

MAHINDRAS CASH IN ON EARLY SEZ APPEAL

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Workers are putting the finishing touches to a five-storey building that will house a 3,200-seater BPO unit of Infosys Technologies in the 2,500-acre multi-product special economic zone (SEZ), 21 km from the Pink City. Infosys has leased 200 acres in the 385-acre IT zone, which is sold out.

Fifty metres away at the SEZ's technology park, two floors of offices are ready. Deutsche Bank Outsourcing International, which has leased out seven floors in two buildings, will start operations this week.

Welcome to the Mahindra World City Jaipur. Even as several SEZs are struggling to get off the ground, the Mahindras have managed to kick off their second SEZ at Jaipur, after their first one in Chennai.

"None of the big SEZ projects has taken off while we have made good progress on two of them. The Jaipur project will be operational this month," said Arun Nanda, vice-chairman, Mahindra Lifespaces.

Most other projects have not been able to cross the first hurdle of land acquisition. "The Mahindras believed in SEZs before they came into place in India. Others are sitting on approvals and now thinking about what to do with them," said Tapan Singhal, senior manager, PricewaterhouseCoopers.

To be fair, many SEZs have come up in the country. But a majority of them are captive units of IT, ITes, or pharma companies. Many government free trade zones and export promotion zones have been converted into SEZs. There are about half a dozen third-party SEZs from developers like DLF and Unitech but they are much smaller in size and scale (40-60 acres).

“Many of the big SEZ projects are suffering because of issues related to land acquisition; execution is not so much an issue. The Mahindras were early starters in Chennai in the older regime, when land stipulation was not there,” said Vivek Mehra, executive director, PricewaterhouseCoopers and an expert on SEZs.

Mahindra World City Jaipur — a 74:26 joint venture between Mahindra group firm, Mahindra Lifespaces and Rajasthan Industrial and Investment Corporation — is the largest public private partnership project in Rajasthan, and is expected to create large scale industrial development and employment in the state.

In fact, M&M’s success in Chennai saw other businessmen jumping onto the SEZ bandwagon. What does it do differently that’s helping it implement its projects while others are stuck with issues like land acquisition?

“The basic difference is we did not look at it as a real estate business but as an infrastructure business. The profits can wait. We focused on creating the right infrastructure and attracting the right anchors (clients like Infosys),” said Nanda.

Take Chennai, for instance. It took the company four-and-half years to acquire the land and build the infrastructure and another year to get a good anchor in Infosys.

“A good anchor makes a lot of a difference,” said Nanda. It wasn’t easy; Mahindra had to invest upfront (Mahindras, for instance, are investing Rs 600 crore in Jaipur), build the infrastructure for Infosys to come in.

Mahindra could rope in Infosys after three of its directors led by Narayan Murthy visited the site and bought into the concept that a parallel city can be built 35-km away from Chennai. Of course, Infosys also managed to get a great deal. (not to be written: as an anchor, it got a rate which was a third of what others paid).

“They showed faith in us and we delivered to that faith,” said Nanda who needs customers like Infosys who can scale-up quickly from 5,000-people at a centre to 25,000-people. Even after selling all space in Chennai, it invested in sprucing up a nearby railway station that eased commuting for its customers’ employees.

Perhaps, it’s not enough. “Our experience has been fair to good at Chennai. The SEZ went through a learning curve and in some areas could not match our speed in execution of our facility. For instance, we have grown to 6500 employees there and the railway system cannot take the load. The internal transport system has been inadequate,” said TV Mohandas Pai, director (human resources), Infosys.