MARCH 2012

SEZ HORIZON

COVER STORY : Upcoming Union Budget –
A Surprise or Satisfaction for SEZ

SEZ BLOG: SEZ IN INDIA - A DREAM NEVER COME TRUE

List of Content :

Editorial Desk…

Hello !

I hope that you enjoyed our first edition and your fondness is quite clear from your overwhelming feedback mails. Our SEZ Horizon team is very glad that you really like our initiative to create a discussion table where everyone can exchange their views on Special Economic Zone or SEZ. Along with it we also want to create a general awareness on SEZ.

We have made our second edition more informative. This time we have with us some well known and eminent personalities of Tax and Regulatory services who are giving their insights on SEZ. Nirmal Nagda and Anil Mehta are among some top notch names in this genre. Nirmal Nagda has discussed in the article titled : "Upcoming Union Budget – A Surprise or Satisfaction for SEZ" on the prospects of SEZ on the coming budget in the present economic scenario of India. Anil Mehta also gives us his view on SEZ in the article : "SEZ in India – a Dream Never Come True"..

We like your cooperation and feedback to make our initiative a success story. we love to share your views on SEZ. Please send your views in form of article and blog on SEZ to publish on our magazine. We can grow only with your help and cooperation. SEZ Horizon team will be waiting to hear from you!.

Thanks and regards,
Debarati Chakraborty
Editor, SEZ Horizon

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" Upcoming Union Budget – A Surprise or Satisfaction for SEZ "

Writer : Nirmal Nagda
Chartered Accountant

While policy flip flop is a known phenomenon in Indian context (one may recall the recent experience of permitting FDI in Multi-brand retail space), SEZ i.e. Government's dream policy for boasting exports and employment generation is certainly impacted big time due to frequent changes (specifically the negative changes) in the tax laws. It is often said that timely actions can decide between success and failure.

Having regard to the fact that tax incentives play a crucial role in attracting investments, the upcoming Union Budget provides an option to the Government to stimulate and infuse energy into the SEZ concept, since investment into SEZs are driven by the various incentives provided to the SEZ developers and units. The authors have tried to touch upon few key direct tax expectations from the upcoming Union Budget.

The last year's Union Budget caused irreparable damage to the SEZ policy by levy of Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) on the SEZ developers and MAT on SEZ units, which have led to the steep deceleration in the investment in SEZs. It is also observed that various developers are pulling out because without tax incentives being offered to SEZ units it is practically very difficult to attract investments.

While the Commerce Ministry is taking various steps to attract more and more investments (recent discussion paper issued by Commerce Ministry to completely overhaul SEZ policy and operating framework), all eyes are set on the Finance Ministry with an expectation to reintroduce MAT exemption for SEZ units and developers and DDT exemption for SEZ developers.

Though industry expects a complete exemption, from natural justice and honouring Government's promises perspective the Finance Ministry should atleast consider re-introducing the MAT and DDT exemption for operational SEZ and SEZ units. Such a step would not only help the developers and units, but also the investors who had made investments basis the exemptions which were available at the time of investment.

On the other hand, Industry is expecting clarity on various issues that un-necessarily lead to litigation and diversion of efforts into unproductive areas. Understandably, if all these changes are not feasible to be accommodated in the upcoming Union Budget, industry expects them to be ironed out in the proposed DTC.

The sector is hopeful that upcoming Union Budget would unfold certain reintroduction of tax incentives for the SEZ developers and units which could provide a timely boost to the policy, considering the Finance Ministry's arguments for removal of incentives, apprehensions exist and one wonders whether expectations would be met.

SEZ IN INDIA - A DREAM NEVER COME TRUE.

Writer : Anil Mehta
Head-SEZ
Kalpataru Ltd

India is one of the fastest growing economies of the world with 8%+ GDP growth during the years 2006-2011. Even during worst ever economic crisis worldwide, Indian economy proved its resilience and emerged as a stronger and well managed economy with GDP growth rate close to 8-9%. In current financial year, Indian Economy is expected to grow at 7.0%.

India has many advantages like:

- Vast pool of talented manpower,
- Growing Consumer markets,
- Thriving democratic institutions,
- Abundant availability of raw materials and other natural resources,
- Large domestic consumer base and
- One of the highest saving rates in world.

All these strengths of Indian Economy make it capable to emerge as an economic giant. Both Manufacturing and Service sector has potential to drive Indian Economy and help sustain a 9-10% GDP growth rate for next 10 years or so, making it among world's top 5 economy by 2020. Experts worldwide believe that India will become world's third largest economy, only behind China and USA by 2030..

However major impediments to economic growth and poverty elimination were controlled economy, regressive tax structure and lack of economic resources. In spite of liberalization process and large scale FDI, Indian Industries are still suffering from many structural inefficiencies and weaknesses such as

1. Inadequate Infrastructure- both industrial and Social
2. Multiple Taxes and Duties imposed by State, Central and Local bodies
3. High cost and Shortage of Power
4. Non Availability of Land for Industries
5. Outdated, onerous and Cumbersome Labor Laws
6. Unstable fiscal regime

Govt. realized these structural inefficiencies and to further augment export, employment and attract large scale private investment from Domestic and Foreign investors, Parliament of India promulgated The SEZ Act, 2005 which was notified along with SEZ Rules in February, 2006. SEZs have been declared as “deemed foreign territories”. They are duty free enclaves with virtually no restrictions on investments and import of goods and services. To attract foreign investors and companies, government has offered several incentives such as tax exemptions, access to the domestic tariff area, 100 % FDI, greater flexibility with respect to foreign exchange earnings, single window clearance and fewer procedural issues.

This was one of the major steps in the direction of economic liberalization. China has achieved tremendous economic growth in export, employment and FDI by driving exports through units located into SEZ. People believe that this initiative would be a game changer for Indian Economy.

True to the expectation, SEZ has shown quick results- Exports from SEZ for 2010-11 was Rs.315,867 Crores, up from 22,840 Crores in 2005-06, growth of 43% over previous year and 1382% growth in 5 years. SEZ export is amount to 28% of national exports.

SEZ sector is providing employment to 676,608 people in the country as on 31.3.2011. The total investments in SEZs are Rs.202,810 crores as on 31.3.2011

It was expected that SEZs will be the new growth engines for Indian Economy but SEZ failed to pick up due to many reasons most important them being,

1. Issue of land acquisition- large scale contiguous land required for SEZ was not available. Except some states like Gujarat, AP and Tamilnadu, State Govts had handled land acquisition in a repressive manner resulting into mass agitation and farmers’unrest.
2. Lack of consensus among political parties also played a role of spoiler. Vote bank politics had played a major role in this matter
3. Proposal to withdrawal of tax reliefs was last nail to the coffin of the SEZ policy. Withdrawals of exemptions from MAT and Dividend distribution tax etc. have shaken the confidence of the industrialists in this policy. This has resulted into de-notification of large number of SEZ.

SEZ policy was like a dream for Indian entrepreneurs who believed that they would run businesses in a hassle free, transparent and open environment within SEZ but it seems that Govt of India has left SEZs to die their own and its most unfortunate part of this entire story.

Adani Ports Secures LoI To Develop Bulk Terminal At Kandla Port

FRIDAY, 24 FEBRUARY 2012

(RTTNews.com) - India's largest multi-port developer and part of Adani Group firm Adani Ports and Special Economic Zone Ltd. said it had obtained the Letter of Intent of LoI from the Kandla Port Trust, a Government of India body, to set up a dry bulk terminal at the Kandla Port on build, operate and transfer basis.

The dry bulk terminal will off Tekra near Tuna outside Kandla Creek at the Kandla port, which is India's number one port by volumes. The construction of the new bulk terminal will begin after signing of the concession agreement with the Kandla Port Trust.

Wholetime Director Rajeeva Sinha said, "The Kandla Port's strategic location will be an important factor in attracting cargo from the north-west hinterland and will assist Adani Ports to cross cargo handling volumes of 200 million tonnes by 2020.

Adani Ports is now the only private port infrastructure company to operate and construct ports and terminals across six locations in India - Mundra, Dahej and Hazira in Gujarat, Marmugoa in Goa and Visakhapatnam, where is ha recently begun construction of a coal import terminal. The Mundra port is the fourth largest commercial and top most private port in India.

At the BSE, Adani Ports and Special Economic Zone shares are currently trading at Rs.142, down by 0.28 percent from the previous close.

Special Economic Zones 'better than Industrial Zones

he proposed Special Economic Zones were an improvement on the current Industrial Development Zones, says Western Cape Provincial Government special projects manager Herman Jonker.

he proposed Special Economic Zones (SEZ) were an improvement on the current Industrial Development Zones (IDZ), says Western Cape Provincial Government special projects manager Herman Jonker.

"We are busy with formulating our response to the proposed SEZ legislation, but our preliminary view is that SEZs are better than IDZs as the former have a more integrated and longer term view, so that should ensure better co-ordination between the three tiers of government. In the work that I do in terms of promoting economic growth and therefore job creation, we already have good interaction between us and our partners, but this should raise it to the next level as there are more incentives available," he told I-Net Bridge/BusinessLIVE.

The purpose of the SEZ legislation is to provide for an effective mechanism for the development, operation and management of SEZs in order to promote accelerated industrial development and industrial decentralisation.

Finance Mister Pravin Gordhan said in his Budget speech last week that a draft policy framework and legislation have been published for SEZs.

