether existing companies who have a higher degree of shareholding than any such threshold, will be required to down sell and D) whether approvals will be required in case of a sale of such shareholding.

Mr. Sandeep Lakhanpal (Head M&A, CUBE Highway):

- Comments sought on the gap between the policy space and delivery in the infrastructure sector vis-à-vis the COVID relief packages released by the MoF with the direction to extend the concession further on, have not yet been received by the road sector players.
- Comments sought on the impact of the closing of transactions due to almost a year's time being spent in getting Government clearances that also increases the fiscal costs for the investing community.

Mr. Chin Hau Boon (Global Managing Director, GIC):

- Future prospects for Government measures apart from the relief packages to push for growth in the infrastructure sector.

- Position of the Government with respect to the status of privatization of Container Corporation of India (CONCOR).

Mr. Harsh Shah (CEO, Indigrid):

- Government's standpoint on the ability of InvITs and REITs to borrow funds as lending institutions can only own units of such infrastructure platforms but cannot lend funds which impedes long term borrowing; Regulations prescribe higher corporate governance benchmarks for InvITs/REITs, however, borrowing capacity of such platforms is not at parity with companies.
- Perspective needed on A) bringing debt investments at par with equity investments B) improving liquidity in infra platforms by bring down the trading lot sizes (*to 1 unit*) to tap into the Indian capital available.

Mr. Patrick Charbonneau (MD Infrastructure, ROADIS (PSP Investments)):

- Outlook on raising capital via debt for infrastructure assets and on reducing volatility from the lending market.

Mr. Ruchir Sinha (Co-Head, Private Equity and M&A, NDA):

- Comments sought on Government's plan to providing relationship managers to large ticket investors (*above a certain threshold*) under the overall supervision of the DIPP.

Mr. Mahendra Bisht (Director, Global Infrastructure Partners):

- Government's stance on railways exploring PPP concessions in the core railways infrastructure elements such as track-laying, electrification or signalling and whether there is any plan on implementing the above by involving long term equity capital from investors instead of going through the EPC route.

Mr. Bhavin Merchant (Head Infrastructure, Mubadla):

- The standpoint of the Government on providing protection to the bidders in the future privatized assets due to the increased risk by the impact of COVID.
- Comments sought on Government's plan/intent to bring in foreign investment into the public healthcare sector.

Mr. Rushabh Desai (CEO Asia Pacific, Allianz Real Estate):

- Perspective needed on making urban planning and climate change an integral part of the real estate industry.
- Perspective needed on making the judiciary and tax regime more consistent, transparent and predictable for helping investors avoid surprises.

Mr. Roberto Versace (MD Asia Pacific, APG Asset Management):

- Future prospects in incentives being provided for bringing in foreign capital.
- Comments on creating a synergy between the infrastructure and real estate sectors for developing both at a faster pace.
- Government's viewpoint on taking lessons from the growth story of the infrastructure sector in China over the past 3 decades.

Mr. Ankur Gupta (Managing Partner, Head India, Real Estate Brookfield Asset Management):

- Need to simplify the processes in the REITs space so as to bring in more institutional capital in the coming years.

- Clarification sought on the extension of the sunset clause in the SEZ sector and further simplification of the SEZ Policy.
- Clarification sought on the domestic tariff area (DTA) regime vis-à-vis the utilization of the non-processing area with increased flexibility.
- Need for a rupee billing regime for the domestic business in the SEZs.
- Need for policy simplification in the rental housing business for drawing in foreign investment as it will enable achieving the Housing for All vision of the Government.

Mr. Mehul Shah (CEO India, LOGOS):

- Perspective of the Government on reducing the time taken to set up shop by new manufacturing companies from 2 years (*majorly due to land and regulatory clearances*) to less than 1 year (*6-8 months*).
- Directions sought on land and labour reforms so as to enable new manufacturing units to be set up in India.

Mr. Raj Menda (Corporate Chairman, RMZ Group):

- Outlook on commercial office projects being accorded the status of infrastructure.
- Need to increase the current investment limits of NCDs by FPIs from 50% to the maximum level possible to unlock foreign investment.
- Need to reduce the current 3 year lock-in period to 1 year for foreign investment in construction development activities.

Responses by the Hon'ble Minister

Shri Piyush Goyal (Hon'ble Minister of Railways & Minister of Commerce and Industry):

1. India's capabilities in dealing with the pandemic:

- India post the lockdown has focused on saving lives and protecting livelihoods; lockdown restrictions were imposed early on to first focus on healthcare of the citizens based on how countries adopted various strategies in previous pandemics; strategy helps to gain crucial time to find a cure and possibly, a vaccine to the calamity at hand.
- Since the lockdown restrictions have being uplifted, economic activity has reached a considerable level as compared to pre-COVID times, with full levels of the economy coupled with economic growth estimated to come in the 3rd and 4th quarter.
- India has given utmost attention to capacity building in the number of tests for COVID being done in a day i.e. 500,000 per day, procuring 220,000 ventilators in total and manufacturing 400,000 personal protective equipment (PPE kits) in a day. This has been the result of India's vision to become self-reliant (*Atma Nirbhar Bharat*).

