

**I. Hussain** I.A.S. (Ex)  
Executive Officer

Ref. No. MCHI/CEO/13-14/301

April 3, 2014

To,  
**Shri Apurva Chandra (I.A.S.)**  
Principal Secretary (Industries) &  
Development Commissioner (Industries)  
Directorate of Industries  
New Administrative Building,  
Govt. of Maharashtra  
Mumbai - 400 032

**Sub: Suggestions for the Policy Formulation of New IT/ITES policy of Maharashtra State**

**Ref: Your letter No. DI/OSD/New IT Policy/Mtg/2014 dtd. 29.3.2014**

Dear

With reference to the above referred letter from office of the Development Commissioner (Industries) regarding the formulation of New IT/ITES policy of Maharashtra State which was declared on 29<sup>th</sup> August 2009 and will be over by 14<sup>th</sup> August 2014. The Department wants to form New Policy with suggestive points from various agencies/stakeholders. The gesture is meaningful and laudable.

MCHI-CREDAI wants to submit following suggestive points on the above issue.

- (1) Currently IT/ITES policy allows 80% of IT users and 20% allied users, viz. commercial/retail/residential. In most of the projects, the ratio needs to be amended drastically, as under. This will help promote smaller towns to bring in more IT/ITES projects to take off since many of the projects are being dropped due to 80:20 scheme, prescribed in the present IT policy (Policy Ref. Maharashtra IT/ITES Policy 2009).

	IT & Allied	Others
Tier 1	60%	40%
Tier 2	50%	50%
Tier 3 & 4	40%	60%

The definition also may be considered for expansion to include other and more supporting activities therein. As a matter of fact when the policy was originally formed before 10 yrs not many companies were using IT on a great scale. However, as on today almost all the professions/businesses/industries are using IT technologies and other applications on a large scale such as;

- CA using tally or other software for servicing his clients
- An architect using AutoCAD or any other software in order to cater to his clients
- An advocate using various softwares/applications for their clients
- On the similar line any business house/SME/MNC etc are using some or all of the above softwares and hardwares

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So it is important that all of the above sectors should be eligible to buy an office premise in IT park.

- (3) Currently MIDC provides Plot to develop IT Park within a specified period (3 years) and if that is not developed, 5% p.a. of Ready Reckoner value is charged creating chaos - such penalty should be waived if IT industry is to grow - reasons being:

The various prescribed procedures for the big projects take long time to come on Track.

- a. Many a times Environment Clearance itself takes 2-3 years time and in such cases levy of penalty would be unreasonable; hence, need to be waived.
  - b. Once the company buys property for IT it should be treated as free hold land and no such penalty should be levied.
  - c. Currently the IT policy for the sale of property is restricted to IT / MIDC units, however, the same should be allowed to all instead of restricting to them which will make the project viable.
  - d. Presently, most of the lower Tier cities making such IT buildings is commercially not viable hence we have to attract developers by promoting more residential to cross subsidies the IT component and therefore a mix of two could be considered.
  - e. Currently huge premiums are being levied on account of fire, fire brigade, scrutiny fees, etc. and that should be waived off if IT Park is to be encouraged for being developed within/outside MIDC.
  - f. The procedure for approving the IT Parks should be made very simple, in fact to be brought online so that moving of the files from local MIDC office to the regional / Head office, which currently takes a long time can be expedited. The whole process needs to be simplified and expedited.
  - g. A large Corporate/MNC/SME companies should be able to occupy space in IT Park into 60%/80% built up area as the pre-dominant office activity is an IT activity as elaborated and explained in Annexure - 1
- (4) There should be an exit term in the Policy, which should be allowed the possibility of conversion of any IT/ITES Buildings to any other users on payment of 10% premium after 5 years and 25% premium amount after 3 years. We in MCHI-CREDAI will clearly support the decision being taken by State Government/authority that any policy cannot be everlasting and there has to be a revision/withdrawal or exit available for such policies in a time bound manner. Also, by suggesting as above we are not compelling the Government to modify DC regulations as it is a time consuming exercise, but to make changes in line with fungible FSI policy already introduced by State Government.
- (5) Reduce additional premium by 50% and allow the payments in 4 installments, as per the progress of work till receiving the occupation certificate.