Interested parties have until the middle of March to comment on the proposed legislation.

"Given the current global economic context, there is understandable caution in the business sector about investment and future growth prospects. Many firms have accumulated large cash balances instead of investing them or distributing to shareholders. The time has come to confront uncertainty - from government's side, we are committed to an environment that will encourage business investment; from the side of business, we seek investment for the long term, enhanced competitiveness and training commitments," Gordhan said.

Amongst the incentives on offer would be a reduction in the corporate income tax rate and support for employment and training expenses.

The SA government is hoping the new policy will create the framework for the development of new industrial nodes outside of the traditional industrial heartlands of Gauteng, the Western Cape and KwaZulu-Natal, while improving the performance of the existing IDZs.

Under the proposed legislation, municipal and provincial authorities, or even public-private partnerships, are empowered to approach government with plans to develop SEZs, where such concentration of industrial infrastructure could improve prospects for investment, growth and job creation over a sustainable period.

The proposed law also aims to improve the funding, governance and operational performance of the four existing IDZs, as well any future SEZs. A SEZ board has been proposed to oversee zone designation and permitting, as well as to manage a dedicated fund that will be established to create a funding pool for the new SEZs.

A key difference from the prevailing IDZ model is the fact that future SEZs can be set up in areas that are not directly associated with a port or airport, as is the case with the Coega, East London and Richards Bay IDZs, as well as the OR Tambo International Airport IDZ.

A feasibility study into establishing a SEZ at Saldanha Bay, in the Western Cape, could mean that it becomes the first SEZ designated under the new legislation. The Saldanha Bay SEZ would seek to attract green industries, oil and gas services investors, aquaculture projects, as well as a possible mineral sand beneficiation investment.

SA introduced IDZs on December 2000 through the Manufacturing Development Act. The purpose of IDZs was to assist in the creation of industrial complexes that have strategic economic advantage.

SA's major trading partners in Europe, the US, Latin America, India and China have used special trade zones as a policy instrument to attract investment, stimulate exports and create employment for decades. China has a large number of different trade zones that can be categorised into special economic zones, enterprise zones and industrial or commercial free zones.

The earliest SEZs in China were set up in the 1970s and 1980s in Shenzhen, Zhuhai, Shantou and Xiamen to attract foreign direct investment.

"The SEZ legislation will allow us to expand our cluster-based development model. Both of the economic models are based on geographical agglomeration so that you achieve critical mass. The boat building industry in the Western Cape and the Cape Silicon Valley initiative, which is called the Cape Information Technology Initiative (CITI), are examples of what clustering can achieve," Jonker told BusinessLIVE.

CITI is a non-profit organisation established way back in 1998 to develop and support the information and communications technology (ICT) cluster in the Western Cape.

In 2010, it expanded its focus to include the ICT-related needs of industries in the Western Cape such as insurance, asset management, and online retailing. Amazon for instance has its SA office in the same building complex as I-Net Bridge's Cape office.

CITi's CapaCITi 1000 programme is a series of industry-demand driven initiatives over a five year period, designed to ensure that Western Cape based software and IT services companies, as well as other ICT-dependant industry verticals, have the right ICT skills, of the right quality, at the right time and at a competitive price, in order to grow revenue, be competitive and meet market demand.

Chautala draws flak as he raises SEZ, SYL issues in Assembly

Chandigarh , February 25, 2012

Indian National Lok Dal president Om Prakash Chautala today found himself the focus of attack from ruling Congress benches in Haryana Assembly after he raised the SEZ and SYL canal issue. Chautala, who is Leader of the Opposition, was repeatedly targeted by the treasury benches when he said that the SEZ projects in the state had failed to take off even as land had been acquired from farmers 6-7 years ago.

When he raised the SYL issue by saying that the matter was not under court's consideration and that Haryana should press the Centre to get its rightful share of water, parliamentary affairs minister Randeep Singh Surjewala countered him by saying that "constitutional reference" on Punjab's Termination of Water Agreements Act, 2004, was pending before the Supreme Court.

Participating in the discussion on the Governor's address, Chautala said that chief minister Bhupinder Singh Hooda had earlier said that the SEZs once established would lead to rapid industrialisation, revenue generation, accelerated growth and creation of thousands of jobs.

Chautala said that on this pretext, chunks of land of farmers were acquired but the projects, including that of Reliance, had failed to fructify.

Surjewala, however, clarified that the state government had not acquired land for Reliance in Gurgaon-Jhajjar area or for anyone else.

"We were opposing even then now and in future too we will oppose," Chautala said while expressing apprehension about the SEZs.

But Surjewala targeted him by saying that the stand of the former chief minister "fluctuates" on the issue and he should first decide which side of the fence he was on the SEZ issue.

Surjewala said that rapid industrialisation was taking place in the Jhajjar belt as also in other industrial hubs like Gurgaon.

The minister said that Model Economic Township (MET) at Jhajjar was being promoted by the Reliance Industries, IL&FS and the HSIIDC.

IT industry reaps the benefits of SEZs & STPIs ; other sectors left on the edge

Bhuvnesh Talwar, ET Bureau Feb 25, 2012,

NOIDA: Noida & Greater Noida have fallen prey to the hollow policy developments of the government, which promised the city the holistic economic growth it deserves. After 20 years of hard work on Special Economic Zones (SEZ) and the Software Technology Parks of India (STPI), only the Software and IT industry have reaped its benefits, pushing other sectors on the edge.

Nasscom considers Noida & Greater Noida to be the fourth largest IT/BPO destination in India, accounting for almost five to six per cent of total IT-BPO exports. While Gujarat leads in SEZs state-wise contribution with 46.5 per cent share, UP comes among the lowest with a mere 3.8 per cent. The state SEZs are dominated by IT/ITES which is a concern indicating that other industries (apart from gems & jewellery, handicraft, leather & textiles) have failed to enter SEZs.

Even though the state has considerable number of single product or sector-specific SEZ units, it lacks even a single multi-product unit (MPU). Instead, there is a clean sweep by the sector-specific units with an area size of maximum 30 acres in most cases, and two or three just beyond 100 acres, a trend predominant in this area.

Vinay Sharma, co-chairman, SEZ committee, Assocham and owner of SEZ in Vizag, reasons out the problem saying, "In states like U.P. and Bihar, the land ownership is fragmented and so acquiring 250 acres of continuous land for single-product SEZ unit is a tedious job. And if someone thinks of setting up a multi-product SEZ unit which requires up to 2500 acres of land, he/she can just dream about it."

Noida Special Economic Zone (NSEZ) is the only multi- product SEZ created in 1985. It has done well with export revenues and grown tremendously in the past five years. Gems & and trading of goods have out-performed the software and the electronic hardware industry. Unfortunately, there is nothing optimistic about it since it was established by the central government.

CPS Bakshi, joint development commissioner, Noida SEZ, sheds some light to understand the real situation, "Although SEZs have seen a stupendous growth rate but have been a success only for the single-product and not the multi-product units.

The main reason for this lopsided impact has been the government's policy which favours certain sectors like IT/ITES, gems & jewellery, non-renewables which need just 25 acres to set up their SEZs. Other industries like agri-products, automobiles, garments for single or multiple-product need to acquire 250 or 2500 acres as the government urges for them to achieve economies of scale."

Primarily, investors who entered this zone lacked awareness about the uses and benefits of working in these units which led to the partial failure of the SEZ scheme. As a result, the SEZ promoters have either withdrawn or asked for more time to implement projects which reflects the growing lack of enthusiasm and interest in this arena.

"SEZs are completely export-import oriented business zones but due to the complete waive-off of taxes across the board and other incentives everyone saw it only as a tax-haven opportunity. This led to the sudden spur of SEZ applications for all kinds of businesses post 2005, without giving a thought to whether they are export-oriented or not," said Mr Sharma.

In addition, Mr Bakshi blamed the failure of multi-products SEZs on the nature of the industry saying, "IT/ITES industry is such that it can be set up anywhere and in no time but for industries which are capital intensive and raw-material dependant like cement, automobiles need to be set-up in the vicinity of their raw-material availability where SEZs may not be developed. So, location flexibility is a big issue for such industries."

But the problems are far from being solved. The watershed reform STPI which not only transformed the Software and IT industry but also gave India its biggest success story - Infosys, has lost its shine - the sunset clause 10A and 10B of the Income Tax Act (providing massive exemptions and tax holidays to the IT industry) after the Finance Minister announced its discontinuation in Budget 2011. This means the IT industry will now have to pay full corporate tax which amounts to a whopping 34 per cent.

The worst impact will be on the IT-SMEs who will not only lose their competitive edge but will never make it to SEZs because of exorbitant high rentals and tax rates. "The STPI reform has been the fundamental reason behind the phenomenal growth of the IT industry. The rollback of the sunset clause will not only have a long-term impact on the IT growth story but will also be detrimental to the IT SMEs (70 per cent of STPIs) who can become the future giants," said CVD Ram Prasad, director, Noida STPI.

MADC mulls rate hike for Mihan land

Shishir Arya Feb 25, 2012

NAGPUR: The Maharashtra Airport Development Company (MADC), which will be finalizing its deal with IT major Infosys Limited to lease 140 hectares of land in the Mihan-SEZ on February 28, feels it's time to revise the land rates. The MADC, which is the promoter of the Mihan project, says revision is necessary due to growing demand and changing times.