2. Single Window Approvals and Project Development Cell for easing investments:

- India has the tenacity and capacity to bring down the setting up time for new manufacturing companies to 6-8 months. Ministry of Commerce and Industry working on creating a genuine single window (*with the support of State Governments*) for clearances and approvals.
- A fast track investment clearance cell has been established that is to be led by committees of Secretaries of various departments and the cell will be an empowered body to take decisions for specific industry segments and large value projects to encourage faster investment in the country.
- Every department of the Central Government now has a Nodal Officer; Each Ministry is creating a Project Development Cell (PDCs) that will look at specific industry segments, facilitate the needs of the industry players and build a robust framework to encourage investment in those areas to meet the local requirements and create global dominance in certain sectors where India might be at an advantage.
- The Government has recognized 20 sectors for a focused study on them to ramp up the investments such as furniture, air-conditioners, leather, footwear, agrochemicals, ready-to-eat food, steel, aluminium, copper, textiles, electronics, electric vehicles, auto-components, TVs, set-top boxes, CCTVs, sports goods, drones, ethanol manufacture and bio-fuels, and toys.
- For investments to be scaled in the education and health sector, India needs to build a more conducive environment for foreign investors.
- PDCs will be working on easing the regulatory mechanisms, improving quality standards and making the regulatory regime more predictable and transparent for the investors.
- Hon'ble Minister highlighted that the law of the land was equal for everyone and that is the biggest assurance to the investors.

3. Press Note 3 Clarification:

- The press note notification does require certain clarifications in the coming months, however as of now, any investment by a country having land borders with India even in a single share, will require Government approval.
- Beneficial ownership as given in the Press Note 3 is being deliberated upon with respect to security concerns. Downstream investment will also require Government approval if the company is covered by the notification.
- However, existing companies will not be impacted (*unless there is a sale of shares to a land bordering country*) and there is no current requirement to get an approval for down selling.

APREA action: To further send a note on the same requesting clarifications from the Hon'ble Minister

4. REITs and InvITs:

- Points regarding allowing FPIs to invest in debt securities of InvITs/REITs and allowing bank lending to REITs have been duly noted and Hon'ble Minister will be flagging it off to the MoF and SEBI as well.
- The Government is working towards creating fair and transparent regulations and providing an orderly investment climate for protecting international investors. However, Government protection or guarantee cannot be granted for risk capital. Investors need to do a finer due diligence on the promoter companies so as to save their skin in terms of their investment.
- Regarding the point where REITs/InvITs not being treated at par with listed companies, interested stakeholders can create a note and flag it off to the Department of Economic Affairs which deals with such matters.
- **Hon'ble Minister shall be speaking to FM as well DEA.**

APREA action: To further send a note on the same to MoF.

5. Privatisation of Freight

- Hon'ble Minister noted and highlighted that as on date, freight trains ran at an average speed being 108% faster than the trains running 1 year ago. Also, the loading levels are at 93% for the month of July 2020. EXIM volumes are also at considerable levels. Further, usage of petroleum products has touched 90%. These statistics indicate that Indian economy has had a quick turnaround time despite COVID's impact.
- Government plans to institutionalize faster train speeds in the freight time tables, improve the good sheds and bid out such sheds for private sector participation as private freight terminals.

6. Monetization of assets (non-core infra such gas pipelines, tanking stations etc.) held under PSUs:

- Government is committed to faster monetization of assets at a macro level as the policy is to deleverage PSU assets and government debt and bid out such assets for private ownership allowing more participants to use common infrastructure.

APREA action: The Hon'ble Minister has asked if there is more information pertinent to the matter.

7. Gap between delivery and regulations related to road sector

APREA action: The Hon'ble Minister has asked for specific issues pertinent to the matter.

8. Government push for growth of Infrastructure

APREA action: The Hon'ble Minister is keen to get suggestions on this matter.

9. Position of the Government on privatization of Container Corporation of India (CONCOR):

- On privatization of CONCOR the Government is seeking the investor perspective on sale of the land (currently held by railways which are rented out) to CONCOR on which the containers are operated.

APREA action: The Hon'ble Minister is keen to get suggestions on whether investors would like to lease the land from the government or buy the land from the government at arm's-length prices.

10. Invest India and Large size investments:

- Hon'ble Minister is keen to understand if there have been any specific issues under "Invest India" and that it does not have enough teeth.
- But the Hon'ble Minister mentioned that for the same reason and for hand-holding investors the PDCs and Empowered group of Ministers was created as Invest India was for facilitating. He assured to fast-track the process though.

