

INVESTMENT OPPORTUNITIES SPECIAL ECONOMIC ZONES IN INDIA





INTRODUCTION

- The Export Processing Zone (EPZ) Policy implemented in 1965 during the 'Import Substitution Industrialization' (ISI) period included multiplicity of controls and clearances, absence of good infrastructure and unstable fiscal regime which paved way for the transformation of EPZs into Special Economic Zones. The Special Economic Zone (SEZ) policy in India first came into inception on April 1, 2000. The prime objective was to enhance foreign investment and provide an internationally competitive and compatible environment for exports. The policy aimed at promoting exports from the country and boost the economic growth by using tax and business incentives to attract foreign investment.
- The Special Economic Zones Act was enacted in the year 2005 and became effective in the year 2006.

SEZ Policy of the Government of India

The Government of India through the SEZ Policy has made available various Incentives, Exemptions, Concessions and Privileges (IECP) to the SEZ “Developers” and the SEZ “Units”.

The benefits available under the SEZ Policy essentially translate into reduced costs for-

- Infrastructure
- Utilities
- Raw Material
- Capital
- Manpower and
- Operational Ease.

The numerous benefits available to the Developer and the Units are aimed at enabling global competitiveness.

Governing Legislation

The Special Economic Zones in India are governed under the following legislation:-

- Special Economic Zone Act, 2005 (SEZ Act);
- Special Economic Zone Rules, February 2006 (under the SEZ Act).

A Special Economic Zone may be established under the SEZ Act, 2005, by the Central or State Government of India either individually or jointly with an individual or by an individual, whether resident in India or outside India, or by any other person including a company whether resident in India or outside India.

Incentives and facilities offered to developers in SEZ as per the SEZ Act:

- 100% foreign direct investment under the automatic route is allowed as per the present guidelines of the SEZ Act.
 - Exceptions include arms and ammunition, explosive, atomic substance, narcotics and hazardous chemicals, distillation, brewing of alcoholic drinks, cigarettes, cigars and manufactured tobacco substitutes.
 - No cap on foreign investments for Small Scale reserved items.
- Procurement of goods for development, operation and maintenance of SEZ unit-
 - SEZ units may import or procure from the domestic sources, duty free, all their requirements of capital goods, raw materials, consumables, spares, packing materials, office equipment, DG sets etc. for implementation of their project in the Zone without any license or specific approval. Goods imported/procured locally duty free could be utilized over the approval period of 5 years.
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years (any assessment year commencing on or after the 1st day of April, 2006, but before the first day of April, 2021).
- Single window clearance for Central and State level approvals.
- Exemption from GST on import of good and services by SEZ unit / SEZ developer.
- Sale of manufactured products to the **Domestic Tariff Area (DTA)**.
 - Units may sell goods up to 50% Free on Board (FOB) value of exports, subject to fulfillment of positive Net Foreign Exchange (NFE), on payment of concessional duties.
 - With the introduction of the Goods and Service Tax Act (GST Act), 2017 such sale is subject to Integrated Goods and Services Tax (IGST).

Sale of assets of the SEZ upon closure or exit from the SEZ

- **To a SEZ or other bonded unit**
 - SEZ unit can transfer its assets to other bonded units like Export Oriented Unit (EOU), Electronic Hardware Technology Park (HTP), Scheme or Software Technology Park (STP) or Biotechnology Park (BTP), with the prior approval of the authority, without paying custom duty, taxes or any other levies.
- **To a non-bonded unit**
 - SEZ unit can transfer its assets to a non bonded unit i.e (DTA), with the prior approval of the authority, by paying the required custom duty, taxes or any other levies such as IGST.

SEZs offer high end infrastructure and availability to a large skilled workforce and the Government has been continuously initiating the setting up of various special economic zones in the different states of India. Mentioned below are the two Special Economic Zones in the state of Gujarat and Andhra Pradesh.

SRI CITY- ANDHRA PRADESH



- Sri City was developed in functional partnership with the Government of the State of Andhra Pradesh and the Government of India. It was master-planned, designed, and executed by world-renowned urban infrastructure experts from the ground-up, and is widely regarded as the best new integrated smart city development in the region.
- Strategically located along the National Highway 16 with excellent access to air, sea, and railway hubs, Sri City is today a sought after destination for a wide variety of businesses. Over 150 companies from 27 countries have setup their facilities within Sri City. Kellogg's, Cadbury, Colgate Palmolive, Isuzu, Unicharm, Kobelco, Pepsico and Alstom are some of the global Corporations that top the list.
- Sri City is surrounded by well-planned and exclusively allocated zones for industry and business services, and full-fledged social support infrastructure. The industrial park encompasses a Multi-product SEZ, a **Free Trade & Warehousing Zone (FTWZ)**, a **Domestic Tariff Zone (DTZ)**, and an **Electronics Manufacturing Cluster (EMC)**. The larger integrated township includes zones for residences, retail, healthcare, and education.