This was revealed by MADC's vice-chairman-cum-managing director UPS Madan who was in the city to attend a business seminar. Since 2007, the MADC has been charging Rs 60 lakh an acre.

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This was revealed by MADC's vice-chairman-cum-managing director UPS Madan who was in the city to attend a business seminar. Since 2007, the MADC has been charging Rs 60 lakh an acre.

"There was no hike due to global recession. Revised figures will be put up before the board for a final decision," said Madan.

So far, the MADC has hiked the rates 3-4 times after starting from Rs 19 lakh an acre in 2004. "Even though there are cheaper SEZs in the country, Mihan can command a higher price due to the infrastructure here," said Madan.

Madan said that things have begun to move once again in Mihan. "IT companies which have been allotted land have now drawn plans to start work. TCS too plans to start its project by next month. Satyam and HCL too will do likewise soon," he said.

With focus now shifting to the manufacturing sector, the MADC is wooing pharmaceutical industries to the SEZ. "I have written to top 100 companies in the sector and negations are under way with a few. One of them is keen to take 200 acres of land," said Madan without naming the company. "Lupin Pharma has also revived its interest in getting around 20 acres."

Madan is also optimistic of resolving the land swap issue with the Indian Air Force (IAF) and giving a boost to the cargo hub project. The plan is IAF, which has a transport base near the airport, shifting to another site with MADC taking over the land. MADC will be offering 400 hectares instead of 278 hectares that it will take from IAF. MADC needs the IAF land as it requires a contiguous patch for the cargo hub being developed along with the SEZ.

This was being held up due to various reasons with the latest problem being Airports Authority of India (AAI) claiming ownership on around 100 acres held by IAF even though the former is a joint venture partner with the MADC in the cargo hub. Madan said that the union civil aviation secretary, who visited Mihan recently, said he will take up the issue with his counterpart in the defence ministry.

"The aviation ministry will try and ensure that even if dispute continues the land is first transferred to Mihan India Limited (MIL)," said Madan.

"Tenders for inviting the third partner for the airport are likely to be issued by June. Hopefully, the land swap issue will be resolved by that time," he added.

The tenders for a taxiway to reach Boeing's MRO will be invited by March but the MADC is exploring ways to reduce the cost pegged at around Rs 80 crore at present.

Gujarat to have Special women economic zone

Gujarat Global News Network, Gandhinagar

In the election year Modi government has offered sops to all in the budget. Special care has been taken for schemes relating to women. Besides the general health and family welfare, the government has announced schemes for empowerment of women, a populist concept of Chief Minister Narendra Modi.

A special economic zone for women at Sanand, automobile hub of Gujarat has been proposed. It will be located in GIDC with an aim of providing employment to women. This would be an independent industrial estate for units exclusively managed by the women. The project is to be spread over an area of 90,000 square metres.

With a view to impart vocational training to the women five new women ITI's would be set up. A provision of Rs.1.25 crore has been made for the purpose.

It is planned to impart training to 40,000 women for self employment under "Mission Mangalam"; to create as many as 20,000 individual employment and also to cover 1.20 lakh women under farmers empowerment project.

Budget has a provision of Rs.3.58 crore for 42 new women courts in 17 districts. At present there are 35 women courts in the state.

The rate of assistance per child is to be increased from Rs. 80 to 100 (with a limit of two children) and the assistance to widowed women is to be increased from Rs. 500 to 750 under Niradhar Vidhva Sahay scheme.

Adani Group to Set Up Second SEZ in Haryana

Mumbai, Maharashtra, India, 02/24/2012

The group has chalked out a detailed plan for the project and will soon approach the authorities for necessary approvals, a source close to the development said.

“APSEZ is planning to set up one of the largest SEZ in the country in Haryana. This multi-model SEZ will be set up near Delhi-Jaipur highway with an approx area of over 5,000 acre,” source said without disclosing any financial details of the project. The proposed SEZ will connect through both railway and road networks. “Our rail network from Mundra to Delhi will also connect with the proposed SEZ,” he said.

The proposed SEZ in Haryana will aim to attract next-generation businesses, apart from basic industries.

The areas that could be successfully developed in this SEZ infrastructure project are automobiles, auto components, agro based industry, biotech, IT and garments.

Adani Ports and Special Economic Zone Limited (APSEZ), India’s largest private port and special economic zone, was incorporated as Gujarat Adani Port Limited (GAPL) in 1998 to develop a private port at Mundra, on the west coast of India. The company commenced commercial operations in October 2001. Mundra Special Economic Zone Limited (MSEZL) was incorporated in November 2003, to set up an SEZ at Mundra. MSEZL was merged with GAPL in April 2006 and the company was renamed as Mundra Port and Special Economic Zone Limited, to reflect the nature of business. The board of MPSEZL on Nov 21,2011 has approved a proposal to change the company's name to Adani Ports and Special Economic Zone Ltd. and this change in name from MPSEZL to APSEZL has come into effect from Jan.6,2012.

A Special Economic Zone (SEZ) is a geographical region that has economic and other laws that are more free-market-oriented than a country's typical or national laws. "Nationwide" laws may be suspended inside a special economic zone. The category 'SEZ' covers infrastructure projects, including Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial parks or Industrial Estates (IE), Free Ports, Urban Enterprise Zones and others.

Infosys, Wipro to stall Bengal campuses

Swati Garg / Kolkata Feb 14, 2012, 00:01 IST

Even as the economy of West Bengal remains in limbo, Mamata Banerjee's government might well have fired another missive to stall industrial growth.

Information technology (IT) giants Infosys and Wipro, the second and fourth-largest IT service providers in the country, told Business Standard without special economic zone (SEZ) status, they would not start work on their respective campuses in Rajarhat.

Both companies have 50 acres each in the area located on the outskirts of Kolkata. While Infosys said it would have to stall construction until SEZ status came through, Wipro said they would not even consider a campus if the status was refused.

"We will have to wait for SEZ status before we start construction. If it does not come through, we will have to evaluate alternatives in terms of what we are being offered elsewhere," said S Gopalakrishnan, executive chairman, Infosys. He, however, said Infosys remains hopeful of the project. "Our agreement with the state government was that we would get all support for an SEZ," he said.

Tata Consultancy Services (TCS), the country's largest IT service provider, which also has 40 acres in Rajarhat, had acquired an SEZ status from the previous Left Front government. It has had the land since 2007 but is yet to begin construction.

Infosys has already paid Rs 75 crore, the entire cost of the 50 acres allocated to it in 2010. In January, the company said it hoped to start construction on the campus in the next six months. It has been planning to set up a campus in Bengal since 2004, but faced problems first with the price of land, and then with the Vedic Village land debacle in 2009. In November 2010, the company approached the then Left Front government.

On November 24, 2010, Infosys was allocated 50 acres in Rajarhat within hours of the government receiving request for land. Since then, the company has been waiting for the infrastructure, including the approach road to be upgraded. Wipro, on its part, which has paid 25 per cent of the cost of land, or Rs 19 crore, said without SEZ status, the campus would make no sense.

Each of the two campuses is expected to create employment in excess of 15,000 people at an estimated investment of Rs 700-800 crore.

When an area is notified as an SEZ, for the first years, businesses operating out of there SEZ have to pay no tax on income. For the next five years, they have to pay half the tax on income. Even labour laws are different.

"We will not come without SEZ status because in its absence we would face issues of scalability. Besides, the project will just not be financially viable," said a senior Wipro official on conditions of anonymity. Wipro founder Azim Premji, had met chief minister Mamata Banerjee on December 8. Although he was tight-lipped after the meeting, finance minister Amit Mitra had told mediapersons the company was quietly looking to make major investments in Bengal.

When approached government officials confirmed that while the administration would like to ensure all benefits to Wipro and Infosys, SEZ status was a problem.

“While we would like them to get benefits. But it is also a fact the government has a policy against SEZs. We are yet to send recommendations for SEZ status to the Centre. We will have to wait and see,” said state IT secretary, Basudeb Banerjee.

Banerjee’s Trinamool Congress (TMC), when in opposition, had opposed the now abandoned Nayachar PCPIR (petroleum, chemicals and petrochemical investment regions), which now stands scrapped. The party's manifesto clearly states, “there will be no SEZ in West Bengal”.

“They should understand that an IT SEZ is different from a manufacturing SEZ, because of the nature of the export and the numbers we can employ within land constraints. In the Salt Lake campus, in 14-odd acres, we have 7,000 employees,” said the Wipro official.

Wipro already has a campus in the Salt Lake Electronic Complex, while the Rajarhat campus is to be Infosys’ first in the state.

Wipro's existing facility, too, has SEZ status.Till three months back, the administration had maintained there would be no problems with the SEZ status to Infosys and Wipro.

State IT minister Partha Chatterjee informed Business Standard that since both Wipro and Infosys had been given land, the SEZ recommendation should not be a problem. Officials close to the development, however, said Chief Minister Mamata Banerjee preferred to stick to her pre-election stand. When contacted on Monday, Chatterjee refused to comment.

Banerjee, incidentally, led the Singur agitation for return of land to the unwilling farmers, which ultimately led to Tata Motors to pull out its facility for manufacturing Nano from the state.

Cloud on sops takes sheen off SEZs

The Telegraph – Mon 13 Feb, 2012 1:45 AM IST

New Delhi, Feb. 12: Exporters are showing a marked aversion towards special economic zones because of uncertainties over tax exemptions.

