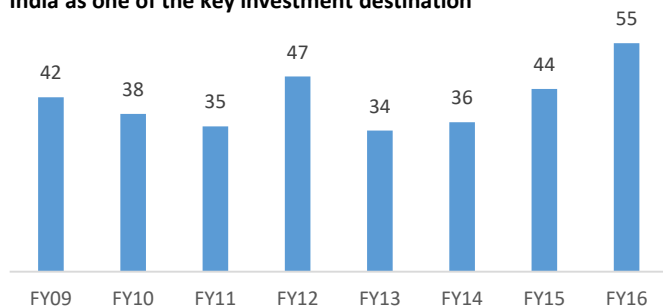


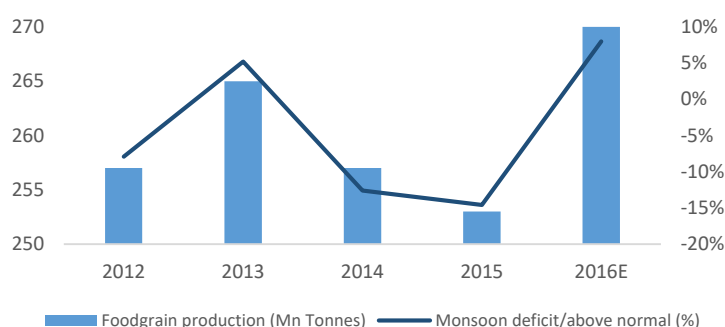
## Key Macro Highlights

### FDI Inflow of \$55 billion in FY16 India as one of the key investment destination



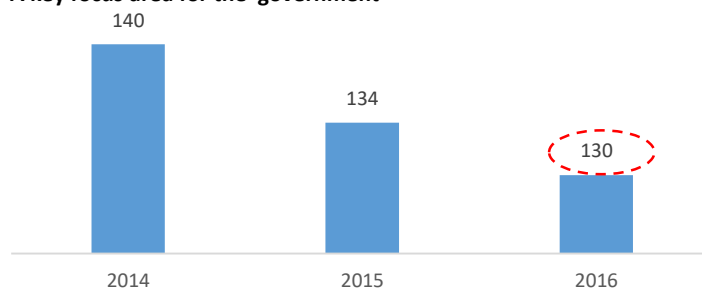
Source: IDFC Securities Research, CMIE

### Monsoon above normal (%) in 2016 – Higher agricultural production



Source: CMIE IMD, Economic Times

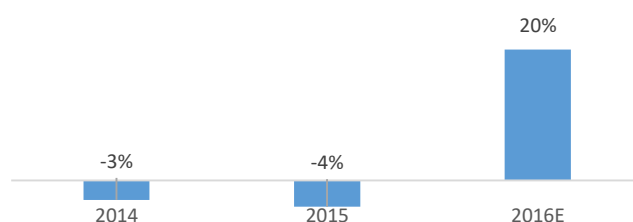
### India Ranking Improved in Ease of Doing Business A key focus area for the government



Source: World Bank

### Farm income growth in 2016 – Highest in last 3 years

Agriculture sector contributes 17% to India's GDP - Primary source of income for 40% of the population



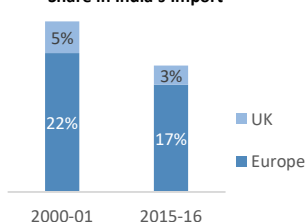
Source: CMIE, Economic Times, World Bank

## Brexit- Implications for India

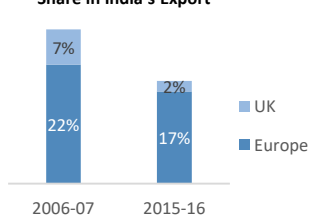
### Pros

- 1) **Depreciation in Euro & Pound good for India** - net importer from Europe amounting to US\$17bn in FY16 (Europe declining Trade share with India) -

#### Share in India's Import



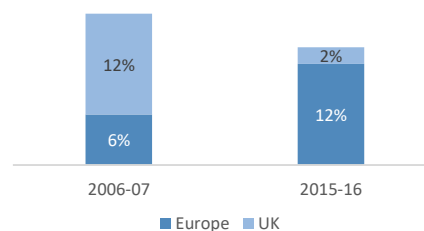
#### Share in India's Export



- 2) India is a net importer – **fall in commodity prices beneficial**
- 3) India's **FTA (Free Trade Agreement) talks with EU** might be **more fruitful** as UK and EU negotiate exit terms
- 4) Fed rate hike may be delayed and no capital outflow from emerging markets