Advantages of investing in Sri City

Infrastructure

- Sri City has reaped benefits from Andhra Pradesh's long coastline and its proximity to ports such as Krishnapatnam inside the state and to those outside of it such as Ennore and Chennai in Tamil Nadu. In Parallel, it has access to the Chennai and Tirupati airports, as well as National Highway-5 and the railway network. It is also well connected to the industrial ecosystems near Chennai, notably Sriperumbudur and Oragadam.
- Being the 12th major port in India and the first corporatized major port in the country. Currently it is the number one destination for liquid bulk cargo. Phase II includes developing a container terminal for handling 18 million tons (1.5 million TEU's) of containers and LNG (Liquefied Natural Gas) terminal will have a capacity of 5 million metric tons per annum. The fifth, Dugarajapatnam port near Sri City is an upcoming port which is to be operational soon.
- The Andhra government has given business a boost by linking two of the biggest rivers, Godavari and Krishna, to the city's major sources of water for companies located there.

Power subsidy

- Power cost is ₹ 1.50 per unit for food processing units, including cold chains, cold storage units, ripening units for five years from date of commencement of commercial production. 450 MW Power has been allocated by the Government of Andhra Pradesh which is to be distributed in phases.

Capital subsidy

- 25% of project cost (includes plant & machinery, technical civil works), limited to ₹50 Million (USD 769,230) for establishment of new food processing units.
- 25% of new/upgraded equipment cost limited to ₹ 10 Million (USD 153,846) for tech upgrade.
- 50% for setting up primary processing and collection centres, limited to ₹ 25 Million; 35% for setting up of cold chain for agriculture/horticulture/dairy/meat produce, up to ₹ 50 Million (USD 769,230).

Interest subsidy

- 7% per annum on term loan for fixed capital investments, for a period of 5 years.
- ₹ 20 Million (USD 307,692) for food processing units and cold chain infrastructure.
- ₹ 10 Million (USD 153,846) for setting up Primary Processing Centres (PPCs) and Central Processing Centres (CPCs) for integrated food parks that avail loans from **National Bank For Agriculture & Rural Development (NABARD)**. Interest subsidy will not be applicable

VAT/CST/SGST

- 100% reimbursement of net Value Added Tax/Central Sales Tax/State Goods and Service Tax for 5 years for micro & small units; 75% of net VAT/CST/SGST for 7 years for medium units

Food parks

- 50% of project cost would be granted to build mega food parks, limited to ₹ 0.5 Billion (USD 7.69 Million); grant of 50% of cost to build integrated food parks, up to ₹ 0.2 Billion (USD 3.076 Million); VAT/CST/GST reimbursement for integrated food parks during construction period for two years, up to ₹ 2 Million (USD 307,692).

Fiscal Incentives in Auto Mobile and Auto Component Policy 2015- 20

Capital Subsidy for Auto Clusters and Automotive Suppliers Manufacturing Centres (ASMC) developers:

- 50% of fixed capital investment in building & common infrastructure, up to a maximum of ₹ 200 Million (USD 3.25 Million)

Patent Registration & Quality Certification cost Reimbursement :

- The financial assistance will be limited to 75% of the cost, subject to a maximum of ₹ 2.5 Million (USD 38,461) for obtaining patent registration and 50% of all charges, subject to a maximum of ₹ 0.5 Million (USD 7,692) paid for obtaining quality certification. This would be applicable only to MSME Units.

Marketing Incentives:

- 50% of cost of participation with a maximum amount of ₹ 0.5 Million (USD 7,692) to be reimbursed to maximum of 10 Ministry of Micro, Small & Medium Enterprise units per year for participating in international trade fairs.

Special Incentives for Metro-Link Express for Gandhinagar and Ahmedabad (MEGA) Integrated Automobile Projects:

- Automobile projects that will have engine plant, press shop, body shop, transmission line, assembly line, paint shop etc., either on its own or in consortium or joint venture mode in the same location with investments over and above ₹ 1.5 Billion (USD 23.07 Million) which will bring ancillary units of a minimum of ₹ 0.5 (USD 7.69 Million) Billion investment within 3 years. The investment made in land, building and plant and machinery will be included exclusively.