The imposition of a minimum alternate tax in the last budget along with the proposals in the direct taxes code (DTC) have sown the seeds of doubt among them over the viability of SEZs.

INTEREST WANES

- The imposition of MAT in last budget has hurt exporters in SEZs
- Proposals in direct taxes code on restricting benefits to existing entities in SEZs have heightened concerns
- Exporters are keen on operating in areas outside SEZs
- Exporters want SEZs to be treated on a par with units in domestic tariff area (DTA). Units in DTA enjoy benefits of duty drawback and incentives under focus product and market schemes
- SEZs contribute 28% to country's exports. They provide jobs to 7 lakh

SEZs contribute over Rs 3 lakh crore, or about 28 per cent to the country's total outbound shipments, and provide direct employment to over 7 lakh people.

Under the revised draft norms on DTC, which will replace the Income Tax Act of 1961 in the future, tax exemptions for SEZs will be confined to the existing units.

Under the SEZ Act, units get 100 per cent exemption on profits earned for the first five years, while developers get an exemption for 10 years. Additionally, units get a 50 per cent exemption for the next five years and another 50 per cent on reinvested profits in the following five years.

"The government promised us certain benefits and now we are on the verge of losing them. Exporters are now pulling out of SEZ projects as operating from other areas is more profitable. The incentives are all gone," Sanjay Budhia, chairman of the national committee on exports, Confederation of Indian Industry (CII), told The Telegraph.

Exporters from all over the country met last week to discuss these issues.

Last year, worried over the impact of global slowdown on exports, the commerce ministry had initiated an exercise to revitalise SEZs.

"Industry is concerned over the imposition of minimum alternate tax (MAT) of 18.5 per cent on the book profits of SEZ developers and units," Budhia said.

The imposition of MAT and dividend distribution tax on developers and MAT on units coupled to the DTC proposal to withdraw profit-linked deductions have led to a fall in investments in SEZs. There has also been a significant decline in new proposals and an increase in applications from companies to withdraw their projects.

Exporters want SEZ units to be treated on a par with units in the domestic tariff area (DTA). Unlike their counterparts in DTA, units in special economic zones do not get the benefits of duty drawback, focused product and focused market schemes.

CII suggests measures to achieve $500 exports target by FY'15

PTI Feb 12, 2012, 01.21PM IST

NEW DELHI: Against the backdrop of Commerce Ministry preparing the India's Foreign Trade Policy, CII has suggested measures that would aid in achieving the USD 500-billionexports target by 2014-15.
The industry body has demanded for inclusion of the US under the Focus Market Scheme (FMS) and roll back of minimum alternate tax on Special Economic Zones (SEZs)

"Focus Product Scheme and FMS has really helped us to go into new territories and push products into new markets. With India's exports declining, why not include the US into FMS that will give competitive advantage," CII Chairman of National Committee on Exports and Imports Sanjay Budhia said.

Introduced in April 2006, the FMS aims to offset high freight cost to certain select international countries with a view to make India more competitive in those markets.

It allows duty credit of 2.5 per cent of FOB (free-on- board) value of exports to countries that are identified as Focus Markets by the Government.

He has also asked the government to extend loans to exporters at affordable rates. "We would suggest government that maximum 9 per cent interest rates for exporters and 7 per cent for SMEs must be fixed," he said.

About special economic zones (SEZs), he said that the government should withdraw the imposition of MAT.

"Why should we be in SEZs? Tax free regime is gone, you are subject to 20 per cent tax. New SEZ developers are going for denotification. Government should rollback MAT and DDT," he added.

Exports from SEZs contribute about 34 per cent in the country's total merchandise exports.

"Its future is very bleak...SEZ has come into a certain sort of standstill. We need to push it forward," he added.

In the last Union Budget, government imposed a minimum alternate tax (MAT) of 18.5 per cent on the book profits of SEZs developers and units.

About the current fiscal, Budhia said that despite the global slowdown, India's exports would touch USD 300 billion.

From a peak of 82 per cent in July 2011, export growth has slipped to 44.25 per cent in August 2011, 36.36 per cent in September 2011 and 10.8 per cent in October last year.

Creative Synergies opens second centre in Bangalore

BANGALORE, FEB. 10:

Creative Synergies Group (CSG), an engineering services company, has announced the launch of its second engineering centre in Bangalore.

Dr Mukesh V Gandhi, Founder and CEO of Creative Synergies Group, said: “Through this centre, we plan to focus on expanding global presence and in tapping the Indian engineering service outsourcing (ESO) segment.”

The new facility located at Vrindavan Tech Village (SEZ), Varthur Hobli, will house over 130 engineers. CSG also plans to invest over $10 million towards expanding its engineering centres and operations in India over the next two years.

CSG India currently employs over 400 engineers and is looking at expanding their strength to 800 engineers by the beginning of 2013.

Patkar pats Goan activists

TNN Feb 10, 2012, 05.33AM

PANAJI: Corporates in the country are looting natural resources while the government was party to this, said eminent social activist Medha Patkar on Thursday.

She referred to the various mining scams in the country as well as the CAG indictment a corporate in the KG basin gas issue. She was addressing mediapersons after a meeting with activist groups and India Against Corruption members. State treasuries are losing out, while mining companies were making huge profits by selling natural resources that belong to the nation, Patkar said.

Citing the Special Economic Zones (SEZs), Patkar said corporates have been given massive tax waivers through these SEZs and hence the nation was losing out on tax revenue. Patkar felt land was being acquired to help private companies.

Patkar cited the involvement of ministers in huge land related projects such as Lavasa. On the rising real estate deals in the state, Patkar said "slums are increasing in Goa as there is no affordable housing". She expressed the need to bring together various people's movements towards a common goal of reducing inequality in society.

Patkar praised Goan activist movements for their role in the Nylon-66 and anti-SEZ agitations in the state. Goan activists have been fighting on various issues and have made progress, she said. She listed mining, casinos, the Mopa airport and the RP 2021 as issues that had given rise to agitations in the state.

Police, villagers clash over SEZ

TNN Feb 7, 2012, 04.46AM IST

TONDAGI (EAST GODAVARI): Tension prevailed in Tondagi mandal and surrounding mandals of East Godavari after police arrested two activists championing an anti-Kakinada SEZ agitation in the wee hours of Monday. In retaliation to the police action, the villagers of the mandal cornered two police vehicles and more than 20 police personnel when cops entered Vakadaripet village in the morning. The agitators deflated the vehicles, while the women attacked the local SI.

The incident took place when the police in plain clothes chased a private school teacher Peketi Ramana of Vakadaripet village in the early hours to arrest him. The villagers suspected them to be goons of KSEZ management and took them into their custody. Before this, another activist Chandaka Suribabu, a tailor, was arrested in Patachodipalli village while he was sleeping in his house.

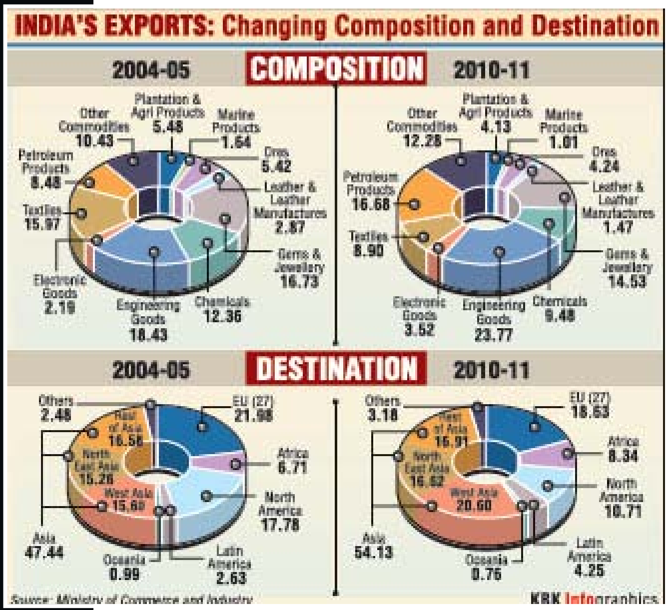
After learning that their men were taken into custody, the SI of Vaddimamida along with 10 cops entered the Vakadaripet village. Eventually, they too were taken into custody by the angry villagers, that created a tense atmosphere in the mandal. Additional forces including Rapid Action Force from Kakinada, Tuni and Annavaram reached Vakadaripet later, with a DSP rank officer and four circle inspectors. The farmers raised their voice against the illegal arrests of their men and demanded the cops to hand over their men first in return of the police personnel.

Police later, appeased the villagers and gave an assurance of releasing Suribabu by the evening. The cops also promised to arrange a meeting with the collector and SP in a couple of days to sort out the problems. With this, the villagers released the police personnel.

Exporters' meet to project potential of M'lore: Moily

Mangalore, Feb 8, 2012, DHNS

Federation of Indian Export Organisations (Southern Region) will organise exporters' convention -Karnataka Export Vision-2020 at TMA Pai Hall in Mangalore on February 13.



Informing the same to media persons here on Wednesday, Union Minister for Corporate Affairs M Veerappa Moily said that the convention which is organised for the first time in the State, will project Karnataka and particularly Mangalore as a potential place for export trade. "Mangalore being the gateway of trade activities in South India apart from Mumbai, has all the potential to develop in terms of export business.