- (6) Currently, Ready Reckoner rates are increasing dramatically which affects the Real Estate Industry very badly in terms of Sales & Marketing point. The premium value of the properties are also increasing accordingly. Hence, the land cost may be frozen at a particular point of time and level. However, the Sale Value of building could be increased proportionately.
- (7) The revised policy should come as an option i.e. the occupants / owners of the IT parks can exercise the option by paying necessary premiums /charges to the Government. This will enable to hold that it is an option and not compromise with the policy already prescribed.
- (8) This procedure should be under section 154 by the Government or under section 37-1 (AA) as per MRTTP act. It means that this will be in line with fungible FSI policy introduced by the State Government which is available over and above the normal FSI.
- (9) Government could consider withdrawing all the concessions given such as reduction in the Stamp duty charges, octroi charges etc, so that the owner/occupant of IT park cannot avail double advantage of earlier policy as well as the revised policy.
- (10) As a result, of the above the premises which are lying vacant in the State of Maharashtra will come into use by purchasers and government / corporation/ local authority will start getting property tax and other revenues with immediate effect.
- (11) If an individual developer requests for 100% conversion for commercial users on the payment of 100% premium, then department should consider such proposal to co-relate or to avoid conflict as the policy will be prescribed for the entire State of Maharashtra.

Therefore, we request kindly to consider the above suggestions while formulating of New IT/ITES policy for the revival of IT Parks and fresh investments in IT Parks across the State of Maharashtra. It would help to reviving them and many delayed projects/sales could take off.

Yours



(S. S. Hussain)



*Annexure 1.*

**Why a large Corporate/MNC/SME company can occupy space in IT Park into 60%/ 80% Built-up Area as per the IT & ITeS Policy of the Government of Maharashtra.**

Corporate, Indian and Multi-nationals, SMEs from across sectors are looking towards Mumbai, for their office space requirements. This space usage they seek is for their Corporate Office, Head Quarters etc.

Mumbai is already projected on the global platform of being an International Financial Centre. And Mumbai is undoubtedly the undisputed Financial Capital of India. As more offices look towards Mumbai from within India and MNCs, Mumbai is gaining prominence on the services sector. This in turn is helping generate huge employment in Mumbai.

The activities in a corporate office or headquarters of a large corporate house, Indian or MNC and SME, include corporate finance, telecommunications, software publishing, consultancy, data processing, database activities and distribution of electronic content, other computer-related activities, research and experimental development, business and management consultancy activities and architectural, engineering and other technical activities.

A large corporate office has many departments depending on the sectors it operates in. The activities in the corporate office are primarily IT platform based with a centralized back-end driven platform using database servers and the front end using various IT platforms like B2B, CRM, ERP etc. Thus a typical corporate office is high on IT based activity using various IT peripherals. Some departments and the IT/Financial activities associated with them are as follows:

1. A Human Resource involves use of database processing, data-mining and uses data servers.
2. The financial/accounting in a corporate office involves investments, corporate finance and other financial activities.
3. Marketing involves online marketing activities, consultancy, research which involves data-processing and data mining.
4. Product development department in some corporate company involves research and consultancy.

5. IT Department involves usage of data-servers, data processing of the highest order, and database management.
6. Logistics and supply chain departments involve high computer related activity, tracking, back-end support platforms, ERP and GPS technology.
7. Customer service, legal departments involve high-level of research, data-mining, database management, analytics, consultancy, research.
8. Architectural, engineering and planning involves data exchange using data servers, data-processing, imaging technology.

Mumbai is the first home to Corporate houses and MNCs from the world. And their activities definitely should be considered as pre-dominantly IT and IT enabled and thus the Corporate/ MNCs/SME can occupy space in the 60%/ 80% allocated space in an IT Park.