MCHI - CREDAI

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

Ref. No. MCHI/CEO/13-14/311

April 17, 2014

To,

Shri Apurva Chandra (I.A.S.) 2nd flr.
Principal Secretary (Industries) &
Development Commissioner (Industries)
Directorate of Industries

Sub: Formulation of new IT/ITES Policy of Maharashtra State

Dear

In continuation of the meeting we held at Mantralaya, I would like to summarise further representation as under;

1. Considering Maharashtra's strengths in terms of human resources, connectivity and infrastructure, and the special significance of Information Technology (IT) for generating employment, increasing efficiency and improving the quality of life, the State Government announced its first IT policy in 1998 and it was followed by the IT and IT- Enabled Services (ITES). Further the policy modified in 2003 and 2009, which provided comprehensive support for further development of this sector in Maharashtra. Aim of the policy is to attract new talent, create jobs and gain revenue for the State of Maharashtra from time to time. IT being sunrise industry in those days various concessions, incentives etc were also made available to the developer as well as the end users. The decision making process for an IT/ITES Co. was dependant on following measures;
    A. Sale price/ Lease rental for the space
    B. Maintenance / running cost of the premises and business itself
    C. Availability of skilled manpower to participate in the profession/ business. However, as the combination of above points didn't result in an attractive package for upcoming IT/ ITES Cos. At that time majority of them were established/ shifted to various other cities and states as a result of the same there are various IT parks/ buildings which are at different stages such as;
        (a) Construction completed but not sold
        (b) Construction not completed due to no demand for sales/ lease rental
        (c) The project didn't commence due to no forecast of demand/ non viability of the project itself

    All these issues come to the surface during the discussions when participants from various sectors such as NASCOM, AVGC and other representatives from Tier 2 & 3 cities were present in the meeting.

Keeping in mind the above background, we suggest the following points;

i. Policy has to be announced separately for Tier 1 , 2 and 3 cities as well as different for the city of Mumbai and its suburbs, as different levels of city's growth has to be treated differently because of its developmental standards and the requirements of space and the presence of skilled IT professionals or preparation for the same.

ii. A solution has to be offered for;

    a. completed but unsold IT parks
    b. IT parks which are half complete
    c. IT parks/ IT SEZ which have not even started due to lack of demand.

iii. Accordingly, we suggest the following new categories to be included in the upcoming policy as an alternative to provide exit mechanism for an IT park which is unsold, incomplete or not started to fruitfully utilise the existing infrastructure created with great effort, costs and time, and if not used properly it will be a sheer wastage of national wealth and no use to the society. Hence, exit procedure has to be planned and adopted, with either allow a mix use of the premises or cross subsidize various activities.

iv. The Government should follow the same route as was followed for granting fungible FSI in Mumbai region in 2011/2012. This will ensure the timely sanction/ implementation of revised policy/ exit scheme as well as avoid all the controversies which Government may have to face.

v. We suggest that a regular premium should be charged at par and as per the norms of fungible premium in the city of Mumbai and its suburbs and to levy different charges in other parts/ cities of Maharashtra.

vi. The revenue generated by above option shall be utilised for encouraging new industries (IT/ITES, AVGS etc) and it will ensure that any project which is converted from IT/ITES to commercial or any other user shall pay necessary proportionate premium to support the existing / upcoming IT parks / buildings.

vii. This two pronged approach will ensure that the demand and supply of premises are reasonably balanced and dead stock can be cleared and door is open for the projects which are not even commenced/conceived.

viii.   As requested earlier, the scope and the definition of the activities permitted in IT/ITES has to be expanded to include the following by incorporating the same in the revised policy;

    a.   Co's / Organisation which extend hand holding support to entrepreneurs (such as venture capital co's)
    b.   Business incubation centres
    c.   HR development and recruitment co's and firms
    d.   Co's dealing with e-commerce
    e.   Co's / firms involved in bioscience/ technology
    f.   Business centres
    g.   Management consultancies
    h.   Business and Financial Services provider (BFS)
    i.   In case of bigger IT parks and IT SEZ it is necessary to allow mix use development such as residential/ retail along with IT/ITES etc so that the walk to work culture is created.