With NMPT, SEZ and Air Cargo coming up in Mangalore, the city need to draw the attention of the exporters and the convention would help to some extent to meet the objective," he said.

He also informed that the document Vision-2020 which will be prepared in the convention will layout a road map for export field in the State for the next eight years and it will also discuss the ways to avoid hassles.

Speaking about SEZ, he said that Karnataka stands in the fourth position in the nation having 10 percent of notified SEZ land among the total land acquired. The State has the potential to grow by 150 to 300 per cent in Information Technology sector, he informed.

Federation of Indian Export Organisations Regional Chairman Walter D'Souza said that issues dealing with foreign trade policy, corporate affairs, banking and infrastructure will be discussed in the technical sessions during the convention. Around 250 delegates will participate in the convention.

M Veerappa Moily will inaugurate the convention and Minister for Industry Murugesh Nirani will preside over. Minister of State for Commerce and Industries Jyotiraditya Scindhia will be the chief guest. Government of India DGFT Dr Anup K Poojary will deliver the key note address.

Gujarat to modify policy on Industrial Parks

Himanshu Darji, ET Bureau Feb 8, 2012,

AHMEDABAD: Gujarat government has decided to modify its policy on Industrial Parks in the wake of discouraging economic conditions. A floor limit of 100 acres has been fixed for the parks and stamp duty will be further relaxed. Unlike the SEZs, where export is mandatory, units in these parks have freedom to sell their products in domestic as well as international market.

The previous policy did not stipulate any floor limit for area under the industrial parks. Often, this resulted in a captive industrial park by the developer company or it being restricted to only a handful of companies. "The government now wants the parks to open up for companies that were earlier interested to set up units in SEZ. So a floor area of 100 acres has been fixed," said a senior officials of state industries department.

So far, SEZ projects by NG Group, City Gold, Nipiam and Essar have been denotified. Mexus and GIDC (Jhagadia) have applied for denotification after lack of interest shown by companies to set up units there.

"Exports are no longer lucrative. Companies are also looking at domestic market and are not keen on SEZ where their trade is restricted to exports. So a new model is needed to provide them a flexibility in choosing the market and companies from different sectors," NG Group chairman NG Patel told ET.

NG group has denotified its Engineering SEZ over 500 acres in Ahmedabad. Instead, it is now coming up with two industrial parks over 100 acres each. "With sectoral limitations of SEZ no longer applicable in industrial parks, more and more companies have approached us to house their units," said Patel.

Surendranagar-based Makson Industries had earlier applied for an SEZ but has now revised the application to set up an industrial park in the district. Nearly 15 companies are willing to set up industrial parks, said a government official.

The government will provide financial assistance of up to Rs 10 crore for setting up infrastructure like road, drainage, water distribution, etc, in the industrial parks developed by private players so that parks companies can operate on 'plug and work'. The developer is also entitled to a 50% concession in the stamp duty.

Analysts believe that the changes can bring more industries into the industrial parks in wake of global slowdown. "The slowdown, especially in Europe, has made many companies seek alternative destinations for investment," CRISIL advisor Sunil Parekh told ET.

Gujarat has 15 functioning SEZs. While 17 projects have been notified, formal approval has been granted to 13 projects and an equal number has been accorded in-principle approval.

GIFT SEZ gets its first occupant as Monarch Innovation gets approval to set up unit

Himanshu Darji, ET Bureau Feb 8, 2012, 12.32PM

AHMEDABAD: An information technology (IT) company Monarch Innovation Private Limited will become the first entrant into the the special economic zone in the upcoming financial hub Gujarat International Finance Tec (GIFT) City.

The Unit Approval Committee of the SEZ recently gave to Monarch Innovation engaged in engineering and design services, making it the first occupant in GIFT which has received an approval as an International Financial Services Centre two months ago IFSC is a liberalised zone for conducting international transactions in foreign currency.

It will enable foreign and Indian banks, non-banking financial institutions, stock exchanges and commodity exchanges to conduct transactions in foreign currencies from India.

A part of GIFT has already been notified as a SEZ by the Board of Approvals (BoA) of SEZ under the central Commerce Ministry.

"The committee gave approval to Monarch to set up its centre in the SEZ of Gujarat International Finance Tec (GIFT) City," committee head and zonal development commissioner Pravirkumar told ET.

Monarch Innovation Private Limited (MIPL) is promoted by Pritesh Patel, an alumni of UK-based Hertfordshire and Harsh Joshi, an alumini of Ahmedabad-based L D College of Engineering. The company will provide 3D Computer Aided Design (CAD) modeling, CAD conversion, tools and mold design, product design, analysis and optimization, Rapid Prototyping, Industrial design and consultancy amongst others.

MIPL has projected net foreign earnings of Rs 35 crore in the fifth year of its operation and will employ over 100 people.

Being developed over an area of 886 acre, the Rs 72,740-crore GIFT city project will house a financial services-based multi-services SEZ, a centre for domestic financial sector, corporate offices, regional offices of companies, a trade centre, housing colonies, social infrastructure and other associated amenities. The project is expected to create 10 lakh new jobs in 10 years. The Vibrant Gujarat Global Summit, 2011 saw investment commitments worth Rs 11,700 crore in the GIFT project.

Financial Technologies Limited, Kotak Bank, ICICI Bank, Banks from Singapore, State Bank of India, Central Bank of India, Union Bank and Vijaya Bank have already shown interest to set up their offshore centres in GIFT. Stock exchanges of London, Tokyo and Singapore are interested to set up offices at one premises and GIFT is the ideal option for them, believe GIFT officials.

Gujarat has 58 SEZ of which 15 are functional, 17 are notified but non-functional, 13 have received formal approval and 13 have received in-principle approval.

25 SEZ projects opt to exit Maharashtra,Kokan

SUN, 05 FEBRUARY, 2012. 10:29 AM

MUMBAI: Maharashtra may be positioning itself as an investment destination, but the global economic downturn and land acquisition woes have resulted in the developers of 25 SEZ projects with a proposed investment of around Rs 18,915 crore choosing to get them scrapped. The state now has 116 live SEZ projects spread over 22,216 hectare and with an investment potential of Rs 1.37 lakh crore. Put together, these projects have the potential to employ 52.34 lakh people and are in various stages of implementation.

A majority of these SEZ projects in Maharashtra are located on the Konkan coastline, which has access to port heads, followed by regions like Pune, Aurangabad, Nagpur and Nashik. While 63 of these 116 SEZs have been notified, 39 have been granted formal approvals and 14 have received an in-principle nod. A total of around 24 SEZs in the state are functional.

A senior industries department official attributed the exit decision of the promoters to the global economic downturn which would affect the market for exports and land acquisition problems. “Issues like the Eurozone crisis have led to instability in the global economy, and developers are now finding the domestic markets to be more lucrative in terms of returns,” he said, pointing out that the SEZ model was “based on the Western markets.”

A total of 10 SEZ projects in sectors like textiles, IT, power and agriculture spread around 675.78 hectare and with a proposed investment of Rs 5,031.64 crore and an employment generation potential of 2.20 lakh have chosen to get them denotified while 15 developers have withdrawn their SEZ projects in areas like the leather industry, engineering, IT, biotech, power and metal spread over 1,401.14 hectare and a proposed investment of Rs 13,883.74 crore and an employment potential of 2.52 lakh.

5 Gujarat PSUs in Fortune India 500 list

Tuesday, Feb 7, 2012, 19:15 IST

Five state government-owned companies figure in the list of Fortune India 500 companies in 2011. While Gujarat State Fertilizers& Chemicals (GSFC) tops list of ranking state PSU at 173rd position, the Gujarat State Petroleum Corporation (GSPC) follows at 177thrank.

Gujarat Narmada Valley Fertilizers Company (GNFC), another fertilizer manufacturer owned by the state government was ranked 260, which was topped by Indian Oil Corporation.

Gujarat Alkalies & Chemicals Limited (GACL) was ranked at 461 in the list, while Gujarat Mineral Development Corporation was ranked at 462. The Gujarat Co-operative Milk Marketing Federation, which sells milk and milk products under the brand name Amul, was ranked 84 in the list. Adani Enterprises was ranked 54, Adani Power 334 and Adani Port & SEZ ranked 341.

ECER eyes RM10b investments

The East Coast Economic Region (ECER) has targeted to double itsinvestments to RM10 billion this year, underpinned by interest fromtop Asian communities like China.

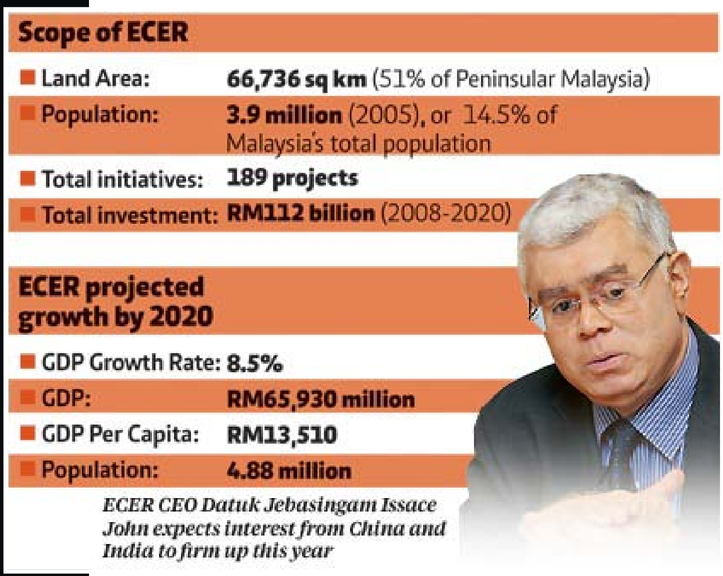
Its industrial parks located within the Special Economic Zone (SEZ) are expected to drive these billion-ringgit investments.The SEZ will be “our jewel in the crown” in Malaysia, says ECER Council (ECERC) chief executive officer Datuk Jebasingam Issace John.