Mega Integrated Automobile Projects shall additionally be eligible for the following incentives:

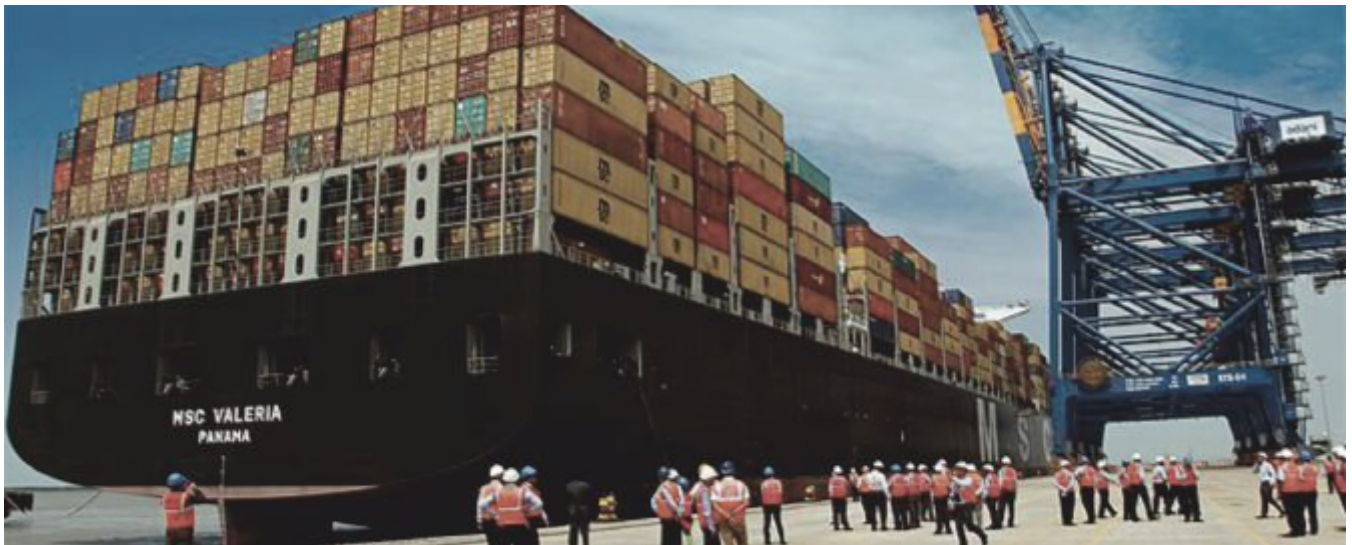
Land: Government Land, wherever available, at a concessional rate on a case to case basis.

Other Industrial Infrastructural Facilities:

Provision of continuous 24 hours power supply. Rendering of a 4 lane road connecting the plant to the nearest national highway or state highway.

Source: <http://www.adaniports.com/>

MUNDRA PORT-GUJARAT



- Gujarat is one of the most progressive state of India with a positive business environment as well as proximity to India's largest private Port and Multi-modal connectivity (Sea, Road, Rail& Air).The Government of Gujarat and Adani group joined hands in establishing Mundra port as a world-class commercial port through a joint Venture company called Adani Port & SEZ under the Gujarat SEZ Authority Rule.
- Mundra Special Economic Zone Ltd. has been incorporated in 2003 under the provisions of The Companies Act, 1956 for the development, operation and maintenance of the Mundra SEZ.
- Mundra is an emerging economic hub with over 15000 Ha of land for industrial & social development, it is India's largest SEZ spread over 6456 Ha for exim business, FTWZ spread over 168 Ha for supply chain centers and abundant land is available for development of domestic industries.

Major Components of Mundra SEZ

The major components involved for Mundra SEZ are:

- Various processing zones
- Social infrastructure
- Roads (trunk as well as internal)
- Storm water drainage
- Cumulative desalination facility of 150 MLD
- Water supply network
- Power supply network
- Effluent collection network
- Distributed Common Effluent Treatment Plant 67 MLD
- Recycled water supply network
- Municipal solid waste management facility 28 tons/day
- Natural gas supply network
- Telecommunication network.