Additionally, we would also like to bring out, the following to consider as part of our IT policy, the issues which are desirable as per prevailing market perspective to develop premises, township or city as Info City.

IT Policy Suggestions - Desirable as per prevailing market perspective;

No.	Item	Current Situation	Amendment / Modification	Comment
1	Additional FSI	Pre-requisite is building plan approval with basic FSI	Based on Architect Certificate premium for double FSI be accepted by Corporation	Developer can pay premium (non-refundable) for additional FSI & directly apply for building permission with double FSI.
2	Letter of Intent	Validity 3 years	Validity 5 years	due to slow down
3	Power	20 W / sq ft	Minimum 8 Watts/ sq ft	Andhra Pradesh IT Policy insists only 6 W /sq.ft.
4	Power	Separate substation for IT & Commercial (or Support Services) Ref: MSEDCL Circular 01.10.2013	May not be insisted	Undue increase in cost
5	Sub-Meters	Arranged by Developer	Provided by Service Provider to Individual Occupant	Easy to monitor & raise bill depending up on status of Occupant

6	Sub-station capacity	For single entity cap of 5 MW	No limit	Un-necessary additional costs & for installing multiple sub-stations
7	Occupants at IT Park	Captive IT division, Telecom Companies & IT Training (like NIIT, Aptech , Arena etc) not permitted within 80 % BUA. Surprisingly Telecom Hardware Companies are permitted.	Captive IT division (At Par), Telecom (with ISP or NLD license) Companies & IT Training be permitted within 80 % BUA	No need to extend any incentive except permitting them to occupy space within 80 % BUA
8	Registration of IT Park	Un-necessary paper work asked for	Architect Certificate & Board Resolution of Firm proposing to Develop IT Park should suffice	Just requisite payment for registration could suffice (deemed approval). What is required is AUDIT by Govt & Industry Association to ensure correctness. Defaulters must be punished hard (similar to SCN by Customs & Excise authorities).
9	Status of IT Park	Not available on DOI web site	Display Occupants & current vacancy data of BUA	Six monthly report be visible to all Industry.
10	Data of Occupants (Turnover, Manpower etc)	Responsibility vests with Developer to collate data of Occupants	To be done away with	Benefits to Occupants to cease if it does not update quarterly reports
11	Six monthly report / Extension / Permanent Registration	Un due data asked for regarding Investments, Funds raising arrangement	To be done away with	Investors associated with Developer have no role to play in terms of monitoring status of IT Park
12	Validity IT Park	No exit route	Conversion to Commercial building after 7	All benefits (property tax, electricity tariff,

				years of date of issuance of Occupancy certificate after receiving NOC from all occupants	electricity duty etc.) under IT Park to be withdrawn (for Occupants too) if Developer opts to cancel IT Park registration

We suggest to having one more Joint Meeting with you to clarify and expedite the above efforts. We acknowledge the efforts put in by everyone concerned, including Govt. of Maharashtra, particularly. We also strongly suggest and recommend, even a part of Government policy for encouraging development and growth of the state and to attract investors and developers. The approval and implementation of the above policy should be done instantaneously, promptly through one window clearance system, so that people who are interested to remain in our state in order to take advantage of its financial capability and financial hub in Mumbai, will not take their businesses and talents/skills outside Maharashtra. Any companies or firms which are thinking for migrating, getting frustrated with the inordinate delays in getting approvals from State Government Departments, will be happy to remain here and thus provide inclusive growth for everyone. Our State, as in any other fields, will show the way forward to other parts of the country, because what Maharashtra does first, others follow. Maharashtra is the largest market for IT hardware and internet in India. IT continues to transform daily life for the better. It has become necessary to address the environmental consequences of the rapid increase in IT users. It should also open a positive, good window for the desired public-private partnerships.

Submitted for your information, consideration and necessary action please!

Yours

(S. S. Hussain)

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