11. Judicial and Urban planning reforms:

- The Government is trying to simplify the processes, remove the outdated laws and decriminalize several laws so that investor confidence can be increased.
- Urban planning is high on the priority list of the Government.

12. Institutional capital in real estate:

- The Government appreciates real estate and infra are the building blocks. The outlook of the Government is to have an orderly and stable debt market.
- Till date India has been able to have a stable debt market and government favours this rather than having an unrestricted and uncontrollable debt market that leads to hot money flowing in and out of our financial system.
- The stakeholders are free to take up this matter with MoF.

13. SEZ and Rental Housing:

- Hon'ble Minister stated that they are looking at various SEZ issues raised which resonate within the Baba Kalyani Report to allay the concerns of the businesses and investors.
- There are many which need concurrence with the Ministry of Finance and the Hon'ble Minister assured it is high on agenda and will look at fast tracking the same.
- For Rental Housing the Minister recommended to take up with relevant Ministries.

APREA action: To take up the Rental Housing matter with MoHUA and MoF.

14. Labour and land reforms:

- Labour laws have been eased into 4 labour codes keeping in mind the interests of the working labour and the businesses hiring them.
- The Government is working on creating a single window to attract investments. A software has been made and 6 states have already given their consent; very soon a soft launch will be done. Any potential investor sitting anywhere should be available to understand where the land is available, type of land, locate the land, understand the neighbourhood and pricing, incentives offered by the state, negotiate, finalise, do paper work seamlessly.

15. Commercial Real Estate

APREA action: To take up the matter with MoF.

16. Railways

- Hon'ble Minister is considering track-laying, electrification, signaling etc. as noted earlier.
- Hon'ble Minister is open to suomotu offers e.g. if international players are looking at dedicated freight service or dedicated freight track and want to suggest a suomotu project then the Hon'ble Minister ensures transparency. Will also come out with proposals but are looking at core investments.
- Railways is also open to ideas on co-investments in projects and willing to give land support and provide the transparency within these investments.

Closing Remarks by Mr. S Srinivasan (MD, Kotak Investment Advisors & Co-Chair, APREA India):

- Srinivasan appreciated Hon'ble Minister's intent to act whether within his Ministry or across other Ministries
- He highlighted that whilst there is foreign pool of capital the Government within its objective to become self-reliant (*Atma Nirbhar Bharat*) should encourage the domestic pool of capital which can participate in long term annuity and risk adjusted products like REITs and InvITs.
- The Government would like to see long term investments in infra for which concessional WHT policy on infra has been extended on year to year basis. But many of the investors are willing to buying infra assets with 10-15 year view. **Proposal is:** It will be good to have a long term path with the Government giving longer period of time for concessional interest rate for infra assets.

Lead Discussants <i>(Alphabetic Order of Co.)</i> <i>Profiles Attached</i>		
Company	Lead Name	Position
Allianz Real Estate	Rushabh Desai	Chief Executive Officer, Asia Pacific
APG Asset Management	Roberto Versace	Managing Director, Head of Tactical Real Estate, Asia Pacific
ARA Infrastructure	Grant Dooley	Chief Executive Officer
APREA	Sigrid Zialcita	Chief Executive Officer
British Columbia Investment Management Corporation (BCI)	Zaman Velji	Senior Portfolio Manager Infrastructure & Renewable Resources
Brookfield Asset Management	Ankur Gupta	Managing Partner, Head India, Real Estate and APREA India Chapter board member
The Canada Pension Plan Investment Board (CPPIB)	Pushkar Kulkarni	Director Infrastructure
Caisse de dépôt et placement du Québec (CDPQ)	Saurabh Agarwal	Managing Director - Infrastructure South Asia
Cube Highways and Transportation Assets Advisors	Sandeep Lakhanpal	Head, M&A and Business Development
Government of Singapore (GIC)	Chin Hau Boon	Managing Director Head Asia & Emerging Markets
IndiGrid (India Grid Trust)	Harsh Shah	Chief Executive Officer
Kotak Investment Advisors Limited	S Srinivasan	Managing Director and APREA India Chapter Co-Chair
K Raheja Corp	Neel Raheja	Group President and APREA India Chapter Chairman
KKR & Co.	Hardik Shah	Managing Director
LOGOS Group	Trent Iliffe	Managing Director and Co-CEO
The Public Sector Pension Investment Board (PSP Investments)	Patrick Charbonneau	Managing Director Infrastructure and Director ROADIS
RMZ Corp	Raj Menda	Corporate Chairman
Nishith Desai Associates	Ruchir Sinha	Leader, Corporate Transactions Group
Temasek India	Promeet Ghosh	Managing Director

