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## 4 PM INTERVIEW

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# 'Regulatory hurdles and land are key challenges for SEZs'

— S. Thiagarajan, Chief Executive Officer, ETL Infrastructure Services Ltd

**ETL** Infrastructure Services Ltd, a fully owned subsidiary of Greater India Infrastructure Company Pte Ltd, is engaged in developing retail, hospitality and commercial facilities as well as special economic zones. **S. Thiagarajan** spoke to **Sandeep Menezes** about the potential investment in SEZs and why it is imperative to involve local bodies and residents in the process.

### What is the potential investment in the SEZ sector?

With the gains and pains of promoting and working in an SEZ now quite apparent, the new SEZs will be from serious players and not tax arbitrage seekers only. With proper policy clarity, we can work towards 1 per cent of GDP turnover target by 2016.

### What are the challenges while developing a new SEZ?

Key challenges would be regulatory hurdles and land acquisition.

The latter involves local residents, governing bodies such as the panchayats and municipal and state authorities. While there may be support from the Centre and state bodies, it is important to get the local bodies and residents involved in the process. The SEZ developer must also convince them of the benefits of the development and how they will benefit from them. For land agglomeration, a partnership model may be the most successful.

### There are pleas for continuation of IT benefits to SEZs under the Direct Tax Code regime.

The income tax benefits are definitely important for the developers and tenants of SEZs as they are major savings for them. It is known that infrastructure bottlenecks and higher interest rates shave off over 5 per cent from the bottom line. The SEZ players seek to address this.

SEZs were intended to stimulate production for exports, facilitate



▲ The southern states have been the frontrunners in sectors such as IT and manufacturing, says, S. Thiagarajan.

### FDI and technology transfer. But they seem focused on employment creation, economic growth, and regional development.

They are not exclusive to each other. Export promotion would necessarily lead to investment in various industries which results in greater economic activity in the region. It follows that employment and economic growth would be the two key results. The current focus on these two aspects is more the political and social expression of the country's needs.

### What is the potential in building high-end malls and hotels, especially in Tier II & III cities?

There is no doubt that Tier II & III urban centres will continue to grow at a rapid pace over the next several years. The middle class and upper middle class in these cities will aspire to the same standard of living as their counterparts in the large metros, and will demand the same things. However, the retail industry went through a steep and rather harsh learning curve during the "bubble" years of 2006-08, and the developers have learnt some useful lessons. These include adapting the malls to local tastes and requirements, but again the expectations will be for the same level of quality as found in the larger cities and in the West. The

differentiating factors would be on the scale of such malls, and the mix of retail and entertainment.

The hospitality industry will also thrive in these urban centres as business activity continues to grow and expand. Most industries are investing in the smaller cities and this will drive demand for hotel rooms and complementary businesses.

### Does EISL intend to expand to the western, eastern and northern regions of India?

We have maintained a focus on south India, ex Andhra Pradesh, as we have a concrete understanding of the environment and business approach. These states have also been the frontrunners in sectors such as IT and manufacturing and we see this continuing. However, we do not rule out the possibility of expanding outside this region, though there are no immediate plans nor imperatives to do so.

### How do EISL's malls, hotels and SEZs differ in green and energy efficiency features?

EISL is committed to minimising the carbon footprint of all its developments. We do not strive for certification benefits alone, but are open to continuous audit on this front. For us, being green is not an achievement but a given.



▲ The Chennai One IT Park is amongst the world's largest Gold Rated Green buildings under the LEED Green Building Rating System.