### Cons

- 1) **Investments can come down in short run** - Europe (including UK) accounts for 14% FDI in India



- 2) **Uncertainty can stall FDI** (Foreign direct investment) flows
- 3) UK banks exposure amount to US\$ 34 bn (20% of foreign banks exposure). **UK Banks can reduce capital flow in short run** (US\$ 19 bn have short term maturity)

Source: CMIE, Bloomberg, IDFC Securities

## Insolvency and Bankruptcy Code (IBC 2016) - Passed in Parliament in May, 2016

### Time bound

- Time-bound insolvency resolution process (IRP), which needs to be completed within 180 days (extendable to 270 days)– Faster recovery

### Required Infrastructure provided

- Infrastructure providing for (a) specialized insolvency professionals; (b) information utilities; (c) judicial authority; and (d) a regulator – Easy and faster recovery process due to dedicated infrastructure

### Applicable to all lenders

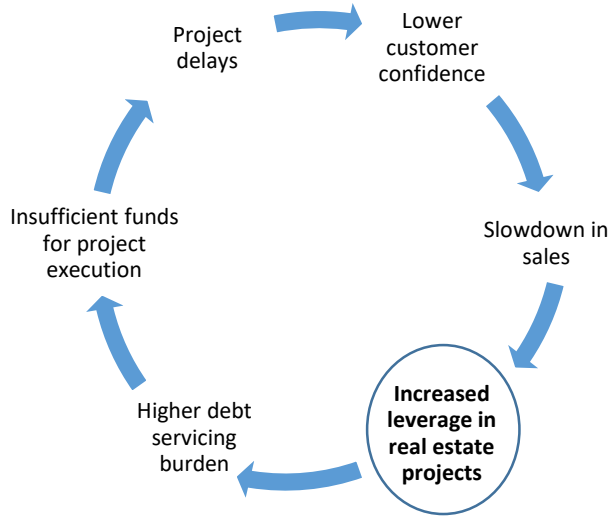
- Applicable to all types of creditors including foreign and unsecured lenders. Can be triggered by any creditor or the debtor immediately after default – Lenders empowered, credit to grow in the market

### Approval by 75% creditors

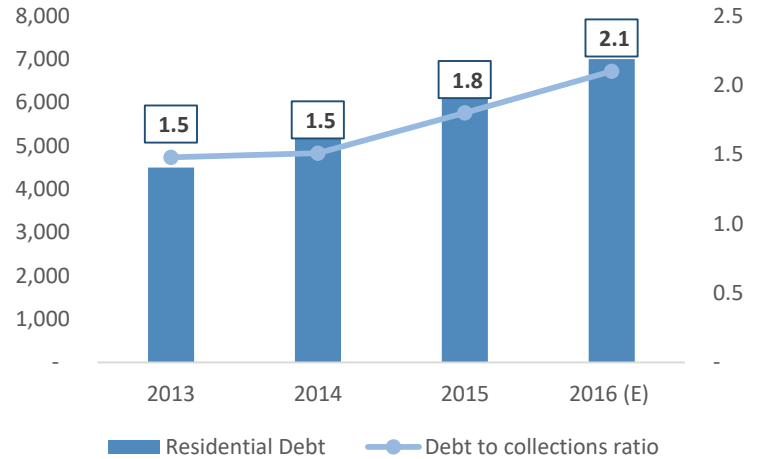
- If approved, the revival plan is implemented; else, the company goes into liquidation – Higher percentage of recovery

