

LEGAL ALERT

Return of Walmart in India- A New Beginning in Retail

Contributed by: Ravi Singhania

States have been given the discretion to allow foreign investments in retail. Andhra Pradesh has taken the lead in allowing foreign investments by launching its retail trade policy.

The State contributes 8 per cent of the total retail market of 13 million stores in India. There are 83,000 organized sector stores in the state and this number is expected to rise up to 1, 66,000 by 2017. Andhra Pradesh Chief Minister has announced a new retail trade policy, a first of its kind in the country. The government through this policy aims to attract Rs.5, 000- Crores investment in the retail sector by 2020.

Trends indicate that the state has a huge potential to become prime retail trade destinations and could be a significant employment generator. The new policy targets creation of 20,000 fresh jobs in the sector by allowing flexible business hours of the retail stores i.e. seven days a week from 6 a.m. to 11 p.m. and engagement of workers on hourly basis (number of workers not to exceed 25% of total employees). The State Government has also signed Memorandum of Understandings (MoUs) with the four leading retail chains Walmart, Future Group, Spencer's and Arvind Lifestyle who have agreed to invest Rs.1500 Crore in the state. Following are the key highlights of the policy:

Single Desk: Government has extended Single Desk Policy 2015-2020 for clearances and approvals to all the retail enterprises irrespective of its sizes.

Land Allotment: The state through its nodal agency Andhra Pradesh Industrial Infrastructure

Corporation will allot land for setting up of distribution centres as well as warehouses under the commercial category for a period of 33 years.

Labour Reforms: To prevent strikes in the sector, a significant measure has been taken by the state wherein food and grocery retail enterprises have been included under the Essential Services Maintenance Act (ESMA). The state has also declared distribution centres and warehouses of retail enterprises as public utilities under the industrial disputes act 1947, thereby prohibiting workers of such enterprises to go on strikes.

Special Benefits: Under the policy the state plans to extend tailor-made benefits to mega retail enterprises to suit particular investment requirements on the case to case basis taking into account the gestation period, locational aspects, technology automation, project's importance to the state's economic growth and its ability to generate large scale employment for people or revenues for the state.

Way Forward

With this unprecedented step, Andhra Pradesh certainly has set an example for the other states. However, successful implementation of the policy will certainly depend upon number of factors such as proper functioning of single desk policy, quick decision on land allotment for setting up of distribution centres, administrative support, imposing faith on the local kirana shops, and coordination with farmers etc. Nevertheless, it is a welcome move and step in the right direction to

turn around averseness to organised retail and foreign retailers in India.



Ravi Singhania
Managing Partner
ravi@singhanian.in