Reprinted from FINANCIAL Chronicle

SATURDAY, OCTOBER 03, 2015

IN CONVERSATION

WITH D GOVARDAN

Birth of an industrial city

Sri City, an integrated business township, is spread over 7,500 acres of land and located near Tada in Andhra Pradesh. It has a multi-product SEZ and a large domestic tariff zone, besides free trade warehouses. Even seven years ago, the entire region used to be barren, with little or no cultivation and was also a declared backward region of the erstwhile Andhra Pradesh. Now, having attracted 106 industrial units and big names like Alstom, Isuzu and Kellogs, today the place is buzzing with industrial activity. In an interview with *Financial Chronicle*, Sri City managing director Ravindra Sannareddy speaks on the past and the way forward.

■ You were in the software industry while in the US. What made you to get into the SEZ space and that too manufacturing? Also, why did you choose the Tada region for establishing it?

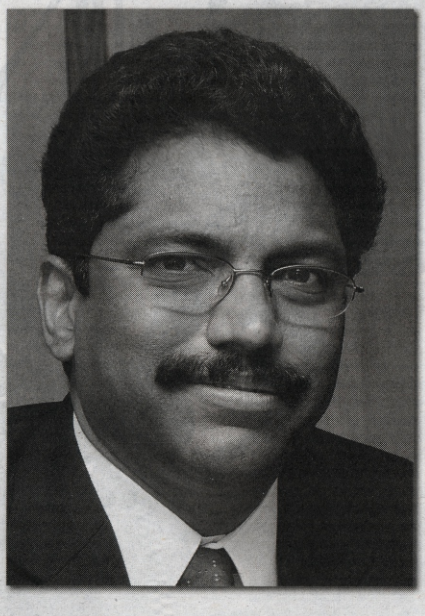
While being in the software industry, I got the opportunity to visit several countries. I got to see how the developed and large economies have managed to create world class industrial cities – be it large special economic zones (SEZs) in China or Jurong Industrial Estate in Singapore or the Columbia Maryland – which was basically a 2,200 acre farm that was converted into a business city – located between Washington DC and Baltimore.

The IT-related travel enabled me to see these developments in person. That's when I hit upon the idea of creating something on that level and chose Tada, near Sulurpet, from where I come. Since Tada is about 55 km north of Chennai, the idea was to create a planned industrial and business city that can be like a ShenZhen near Hong Kong or Hosur near Bangalore. Chennai always had good infrastructure be it airports or ports and hotels. But it lacked land at affordable cost for horizontal growth.

Our IT customers used to say if India has the same infrastructure as China, it would have attracted manufacturing too, as it did with IT. Also, if China had English-speaking people, then even IT could have gone there, along with manufacturing. These thoughts from our customers provoked the idea of establishing an integrated business city. Sathyavedu was the most backward area, being located the farthest point in the then unified Andhra Pradesh. For establishing an integrated business city, we needed large tracts of land, without the need for re-location of people, besides connectivity in terms of rail and road.

This region offered that possibilities being mid-way from Chennai and Tirupathi airports. There were at least three ports – Chennai, Ennore and Krishnapatnam. Now a fourth one – Kaatupalli – has become operational.

I returned to India and initiated the process to establish an industrial city. When the SEZ Act came into being in 2006, we got on to that bandwagon and converted our project into a special economic zone. It had all the right ingredients: availability of land and water, connectivity as being located on the Chennai-Kolkata national highway, and a rail network running parallel to it.



■ Land acquisition has been a controversial issue for years. How was your experience?

All acquisition of land was done through a proper process. While about 70 per cent of it was dry land, the rest single-crop land. Further, between 2002 and 2006, the region suffered from drought. Being a backward region, with no industries, people were migrating. We not only approached the landowners through the village community, but also offered higher than prevailing market rates. We acquired about 7,500 acres without a single litigation. Simultaneously, we started offering people training to become non-agrarian workers. That gave them the confidence that if the industrial city comes up, future of their children will be secured. We also set up schools and hospitals for the people of the region. It became a win-win situation for all.

■ Sri City has been operational for about six years now. What has been achieved so far?

The groundbreaking was done in 2008 and the first unit came up in 2009. In the six years, around Rs 22,000 crore of investment has come in from about 106 industrial units from 26 different countries. It has generated 25,000 jobs. Along with a school and hospitals, we have created two helipads, world-class roads and ensured quality water and power supply. Institutions like IFMR and IIIT have also come up within the city. A business hotel will soon become operational. In a short time, we have become a leading SEZ/industrial city. Also, the 7,500-acre Sri City is the largest in south India.

But the journey was not easy though. That period also witnessed the global recession, besides the politically challenging times at the state and the central levels. Despite all that, we are happy that we were able to evolve and establish our project. Today, Sri City has become a must-see destination for visiting foreign delegations.

■ How did the state-bifurcation struggle affect the project and what were the benefits?

Because of the bifurcation issue, there was little hesitation among investors. But after that, we have become the best option in the sunrise state of Andhra Pradesh. Earlier, we had competition from other regions within the state like Hyderabad. That is not the case anymore. Beyond us, AP has been ranked No 2 in a recent study on the 'Ease of Doing Business' among all Indian states. With the prime minister pushing forward the 'Make in India' programme, we are well positioned to pave way for future growth

■ Sri City seems to have a fair mix of industries with companies like Cadbury's, Isuzu, Kellogs and Foxconn being some of the big names that it has attracted. Was the mix a planned exercise?

The mix was not a planned exercise. We evolved and adapted as we moved ahead. Today, Sri City has become an integrated business city comprising SEZ and DTZ. Initially, when we started it as an SEZ, we were targeting industrial units for exports. While we started in August 2008, the world witnessed a recession in October 2008. There was a re-think on the part of some units, especially from the textile sector, and they backed out. But India sustained its GDP growth at a reasonable level and more companies started coming into the country to use and cater to that growth opportunity. Thus we attracted companies like Alstom (metro coaches), Isuzu for automobiles, Colgate Palmolive for toothbrushes, Lavaza for coffee, Kellogs for cereals, Foxconn for mobiles, besides Pepsi and Cadbury's. All these companies established a base here to target the Indian market. From the beginning, we wanted to be a multi-product SEZ and focused on 10 industries, including automobiles, light engineering, electronics, formulations (not pharma) and textiles. We targeted only those industries, which the region can support in terms of manpower and resources.

■ What is the way forward and which other industries Sri City is likely to attract? What is the employment generation potential?

With the Centre focusing on 'make in India' and 'digital India', we are concentrating on electronics, especially mobile handsets and solar panels. We have filed an application with the Centre, which is promoting the concept of 'electronics manufacturing clusters'. As and when that comes through, we can become a hub for the same. We have space for another 200-300 industries and several businesses that support the larger units. When it is fully occupied, the industrial city would have attracted investments to the tune of Rs 100,000 crore, creating direct employment for 100,000 people and indirect employment for 200,000 others.

Also, when we started, we were focusing on industries that can offer more jobs, with less stress on power and water (utilities). Since, we are now established and in a position to offer uninterrupted power and water supply to units, we will also target industries that require more of that.

govardand
@mydigitalfc.com