## Residential Segment Trends

### 1 Market slowdown and debt structures - Impact on projects

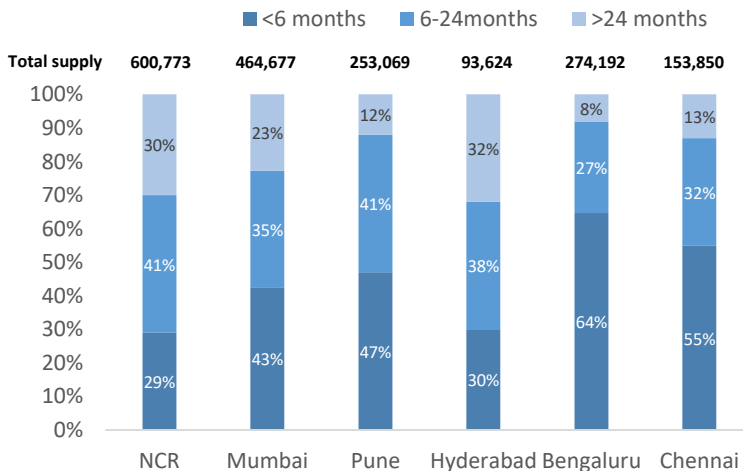


### 2 Developer debt has increased substantially ₹ Bn



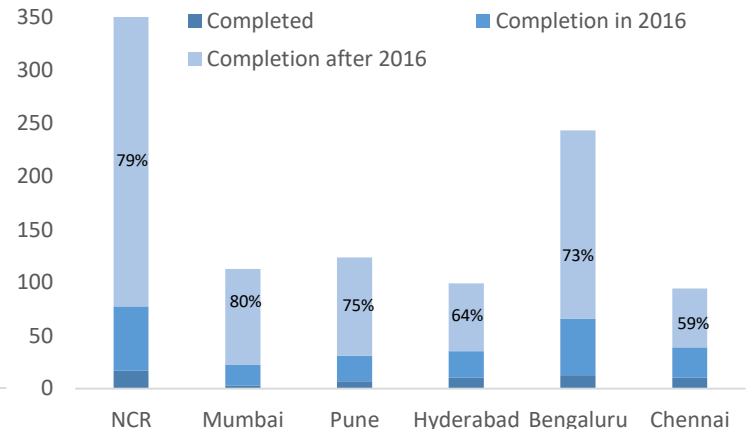
Source: CRISIL report on Real Estate sector, 2015; Note: Analysis done on top 25 Indian real estate developers

### 3 Leading to delayed projects: Projects delay across the main markets



Source: Liases foras and Rising Straits research

### 4 Demand exists for completed and near to completion projects: Unsold inventory breakdown by completion status (MSF)

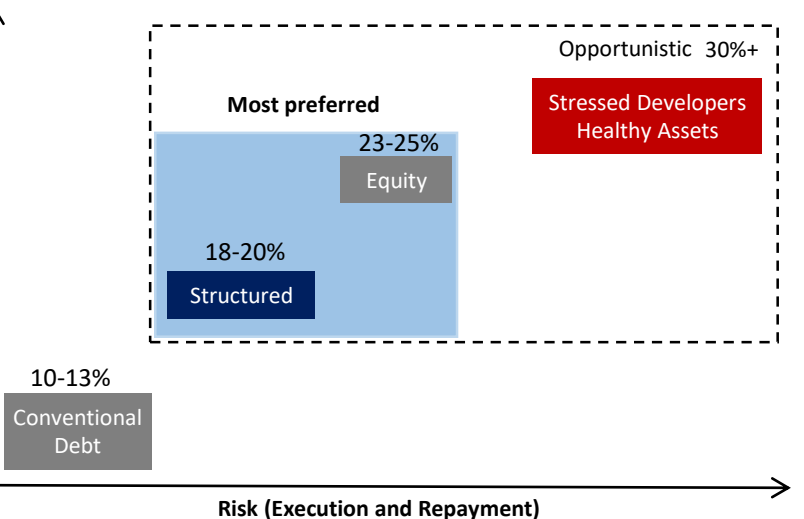
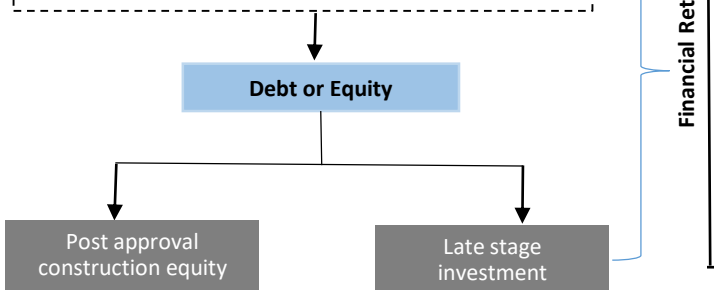


Source: Propequity and Rising Straits research

## Our Strategy for Residential Segment

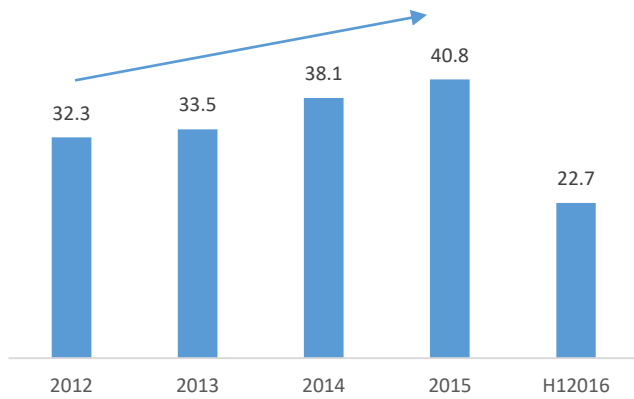
### Factors determining the Instrument

- Product Mix
- Pricing
- Brand
- Future surplus
- Senior investor in capital structure
- Approval status
- FAR/FSI ambiguity