Sustaining Business in the competitive environment

- The company has sub-concession agreement with Mundra International Container Terminal (MICT) for container cargo operations and an agreement with Railways, both of which earn substantial revenues. Mundra Port has also secured long-term contracts from IOC and HPCL for providing a single-point mooring facility for Crude Oil Transport.
- The company's future plans include development of a terminal and provide cargo handling facilities for imported coal which would be used in the Ultra Mega Power Project by Tata Power in Mundra and also for Adani Power's plant in the same region. The company has long-term agreements for the same.

- Mundra is striving to acquire its competitive edge by offering port-related value-added services. It has plans to make strategic investments in container rail operations and inland container depots.
- This would be accomplished through investments in Adani Logistics (which has licence to operate container trains in India) and Inland Conware respectively.
- It is also investing in new port locations such as Dahej — a joint venture with Petronet LNG, located along the Vadodara-Mumbai corridor.

Infrastructure

Status of Land Holding

- Mundra Special Economic Zone Ltd. holds title to and is in possession of 8481.2784 hectares of Government allotted land.
- Contagious and free from all encumbrances for first phase development as approved by the Board of Approval (BoA) and MoCI (Ministry of Commerce and Industry).
- Mundra SEZ has identified an area of approximately 18000 Ha in the vicinity which will be converted / acquired in a phased manner for future expansion of the SEZ. As a larger SEZ, Mundra would better serve the needs of industry and commerce.
- Mundra Port and rail/road connectivity have much greater potential to serve than what is minimum required by the BoA for approval/notification (1000 Ha) of an SEZ.
- More land than what is approved for the Mundra Port and Special Economic Zone (MPSEZ) is under acquisition or transfer from other companies of the Adani Group with land holdings at Mundra.
- With gradual development of the SEZ units at Mundra, the Developer might acquire contiguous land from local land-owners.
- Mundra is established as an economic hub equipped with multimodal connectivity which includes road, air, sea and rail linkages.
- Mundra's development plan was developed in 2002 for 10000 Hectares with integrated infrastructure facilities. Infrastructure being the key to the development, emphasis has been on the core infrastructure facilities to attract large industries.

Port

- The port has a deep draft that facilitates large vessels including fully laden capsized vessels to dock alongside its berth.
- Mundra Port has commodity-specific storage areas. The Port has 225,000 sq. metres of closed godowns and 3,150,000 sq. meters of open storage yards for storage of import or export cargo within the port premises. The Liquid Terminal at Adani Ports and Special Economic Zone (APSEZ) consists of 97 tanks of different sizes and attributes with a total storage capacity of 425,000 kilolitres for storage of various liquid commodities.
- Mundra Port has also developed satisfactory infrastructure for evacuation of cargo keeping in mind the concept of the inverted funnel. The capacity of port's marine evacuation infrastructure should be greater than its marine infrastructure, as per the concept.

Port connectivity

Mundra Port offers inland connectivity via rail track, road network, airport and cross country pipelines.

Flyovers and Bridges

- It has flyovers and bridges to provide an uninterrupted traffic movement and sea connectivity across the port and SEZ. It has a 4 lane road over bridge.

Rail

- Mundra Port is connected with the Indian Railway network by a privately developed and maintained 76-km rail line from Mundra to Adipur. The rail infrastructure is capable of handling 130 trains per day including double stack container trains and long-haul trains.
- There is going to be a significant distance advantage (450 km) over Mumbai on traffic to the upper Punjab regions once gauge conversion being carried out by the Railways in Northern India, is complete. .

Road

- Mundra Port is connected to the hinterland in Northern and Western parts of India through the National Highway 8A Extn. & State Highways 6 & 48.
- The port has constructed a four-lane Rail-over-Bridge (ROB) in the proximity of the port to ensure that two modes of transportation i.e. road & rail, do not impede each other's movement. A four-lane approach road connects the port to Mundra's national and state highways, lending road-distance advantage as well.

Air

- Mundra Airport is a licensed airport in 'Private Category' with Air Traffic Control (ATC) which is operated by the Airport Authority of India (AAI), along with the nearest commercial airports at Bhuj (65 km) and Kandla (60 km).
- The company plans the extension of the current runway at Mundra to 4500 meters. It has also installed a Precision Approach Path Indicator (PAPI), and runway lighting for the purpose of safe night landings for aircraft. Mundra Port plans to upgrade an International Air Cargo Hub with night landing facility.

Pipelines

Mundra Port is connected to the northern hinterland with three cross-country pipelines which infeeds the IOCL Panipat refinery, second crude oil pipeline feeds Bathinda refinery and third is a white oil line which feeds the national capital region.

Power Generation

Mundra has power generation of 8620 MW.

