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SITE VISIT

# India's Shenzhen

Ravindra Sannareddy, who owns a successful IT company, is chasing a dream of making his first multi-product SEZ project, Sri City, into a Shenzhen — China's first and most successful SEZ, says Syed Ameen Kader

Located along National Highway 5, about 55 km north of Chennai, Sri City is emerging as one of the hot destinations for foreign players to set up shop in the south, thanks to its proximity to four seaports and two international airports.

Already home to a number of big companies like Kobelco Construction, Alstom, Danieli and Hunter Douglas, the integrated business city also features around 75 companies representing 22 countries. A further 20 companies are in various stages of discussion about opening their own plants there, 70 per cent of these businesses are from overseas.

"Once the first factory became operational without any hurdle, the others start to follow. This is especially the case for companies from countries like Japan, where there is a mentality that if one arrives, another ten will follow. That's how we became successful in attracting industries from Japan and Europe," says Ravindra Sannareddy, co-founder and managing director of Sri City.

Though India has around 150 SEZs in operation across the country, problems relating to land acquisition and environmental clearances have slowed down their growth quite dramatically. Over the last couple of years, few SEZs have been added to the list.

So how does the project spread over 10,000 acres of land in Andhra Pradesh manage to avoid impact from issues related to land acquisition. Sannareddy says he cleared all these hurdles when the city broke ground in 2008. His philosophy is simple: pay the local land owners

well above the market rate, and give them education and jobs. "First, we made the locals indirect partners in the whole development of the project. In other words, we started educating them about how such a big industry will benefit their families by creating job and education facilities."

Sri City set up the first CBSE school in the district and also commenced vocational training classes under the banner of Sri City Human Resource Development Academy, which is run with the help of IL&FS.

"And of course, we paid them well above the market rate. Typically, acquisitions are done by government according to the so-called record value and not the market value. We not only paid them market value but the future market value," says Sannareddy.

**"We wanted to create what Shenzhen is to Hong Kong, Sri City to Chennai. In other words, we wanted to create world class infrastructure so that industries who want to move to India, can set up plant here smoothly."**

**Location advantage**

The Indian government offers tax benefits for SEZs, but Sri City has some added advantages, such as some of the best connectivity in India. Situated on the southern border of Andhra Pradesh, abutting Tamil Nadu to the south, Sri City's strategic location offers access to the best of both states. Its proximity to the business and commercial centre of south India, Chennai, gives Sri City a competitive edge over other locations.

Its next big advantage is its cheap power and abundant water — the state having less power shortages means it can offer the cheapest power traffic in India.

Since Andhra Pradesh has more agricultural area and less industry, it offers a large pull of human resources, and these can in turn be absorbed into jobs.

"On top of it, as a developer we do lots of hand-holding for the international industries who are coming to India. We help them get quick approval to set up their plants here. We want to make it easy for them. We implement the single-window system in spirit," says Sannareddy.

Sri City focused on developing the infrastructure first

## INTERNAL INFRASTRUCTURE

- 68-km road network, of which 35 km has been completed
- 450 MW power for uninterrupted supply
- 100 per cent recycling of waste water
- High-speed telecom links
- Slated to be home to more than 350 companies
- Employment potential of 175,000

Sri City has 33/11 KV sub-station to provide uninterrupted power supply

The SEZ has on board customs

**Futuristic planning**

The uniqueness of Sri City lies in its futuristic planning. It is based on sustainable urbanisation principles that allow for scalability and expansion without encountering infrastructure bottlenecks. The key zones within Sri City are for services, eco-friendly manufacturing, education and lifestyle.

"Basically, we want to create what Shenzhen is to Hong Kong, making Sri City the same to Chennai. In other words, we wanted to create a world-class infrastructure so that industries who want to move to India can set up there plant here smoothly.

"We went to see who had built such projects and found that Jurong Consultants of Singapore was one of them. We hired Jurong to do the master planning."

The company has invested Rs1,000 crore for the first phase of the project, with Rs300 crore equity infusion, and the rest through internal accruals and bank funding. "We started investing money when the whole economy was down and everybody was running away from this kind of large project. We invested money in developing the infrastructure so that the industry then started believing in us. Then tenants started coming and they all became operational.

**"We made the locals indirect partners in the whole development of the project. In other words, we started educating them about how such a big industry would benefit their families by creating job and education facilities."**

"We are inviting light to heavy engineering industries with more focus on the automotive component industry, which is the strength of southern India. Also, the presence of companies like Nokia and Motorola makes good case for electronics and hardware industry. Then the construction equipment companies are there who can set up their plant here."

The second phase will start towards the end of this year. "We by developing the first third, and now in second phase we will develop the second third and bring social infrastructure, such as schools, colleges, hospitals, a shopping centre and housing."

**ALSTOM, FRANCE**

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|---|---|
| Industry: | Railway coaches |
| Investment: | Rs300 crore |
| Employment: | 350 |
| Status: | Operational by Aug 2012 |

## KOBELCO CONSTRUCTION, JAPAN

Kobelco was among the first Japanese companies to set up their plant in Sri City. It took a mere eight months to construct the facility and start production. Spread over 17 acres of land, the production capacity in first phase is 100 units a month, and currently, it has achieved 80 per cent of this. The company will double up its production capacity to 200 units per month in the second phase, starting next year.

"We did a number of surveys all over India to find the best strategic location for a manufacturing unit. We found out that Sri City was the best location because 40 per cent of our sales come from southern India. Also, we have good support from the port, which helps us bring stuff from Japan and China," says Deepak Kacker, head of Kobelco Construction Equipment India's factory operation.

Kobelco also has a separate plant for its crane division spread over 10 acres of land.

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|---|---|
| Industry: | Construction equipment |
| Investment: | Rs70 crore |
| Employment: | 500 |
| Product: | Hydraulic excavators (14, 20 & 35 tons) |
| Status: | Production started |

## SHAN SOLAR, INDIA

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|---|---|
| Industry: | Solar Energy |
| Investment: | Rs10 crore |
| Employment: | 40 |
| Status: | Operational from Feb 2012 |