“We expect the investments to come on board by the third quarter,” he disclosed in an interview with the Business Times

The risks of the slowing investment flow from Europe may impact Malaysia as a whole in 2012, but John says the ECER has the addedadvantage of having caught the attention of the Chinese, Koreans and Japanese, who are also being encouraged to look abroad.

Its location is an advantage, which would benefit China’s investing community.Among the most recent influx of investmentstotalling close to RM5 billion include a RM2 billion industrial biotechnology investment in CJ-Arkema, a joint venture between aSouth Korean and French company, as well as Wenzhou Foreign Trade and Economic Cooperation Bureau’s plan to invest RM900 million in integrated industrial park in Kuantan.

The other is the RM1.8 billion integrated steel mill investment via Eastern Steel, a joint venture between Hiap Teck Venture Bhd and China's Shougang Group."Being the hinterland to East Asia is one good reason as it provides an inter-regional hub for China-India as an eastern gateway of Malaysia," John said.



ECER CEO Datuk Jebasingam Issace John expects interest from China and India to firm up this year

With the RM2 billion basic infrastructure put in place by the government, the ECERC is aggressive in marketing the economic corridor to Asian and Middle East investors, while focusing on individual companies like it did in the case of Eastern Steel last yearBeing just two hours away from Kuala Lumpur, the 25km-by-140km strip that extends from Kertih in Terengganu to Pekan in Pahang includes four ports, two airports and innovation zones to support development in manufacturing, oil, gas and petrochemical, agriculture, tourism and education.

"To our investors, it is a RM4 billion market within the Asia-Pacific region, especially since the commitment to convert Kuantan into a deepwater port," John said.Into its fourth year since it was set up, the low-key ECERC reckons its potential will enable it to perform as well as the other growth corridors, if not outperform them.

Straddling Kelantan, Terengganu and Pahang as well as Mersing in Johor, it is emerging as a dynamic and competitive investment destination to both local and international investors.Being a mix of brownfield and greenfield is an added advantage, said John.

"The region may be lagging but at least we can differentiate ourselves from the others in that with our greenfield, potential investors can undertake sustainable-type models and develop the ECER in a sustainable manner," he said.Unlike the other growth corridors, the ECER has various challenges which, John says, need to be positioned in the correct perspective.

"We need to accelerate growth, increase income levels and improve quality of lives. So, projects in ECER need to ensure significant contribution to GNI (gross national income) through job creation which will raise income levels - which impact measurements are in line with the Economic Transformation Programme," he said.SEZs contribute to 80 per cent of the gross domestic product of the region, where the income disparity is high compared to the west coast.Poverty programmes are ongoing with the Pekan metropolitan in the advanced stage, enabling incomes to rise to RM1,200 already.

John said that the human resource aspect is catered to the niche needs of investors. "Within the one-and-a half years of investors setting up their facilities, ECERC will see to it that their manpower aspect is provided for, through training skills provided by the 20 centres and universities and colleges to custom fit their needs," he said.According to John, the time is ripe for SEZ as it is the only one of its kind offering integrated projects from ports to manufacturing, while many infrastructure projects are near completion with many customised incentives already in place.

The SEZ has targeted a total of RM90 billion investments by year 2020 and will be a catalyst for economic growth, in line with the government's aspirations of moving into the New Economic Model.The Automotive Industrial Park in Pekan-Peramu area is a self-contained park to cater for automotive manufacturing and assembly activities. The park has so far attracted big automotive names such as Mercedes, Isuzu, Suzuki and now Volkswagen.Apart from the palm oil industrial cluster in Gebeng, there is the Kertih Polymer Park, the country's first fully integrated plastics park, that takes on a plug-and-play model where requisite support facilities and common services are put in place.

Also within the SEZ is the Gambang Halal Park, a premier park which can create RM1 billion investments almost immediately as there is feedstock of livestock, fishers readily available"We got interest from China and Middle East and hope by end of the year to see significant movements," John said.He said the Kemaman heavy industrial park can take up RM5 billion in new investments, following closely on the heels of Eastern Steel's ground breaking in December. Tourism will also be a major income earner to the region, as seen in an investment of RM2 billion from the government for the infrastructure development of industrial parks and social development projects.

Sun Apollo Buys 50% In Assotech's Gurgaon Project For Rs 75Cr

February 06, 2012, 03:01 PM IST

Sun-Apollo India Real Estate Fund has made its second investment in as many months by betting on a residential project of Assotech Limited, a Noida-based real estate company. Sun Apollo has invested Rs 75 crore to pick up a 50 per cent stake in the company's residential project in Gurgaon.

With projects worth Rs 3,300 crore under its belt, Assotech has received the investment for its special purpose vehicle, Assotech Moonshine Developers Pvt Ltd which is now a 50:50 joint venture between Assotech and Sun-Apollo's, $630 million India dedicated fund.

Rajeev Rai, chief operating officer, COO, Assotech Ltd, said the 12.6 acre group housing project is coming up at Sector 99 in Gurgaon. "As this investment falls under foreign direct investment (FDI) , the fund has a minimum lock in period of three years and it can look for an exit by five years. The minimum benchmark for return is 16 per cent whereas the maximum is 22 per cent," he said.

The project will be launched within the next three months. The company has applied for sanctions to the Haryana state government.

In late December, Sun-Apollo India Real Estate Fund had invested Rs 45 crore to buy 49 per cent in Godrej Premium Builders Pvt Ltd, a subsidiary of Mumbai-based realty firm Godrej Properties Ltd. Under the deal, Sun-Apollo paid Rs 18.3 crore to Godrej Properties for purchase of shares and the balance Rs 26.7 crore has been invested in Godrej Premium Builders which is currently developing a project in Gurgaon.
Sun-Apollo was developed from a strategic partnership between Sun Group, a business and investment group principally owned by the Khemka family with operations in India, Russia & eastern Europe, and AREA Property Partners formerly known as Apollo Real Estate Advisors, an active global real estate investor and fund manager with operations in the United States and Europe. Sun-Apollo was earlier headed by Chetan Dave, who moved onto IDBI to head its real estate fund.

Although the private equity action in Indian real estate sector has been muted, there have been a few large deals last year, besides a string of small and mid-sized deals across income-generating developments.

In February 2011, Ascendas India Trust entered a deal to acquire a portfolio of five buildings in Phoenix Infocity Pvt Ltd's SEZ for Rs 855 crore. Also, Kotak Realty Fund sold Peepul Tree Properties (an IT park in Goregaon) to Tata Realty and Infrastructure Ltd and Tata Realty Initiatives Fund 1 for Rs 525 crore.

Blackstone invested around Rs 875 crore to buy 37 per cent stake in Manyata Promoters Pvt Ltd, a SEZ promoted by Bangalore-based real estate developer Embassy Property Developments Ltd, and the landowner Veeranna Reddy. More recently, Blackstone also struck another large deal where it has acquired Pune SEZ of DLF and Hubtown for Rs 810 crore

Two parties promise to give acquired land back to Goa farmers

Published: Monday, Feb 6, 2012, 18:29 IST
Place: Panaji

Giving back land to farmers acquired for various government projects including SEZs in the state, is one the main promises made by the two national parties who are fighting the March 3 Goa polls.

Janata Dal (United) Goa President John Philip Pereira told reporters today that the party, if voted to power, will ensure that the land which was acquired for projects like SEZ would be acquired back and given to the original owners.

Pereira said the lands were acquired for projects like SEZ or greenfieldairport project at Mopa.

"The party in the manifesto has made it clear that the land will be given back to the original owners," he said.

Several thousand square metres of land is locked in the SEZ projects across state's industrial estates. Goa has scrapped its SEZ policy and process is on to denotify these industrial estate.

The state has also planned greenfield airport at Mopa village in North Goa, for which huge tract of land has been acquired. Another party, Trinamool Congress Party has also made same promise in its manifesto.

Trinamool Congress Party Goa Chief President Dr Wilfred de Souza said the land acquired for various government projects would be taken back and given to the people. De Souza, former Goa Chief Minister, said the land acquired for projects like SEZ, needs to be given back to its owners.

He said the party's state policy is in sync with the policy of party leader Mamata Banerjee in West Bengal.

ISB Takes Charge

Posted On: Monday, February 06, 2012

Hyderabad: The Indian School of Business (ISB) hosted a symposium ‘Building SME Linkages in SEZs’ recently at its Hyderabad campus.

The symposium brought together, policy and decision makers from both the centre and the states, public and private SEZ developers, industry, civil society and academia.

They will work together to identify bottlenecks, propose solutions and enhance the effectiveness of SEZs by establishing stronger linkages with SMEs and entrepreneurs.

This symposium was organised by the Wadhwani Centre of Entrepreneurship Development (WCED) at ISB, in association with Andhra Pradesh Industrial Infrastructure Corporation Ltd (APIIC), Government of Andhra Pradesh.