TATA Realty And Infrastructure Limited (TRIL)	Sanjay Dutt	Managing Director and Chief Executive Officer
Observers:		
Company	Observer Name	Position
ANAROCK Capital	Shobhit Agarwal	MD & CEO
American Tower Corp	Amit Sharma	Executive Vice President and President, Asia
American Tower Corp	Sandeep Karanwal	Head Regulatory and Public Affairs and CSR
Allianz Real Estate Asia Pacific Pte. Ltd.	Sanket Chatwani	Vice President, Acquisitions
Allianz Real Estate Asia Pacific Pte. Ltd.	Varun Singh	Director
BRICS Advisory	Manfred Kupka	Founder
British Columbia Investment Management Corporation (BCI)	Raheel Jariwalla	Principal - Infrastructure & Renewable Resources
The Canada Pension Plan Investment Board	V Hari Krishna	Director Real Estate and APREA India Chapter board member
Cyril Amarchand Mangaldas	Yash Ashar	Partner and Head Capital Markets
CenterSquare Investment Management	Joachim Kehr	Portfolio & Regional Head Asia-Pacific
Dexus	Max Gordin	Head of Wholesale Capital Management
Ernst and Young	Gaurav Karnik	Partner and National Leader – Tax and Regulatory and APREA India Chapter board member
Global Infrastructure Partners	Mahendra Bisht	Director
Skadden, Arps, Slate, Meagher & Flom LLP	Parveet Gandoak	Counsel
Government of Singapore (GIC)	Amit Mathur	Deputy Head
Hariani and Co.	Ameet Hariani	Founding and Managing Partner
Hariani and Co.	Heena Chheda	Partner
Hiranandani Group(Nidar)	Lokesh Agrawal	CFO Infrastructure (Industrial & Logistics)
I Squared Capital	Kunal Agarwal	Vice President
I Squared Capital	Ashish Agarwal	Vice President
IndiGrid (India Grid Trust)	Meghana Pandit	Head M&A and Investor Relations
ICICI Prudential Asset	Rahul Rai	Head - Real Estate Investment and APREA India Chapter

Management Co.		board member
ICICI Prudential AMC	Mrinal Singh	Deputy CIO
LOGOS Group	Mehul Shah	Chief Executive Officer India
MSCI	Varun Malik	Head of Real Estate Client Coverage, APAC
Mubadala	Bhavin Merchant	Vice President – Infrastructure Investments Real Estate & Infrastructure
Piramal CPPIB Renewables InvIT	Gaurav Chandna	Head of Investments
PwC	Anish Sanghvi	Partner
RMZ	Arshdeep Sethi	Managing Director
Renew Power	Kailash Vaswani	President - Corporate Finance
Sterlite Power	Hemant Thanvi	EVP Corporate Finance
Statkraft India Pvt. Ltd.	Rahul Varshney	Director, Business Development
The Queensland Investment Corporation (QIC)	Briar Dowsett	General Manager, Funds Management and APREA Australia Chapter Deputy Chair
Tishman Speyer	Avnish Singh	Managing Director India, Country Head
Tishman Speyer	Arihant Kothari	Senior Director, Asset Management

About APREA

APREA (Asia Pacific Real Estate Association) is a leading pan-Asian association made up of investors, investment and asset managers, developers, REITs, pension, insurance and sovereign wealth funds, family office platforms, and respected service providers. APREA's focus is cross-border real estate investment, and promotion of real estate as a preferred investment asset class across Asia Pacific and beyond.

APREA represents its relentless commitment to the Asia Pacific's real estate industry with an emphasis on advocacy, investment, continuous improvement, innovation, and high-quality member service. APREA as the regional real estate association across the Asia Pacific region covers eight main chapters: Australia, Singapore, China, India, Japan, Hong Kong, Malaysia, and the Philippines.

APREA works closely with the regulators in different countries across the Asia Pacific region to improve the fundamental rules of the real estate industry, in order to develop a business-friendly environment for its members.

APREA's members collectively own and manage US\$ 5 trillion of assets.

For further information, visit <http://www.aprea.asia/>

APREA India Chapter Board members

Asheesh Mohta	Managing Director, Real Estate	Blackstone India
Gaurav Karnik	Partner and National Leader – Tax and Regulatory	Ernst and Young
Ankur Gupta	Managing Partner, Head India, Real Estate	Brookfield Real Estate Asset Management
V Hari Krishna	Director Real Estate	CPPIB India
Amit Mathur	Deputy Head India	Government of Singapore Investment Corporation
KG Krishnamurthy	Chief Executive Officer	HDFC Property Ventures Ltd
Rahul Rai	Head of Real Estate	ICICI Prudential AMC
Srinivasan S	Managing Director (and APREA India Co-Chair)	Kotak Investment Advisors
Neel Raheja	President (and APREA India Chair)	K Raheja Corp
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