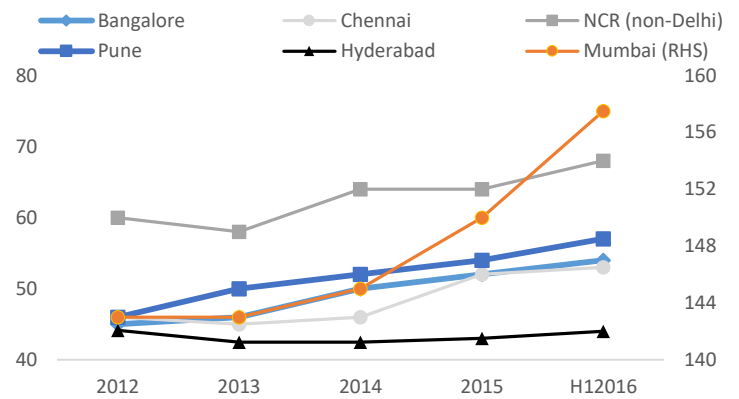
## Commercial Segment Trends

**Increasing annual absorption (mn sqft): H12016 22.7 mn sqft**

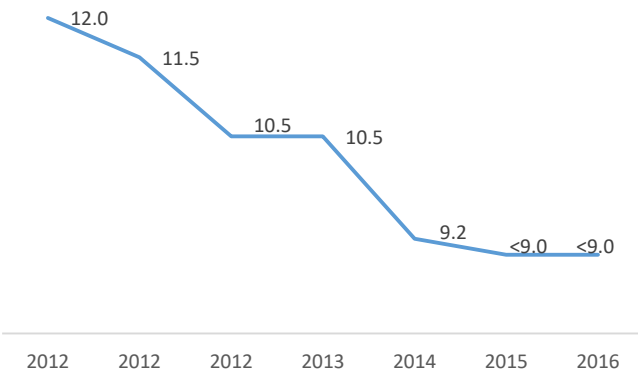


Source: Data from Knightfrank, Jones Land LaSalle REIS and Colliers International

**Average rental (INR/sqft) going up based on Q2 2016**

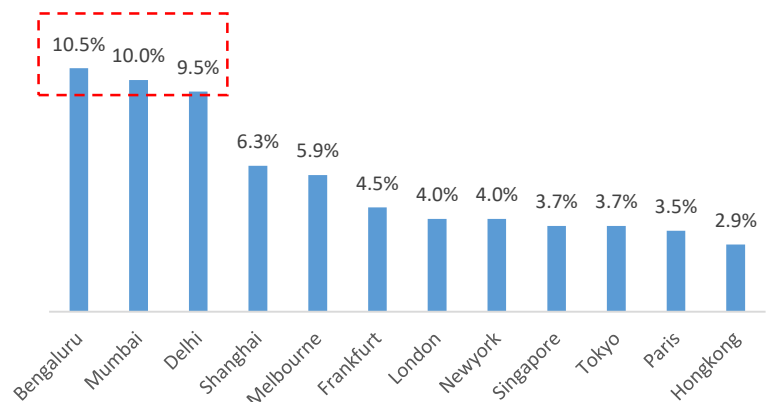


**Falling Cap Rate – Provide good exit returns**



Source: Market Knowledge based on key transactions

**Prime Yields in 2015  
Indian cities are giving the highest yields**



Source: Knight Frank Research, Newmark Grubb Knight Frank Research, Sumitomo Mitsui Trust Research Institute

## Commercial Strategy – Equity investments in brownfield office developments

**Example of Quantitative methodology for deal assessment – Inter / Intra cities**

	Rental growth yoy	Vacancy (%)	Grade A stock (M SF)	Infra rank (social + physical)	Rating
CBD	-2%	8%	3.5	8	4.5
Micromarket 1	11%	3%	17.7	7	7.4
Micromarket 2	11%	5%	43.7	7	8.0
Micromarket 3	4%	11%	21.3	6	6.3
Micromarket 4	1%	20%	8.5	4	4.1

**Fund the gap in equity component for financial closure  
Target yield to cost 13-15%, Target returns – 20%+, 2x+**