- 4620 MW Power Plant within SEZ empowered by Adani Power Ltd, (4 x 330 MW and 5 x 660 MW units) 4000 MW - Ultra Mega Power Plant by Tata Power.
- Reliable power is offered at competitive rates by the distribution licensee within SEZ.
- The payment of electricity duty is exempted for 10 years within SEZ.

Power transmission & distribution

It has a network of power transmission and distribution within SEZ, Main receiving station and primary sub-stations developed, 220 kV transmission lines from APL to MRS, Dedicated 66 kV Transmission line from MRS to MITAP, Power supplied at 220 kV / 66 kV / 33 kV / 11 kV 33 kV / 11 kV supply in the zone through underground cable network.

Source: <http://www.adaniports.com/>



About Us

Singhania & Partners (Established 1999) is one of the leading law firms of India providing legal services in Dispute Resolution (Litigation & Arbitration), Corporate and Commercial, M&A, Employment, Infrastructure, Intellectual Property and Project Finance.

The firm has a strong presence in Infrastructure (Roads & Highways, Railways, Ports and Shipyards), Aerospace, Defense, and Energy (Power, Oil & Gas) sectors. Over the years it has developed reputed practice in Banking & Financial Services, Information Technology and Real Estate industry. It is also coming up in the area of Food, Drugs & Cosmetics, Education and Healthcare.

It is sole Indian representative of TerraLex, Inc. (USA) which is a global network of 600+ offices of Law Firms with more than 19,000 attorneys in 100+ countries.

A FULL SERVICE LAW FIRM

Estd. 1999

70+ Lawyers

13 Partners

3 Branch Offices

7 Associate Offices

WE ARE YOUR



ENTRY STRATGEY EXPERTS

Recommended by

asialaw


CHAMBERS
- & PARTNERS -
Your guide to the world's best lawyers

 **VENTURE**
INTELLIGENCE

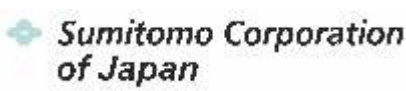

The
LEGAL
500

rsg  **INDIA**
LAW CENTRE

Our services include



Select Clients

PRACTICE LEADERS



Ravi Singhania
Managing Partner
ravi@singhanian.in

Core Expertise

- Corporate-M&A
- Arbitration & Litigation
- Banking & Finance



Shilpa Shah
Senior Partner
shilpa@singhanian.in

Core Expertise

- Corporate-Commercial
- Commercial Litigation
- Employment Laws



Dipak Rao
Senior Partner
dipak@singhanian.in

Core Expertise

- Corporate-Commercial
- Energy
- Project Finance



Vikas Goel
Partner
vikas@singhanian.in

Core Expertise

- Government Procurement
- International Arbitration
- Real Estate



Shambhu Sharan
Partner
shambhu@singhanian.in

Core Expertise

- Antitrust Litigation
- Bank Guarantee Disputes
- Contractual Disputes



Sonil Singhania
Partner
sonil@singhanian.in

Core Expertise

- Employment Laws
- Intellectual Property Laws
- Real Estate



Manish Kumar Sharma
Partner
manish@singhanian.in

Core Expertise

- Capital Markets
- Foreign Exchange Management
- Mergers & Acquisitions



Madhu Sweta
Partner
madhu@singhanian.in

Core Expertise

- Construction Disputes
- Consumer Disputes
- Land Acquisition Disputes



Abhimeet Sinha
Associate Partner
abhimeet@singhanian.in

Core Expertise

- Infrastructure
- Project Finance
- Energy



Abhishek Kumar
Associate Partner
abhishek@singhanian.in

Core Expertise

- National Company Law Tribunal
- Intellectual Property Litigation



Yaman Deep
Associate Partner
yaman@singhanian.in

Core Expertise

- Alternative Dispute Resolution
- Commercial Litigation



Rudra Srivastava
Associate Partner
rudra@singhanian.in

Core Expertise

- Corporate/M&A
- Foreign Exchange Management
- Real Estate



NEW DELHI

P-24 Green Park Extension,
New Delhi 110016, India
t: +91 (11) 4747 1414
e: delhi@singhania.in

BENGALURU

401, Prestige Meridian II,
30, Mahatma Gandhi Road,
Bengaluru 560001, India
t: +91 (80) 4113 1900
e: blr@singhania.in

HYDERABAD

614, Babukhan Estate,
Basheer Bagh,
Hyderabad 500001, India
t: +91 (40) 4210 2424
e: hyd@singhania.in