Speaking on the ocassion, Dr Krishna Tanuku, executive director, WCED at ISB said, “While SEZs in India have been expanding due to regulatory and industry support, they have not reached their full potential. SMEs in India need to work more closely with SEZs, to gain from facilities extended by them. WCED would like to play the role of a facilitator in influencing policy changes to benefit both.”

Spread over two days, the symposium comprised of several panel discussions to examine the indispensability of SEZs to the economy and elaborate upon the role of government and academia in supporting SME-SEZ linkages for reaping several benefits.

To return Haryana SEZ land, RIL wants Rs 1,200 cr

Thursday, 2 February 2012

Weeks after the Haryana government asked Reliance Industries Limited (RIL) to return the land it got from the government to set up a Special Economic Zone (SEZ) in Gurgaon, the company has now asked the state to pay around Rs 1200 crore in return of the 1,383.68 acres.

The total claim put forth by the company contains added interest to the Rs 400 crore it paid to the government for the land along with an annuity to the farmers whose lands were acquired.

The RIL demand, say highly placed sources in the government, is under consideration of the Haryana State Industrial and Infrastructure Development Corp Ltd (HSIIDC), the agency which owned the land.

The company was asked to return the land during a meeting between RIL chairman Mukesh Ambani and Haryana Chief Minister Bhupinder Singh Hooda in New Delhi on January 17.

Hooda had suggested that since the SEZ project had got delayed by over six years it would be better that the land be returned.

The SEZ was to be set up in 2006 through a special purpose vehicle — Reliance Haryana SEZ Ltd — created after a collaboration between Reliance Ventures, a wholly owned subsidiary of RIL, and HSIIDC. The government now is said to be preparing for negotiations with the company to reduce the demand.

Manipur seeks IT expertise

Bangalore, Feb 5, 2012, DHNS

Chief Secretary of Manipur D S Poonia on Sunday called for a larger collaboration between his state and Karnataka in information technology to help develop the upcoming Special Economic Zone in Imphal.

Speaking at the 'Manipur Kumhei', a festival of Manipuri culture, hosted by Raj Bhavan, Poonia said that IT parks and software companies must look at Imphal's SEZ as a place with business prospects.

"There are 14 daily flights from around the country to Imphal and a direct flight every day from Bangalore. The airport has already started an expansion project over 600 acres to become an international airport. Our chief minister is very keen to build the relationship between Karnataka and Manipur as at least 10,000 Manipuri citizens are residing in Bangalore," said Poonia.

Step ahead

The setting up of Manipur Liaison Office in Bangalore with an officer on special duty is a step ahead in building better relationship between government and people of both the states, said Poonia.

Officer on Special Duty V Ramakantha said Manipur's prime focus will be to integrate and collaborate in IT and sports sectors.

"There is a need for a cultural acceptance of Manipuris from the local residents here instead of looking at them as Chinese. A few other cities will also host Manipur Kumhei in Karnataka and a film festival is being planned to display Manipur's great cultural and cinematic history," he said.

Cultural event

he festival featured many traditional dance forms at the Glass House. The stick dance, 'Lai Haraoba', 'Thang Leiting Haiba' and other performances were presented before the audience comprising Governor H R Bhardwaj and his wife.

Bhardwaj said: "Problems in the North East continue to exist. In Manipur, there is a problem with road connectivity. Many people leave Manipur because of the problems. Soon, I hope, the state can showcase its rich tradition to people of India and become a tourist spot."

Poonia also announced the setting up of India's only integrated checkpost which will be on the border between Myanmar and Manipur. "Upto 45 acres of land has been acquired for the same and it will become operational in two years," said Poonia.

Kalinga Nagar, Bolangir identified as probable manufacturing hubs

Jayajit Dash / Kolkata/ Bhubaneswar Feb 06, 2012

Orissa has identified the Kalinga Nagar industrial cluster in Jajpur district and Bolangir in the economically backward KBK (Kalahandi, Bolangir and Koraput) region as probable locations for development of National Manufacturing and Investment Zone (NMIZ) envisaged under the National Manufacturing Policy of Government of India (GoI).

The proposed NMIZ needs to be developed on a contiguous patch of 5000 hectares of land as mandated by the policy.

"We have already completed two rounds of negotiations with all the stakeholders for development of NMIZ in the state. Some locations have been identified but we are yet to zero in on any site for developing the zone. The final call will be taken by the Chief Secretary and thereafter we will be submitting a detailed proposal to GoI", said an official source.

Land acquisition, however, remains a big hurdle for the development of NMIZ.

"Takeover of around 5000 hectares of contiguous land is never going to be easy especially at a time when big ticket investments like Posco have been battling for land acquisition for more than six years. Still, we are making the best efforts", said the official.

The NMIZs would be managed by a special purpose vehicle, headed by a government official and having experts, including those on environment. The industrial townships will be self-governing and autonomous bodies.

In the first phase, a NIMZ will be set up along the Delhi-Mumbai Industrial Corridor and is expected to come on stream in the next few years.

The DMIC project covers six states including Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, Maharashtra and Gujarat, which account for 43 per cent of the country's GDP, 50 per of industrial production and exports and 40 per cent of total workforce. The government estimates that the project will offer employment to over three million people.

The NMIZs would be a combination of production units, public utilities, logistics, environmental protection mechanism, residential areas and administrative services.

It would have a processing area where the manufacturing facilities along with associated logistics and other services as well as required infrastructure will be located.

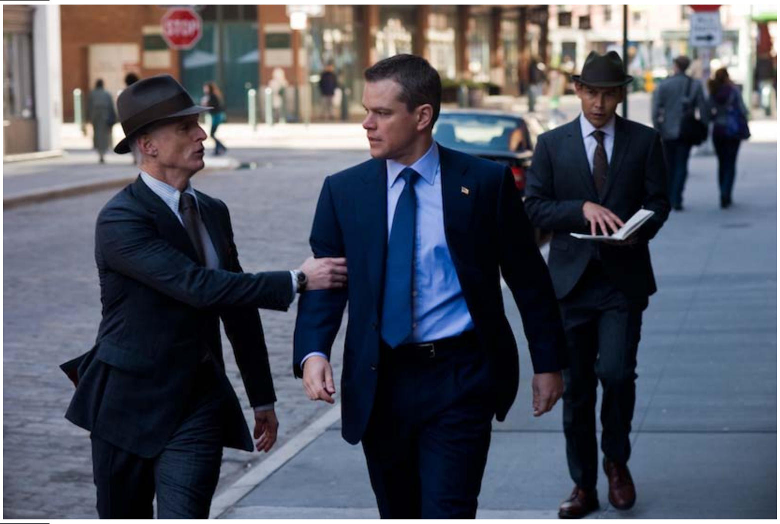
The processing area may include one or more Special Economic Zones (SEZs), industrial parks and warehousing zones and export oriented units.

Besides, there will be a non-processing area to include residential, commercial and other social and institutional infrastructure.

It's our golden goose, take care not to kill it

Sunday, 5 February 2012

The paradox couldn't be starker. The tragedy can't be sadder. The Indian IT industry is treated like a pariah, by government, both at home and abroad. The Indian software industry has grown at more than 30% annually for the last 25 years. It exports to more than 60 countries and earns export revenues close to $70 billion, and serves more than half of the Fortune 500 companies. Yet when there is protectionist discourse churned out by the US government, with President Obama in his final State of the Union address lamenting about how the economy had been 'weakened' by outsourcing, we tend to become apologetic and even defensive about the industry, whereas we should be proud of the immense value it has added globally.



The world facing the Indian IT industry is getting increasing tough. The global IT spend is roughly about $1.7 trillion and that of India about $70bn. And the IT spend is rapidly decelerating, as consumption levels taper off and the West slides deeper into recession.

Any rational government would go out of its way to support its golden goose at such a juncture. But not ours. Consider the following: As per the interpretation by authorities of existing rules, IT companies cannot move resources between software technology parks (STP) and special economic zones (SEZ), including people, terming it as 'splitting and reconstruction'', though there is nothing in law that prevents it! The customs department in Mohali recently went to the ridiculous extent of prohibiting the employees of an Indian IT major from crossing the street from one campus to the other of the same company, to have lunch, under this pretext!

Suppose an IT major gets an order for say $1bn and needs to assemble the appropriate human resources to execute such a project, the company cannot under prevailing law shift people from its own STP to SEZ units even though the ministry of commerce issued Instruction No. 70 dated 9/11/2010, permitting it!

By the way, the Indian software industry is perhaps the only one in the world where the rate of growth of its tax and legal professionals is perhaps as good as the rate of growth of IT professionals! This is because our convoluted systems of accountability, ensures that our income tax officials continue going in appeal till kingdom come, especially while interpreting Section 10AA of the Income Tax Act, for they work with the standard operating procedure that every company is a thief and is guilty until proven innocent perhaps only when done by a full bench of the Supreme Court. Not to mention the huge costs, delays it imposes on our IT industry, which make us uncompetitive viz., it encourages even tiny upstarts like Philippines to strut about in front of India with new-found attitude and we send the signal to the world that the investment climate in India means you fight with every limb of your body in chains.

So both at home and abroad, the Indian IT industry is an outcast for the country whose companies it serves admirably and for the country, for whom it is an unmistakable jewel in the crown.

Let's look at what the data says. Jacob Kirkegaard of the Peterson Institute in a seminal paper examined the impact of the growth of Indian offshoring industry on the service sector labour markets of US, EU and Japan and concluded that the impact was 'negligible". Yet the unwanted brouhaha and protectionist postures by the US government suggests that the lesson that the Japanese carmakers taught them years ago has been forgotten. It concludes that less than 5% of the major layoffs in the US in 2004-05 was because of IT outsourcing. The US bureau of labor statistics counts about 1 million workers in a workforce of about 150 million fired in major layoffs.

Then we have the minimum alternate tax (MAT). Here we don't even rob Peter to pay Paul. We rob both Peter and Paul. MAT imposition has virtually ruined the SEZ policy for IT exports (which exempted income tax on profits from exports) just when the industry starts reaping its benefits. A direct tax code with new incentives is expected.

The time has come for the government, both Centre and state, to rise to the occasion, and support the Indian IT industry in letter and spirit, at one of the most difficult moments in the history of India's software industry. It must learn from the wise words of Lord Denning when he famously said "the Doctrine of Precedent does not compel your Lordships to follow the wrong path until you fall over the edge of the cliff. As soon as you find that ... to retrace your steps. And that is what I ask your Lordships to do."

Let India not forget that the IT industry has played a huge role in arresting the secular decline of India's global image as a land of snake charmers and beggars and has given us a place of pride on the world stage.

GIFT opens doors to pvt developers

Saturday, 4 February 2012

AHMEDABAD: The long-awaited green signal for inviting private developers to the ambitious Gujarat International Finance Tec-City (GIFT) at Gandhinagar has come through. GIFT will open its doors to private developers by mid-February for construction of office and residential blocks.

A requisition for qualification-cum-request for proposal is now ready, said GIFT sources, and will be released shortly by the concerned authorities. The offer will be open to developers for both domestic and international players. A total of four buildings that are 122 meters high are being proposed at the site.

The large chunk of land identified by GIFT is in addition to the QC1 and QC2 blocks that are being developed by Infrastructure Leasing & Financial Services Limited (IL&FS) currently.

GIFT officials claimed that out of the two million square feet to be launched in the market, one million square feet will be in the SEZ area. Close to 0.5 million square feet will be launched for development in non-SEZ area, while an equal space will be launched to develop residential units in SEZ area. As of now, IL&FS is developing 7.7 million square feet. Two contractors L&T India and ANC Dubai are being roped in for the construction.

Each of the high-rise buildings will have 29 floors. An international school, hospital and a hotel and an exhibition center are already under construction. A special international market zonespread over two million square feet is being developed in GIFT.

"With the Software Technology Park of India (STPI) benefits coming to an end this year and tax incentives for co-developers in SEZ area next year, there is a serious need for accommodating migrating IT/ITeS companies by March 2014, as the direct tax code comes into force. For co-developers in SEZs, this deadline is fixed on March 2012. Not only will the co-developer get a 10-year tax exemptions, but also earn from the exemptions on the property units they construct for 15 years in SEZ area," says a senior official at GIFT.

Terex delivers three reach stackers to Mundhra Port facility

Friday, 3 February 2012

- Two TC 45 reach stackers in operation at the Mundhra Container Freight Station (CFS)
- Additional reach stacker currently in use at Kandla Port

Terex has delivered three of its TFC 45 reach stackers to the Mundhra Container Freight Station (CFS) in India.

The first two units were commissioned in November in the presence of Captain Navjeet Grewal, Director of Mundhra CFS Ltd. for its customer Excellent Engineering & Allied Services.

Both units are currently operating in Mundhra Port & Special Economic Zone (SEZ), India's largest private port and special economic zone situated in Gujarat.

The third unit was commissioned in December, and is now being operated by Aditya CFS, a sister company of Mundhra CFS, in the Port of Kandla.

"October to April is the peak season for Mundhra CFS, and these machines will be working up to 22 hours a day in an extremely hot and salty environment," said Nicolas Pricak, Terex after-sales engineer, India.

"The TFC 45's hydraulic system is extremely durable so they can run virtually non-stop."

Reliability was one of the reasons that motivated Mundhra Ltd's purchase decision, as Captain Grewal explains, "Our TFC 45s' long-interval maintenance design is something that we can rely on to handle our customers' port logistic infrastructure's high throughput.

"For this application, a time proven and reliable design was of paramount importance, and our three new TFC 45 reach stackers have precisely that reputation."

Mundhra CFS is the first private Container Freight Station outside the Port of Mundhra, and is located within 5 kilometers of the Mundhra Port & Special Economic Zone's main entrance gate in Gujarat.

Too many agencies spoil the ward

Thursday, 2 February 2012

Buddhist caves dating back to the first century, two of the busiest airports in the country, the city's first Special Economic Zone (SEZ), the first Metro rail line, a big industrial estate in the heart of the suburb. This diversity is symbolic of the K-east ward's land usage, where an industrial complex rubs shoulders with an upscale residential area But this also means great diversity in the agencies handling the infrastructure and governance of these areas. The Brihanmumbai Municipal Corporation (BMC), the Mumbai Metropolitan Region Development Authority (MMRDA), incharge of the Metro rail and the Jogeshwari-Vikhroli Link Road, the Airports Authority of India (AAI), the Maharashtra Industrial Development Corporation (MIDC), the Public Works Department (PWD), the SEEPZ — all are trying to ensure efficient governance.

The result? Rampant misgovernance and citizens not knowing whom to hold accountable. "There are so many organisations working for themselves, against each other. If I have any problem, I don't know whom to run to," said James John, local AGNI coordinator.

Among the largest wards in the city, with 15 corporators, the K-east ward is, at best, a work in progress. While locals don't mind the change, they complain of infrastructure not keeping pace with 'development'. "Everyone anticipated Bandra-Kurla Complex to be the next big thing in commercial space, but this ward has stolen the show and gone on to become the next Nariman Point," said activist and resident Pari Berry.

With a floating population of more than 2 lakh, the area faces major traffic snags, especially on the Andheri-Kurla road along which lies the Versova-Ghatkopar Metro rail's route. "I am barely able to keep my appointments these days. Driving from Andheri East to West takes over an hour," said Sejal Deshpande, 24, an advertising professional living in Sher-e-Punjab Colony, Andheri (East).

Many also blame the size of the ward for the inefficient civic administration. Sitting corporator and MLA Ravindra Waikar has been repeatedly demanding it's bifurcation, a need which civic officials also agreed to. "The proposal has been pending for long. We find it very difficult to provide the same quality of civic services to every area in the ward as our resources haven't been allotted according to the size of the ward," said a K-east ward civic official.

"We hope that the Metro line and the massive construction of commercial structures will help the area get the infrastructure it deserves," said John.

Royal Vopak N.V. and Stolt-Nielsen Ltd, two of the world's biggest operators of bulk liquidstorage terminals, plan a joint venture to build a $120 million (approximately Rs.600crore) storage terminal at Mundra in Gujarat.

Thursday, 2 February 2012

The capacity of the new facility is yet to be decided," said an executive at Vopak, who did not want to be named ahead of a formal announcement on the project. A top executive at Adani Ports and Special Economic Zone Ltd, the company that runs Mundra port, also confirmed that it was discussing a proposal with Vopak to set up a storage terminal. He, too, did not want to be named.

A spokesman for Stolt-Nielsen said the firm did not want to comment until it had "something concrete" to announce. Vopak could not be reached for an official comment immediately.

Vopak, the world's largest independent tank storage service provider for bulk liquids, operates 83 terminals with a storage capacity of more than 27 million cubic metres in 31 countries.

Vopak entered the Indian market in July 2011 by acquiring Gujarat-based CRL Terminals Pvt. Ltd. CRL is one of India's largest independent storage facilities for chemicals and vegetable oils, comprising two sites with a combined capacity of 262,600 cu. m at Kandla port in Gujarat

The Mundra facility would be Stolt-Nielsen's first storage terminal in India. Stolthaven, the storage terminal-operating unit of Stolt-Nielsen, runs eight terminals globally with a 2.8 million cu. m of storage capacity. Many global bulk liquid storage firms and investors are looking at opportunities in India.

The country's storage capacity is currently pegged at 25-30 million kilo litres, dominated by large public sector units.

Vopak had last year bid for buying a 74% stake in Vizag-based East India Petroleum (P) Ltd from New York-based private equity firm Global Infrastructure Partners (GIP). But the deal has floundered over valuations, said the Vopak executive mentioned earlier, who is familiar with the discussions.

"We are losing interest in East India Petroleum because of the very high ask price," the Vopak executive said. East India Petroleum, located close to the Vizag port, India's second biggest port by cargo handled, has a storage capacity of 120,000 kilo litres of oil, petroleum and lubricant products and petrochemicals and 9,000 million tonnes of liquefied petroleum gas.

Global firms such as Norwegian storage tank terminal operating firm Odfjell SE, Malaysia's state-run oil firm Petroliam Nasional Berhad (Petronas) had evinced interest in the East India Petroleum stake sale. "Odfjell and Petronas backed out without putting price bids," a person familiar with the deal said, requesting anonymity.

"We had submitted our bid a few months ago, but were told that we were not the highest bidders," said Jayanta Bhuyan, managing director of IOT Infrastructure and Energy Services Ltd, a joint venture between Indian Oil Corp. Ltd and Germany's Oiltanking GmbH, the world's second largest independent tank storage provider for petroleum products, chemicals and gases.