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MINUTES OF THE MEPZ SEZ AUTHORITY MEETING HELD ON 12.09.2017

The 18th meeting of MEPZ SEZ Authority was held at 3 p.m. on 12.09.2017 at the Conference Hall , MEPZ Administrative Building, Chennai-45. The meeting was chaired by the Development Commissioner, MEPZ and the following members had attended the meeting:-

Sl.No.	Name	Designation	
1	Shri D. Anandan,	JDC, MEPZ-SEZ	Member
2	Shri R. Govindaraj	President, M/s. Pharamazell (India) Private Limited	Member
3	Ms. Viji Samuel	M/s. Venture Lighting India Private Limited	Member

The following Officers have also participated in the meeting:-

- 1) Smt. R. Anitha Nandhini, DDC, MEPZ SEZ.
- 2) Shri G. Suresh Babu, DDC, MEPZ SEZ.
- 3) Shri K. Balasubramanian, ADC, MEPZ SEZ.
- 4) Shri V.K. Viswanathan, ADC, MEPZ SEZ

The following Agenda Items were taken up for discussion:-

Agenda Item No.1

Action taken on the minutes of the previous Authority meeting:-

The Members of the Authority were informed about the action taken on the decisions in the previous Authority meeting held on 4th April 2017. The same were taken on record.

Agenda Item No.2

Progress of works inside the zone campus:-

The Members of the Authority were informed about the inauguration of RFID Access Control System by Smt. Nirmala Sitharaman, the Hon'ble Union Minister of State (Independent Charge) for Commerce & Industry on 13th August 2017. The Members were also informed that the RFID system will be put into operation by 30th September 2017 positively. The Members were also informed that the work with regard to the Rear gate and Kadapperi gate as part of RFID system would be taken up in Phase-II.

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Agenda Item No.3

Works recently taken up for execution:-

The minor works that were taken up in the zone with the approval of the Development Commissioner were placed before the members for their information. The same was noted and taken on record.

Agenda Item No.4

Renewal of Fixed Deposits:-

The Members were informed about the renewal of the Fixed Deposits on the basis of the best interest rates provided by the Banks.

Agenda Item No.5

Extension of Project Consultancy Agreement with M/s. KITCO:-

The Members were informed about the extension of contract with M/s. KITCO for Project Management Consultancy services in the zone for a period of one year from 1.7.2017 to 30.6.2018 on the revised terms and conditions. Considering the on-going works being carried out by M/s. KITCO, especially the implementation of RFID Access Control System, the Authority felt it necessary to extend the contract with M/s. KITCO for another one year and therefore ratified the extension of contract with the Agency.

Agenda Item No.6

Approval of the Annual Accounts of the MSEZ Authority for the Financial Year 2016-17:-

The Annual Accounts of the Authority for the financial year 2016-17 were placed before the Members for discussion and adoption. The key features of the annual accounts were highlighted by the Auditor of M/s. Vaitheeswaran & Co, the Chartered Accountant firm being engaged by the Authority. It was seen that the overall revenue of the Authority has grown in 2016-17 as compared to the year 2015-16. It was also noted that a significant amount of receivables are shown under the head Sundry Debtors. The Auditors were asked to provide the complete list of the Sundry Debtors and the ADC(EM) was directed to take immediate action for collection of the receivables. After detailed discussion, the Annual Accounts of the Authority for the year 2016-17 were taken on record

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by the Authority. ADC(EM) was directed to send a copy of the Annual Accounts to the Department of Commerce for reference and records.

Agenda Item No.7

Auction and allotment of vacant plot/built up Modules:-

The Members were informed about the Plots & Built up Modules that are available for auction within the zone. The Members were also informed that the Plot No.A-11 along with its superstructure which was vacated by M/s. Ambition Clothing had not attracted any bids during the E-auction that was held on 12.5.2017. It was also decided during the meeting to auction Plot No.D-6/II/A (occupied by M/s. Pearl Global Limited) which was earlier earmarked for the purpose of residential blocks for the officials of MEPZ SEZ. Considering the demand for space within the zone from both existing and new Units, it was decided to defer the proposal for residential blocks for the time being and use the said plot for industrial purpose. Therefore, it was decided to include Plot No.D-6/II/A also in the auction process. The Authority members approved the following Plots and Built-up modules to be e-auctioned through MSTC:-

Sl.No.	Details of the Property	Area in Sqm
1.	Plot A-11 with Super Structure vacated by M/s. Ambition Clothing.	2034
2.	Plot No.D-II/6/C - with super structure vacated by M/s. Pearl Global	3242
3.	Plot No.D-II/6/B- with super structure vacated by M/s. Pearl Global	4173
4.	SDF-Module No.1 Gem and Jewellery Complex 201 sqm	200
5.	SDF-Module No.29 SDF-II vacated by M/s. Tata International	301
6.	SDF-Module No.30 in SDF-III vacated by M/s.Toshniwal	323
7.	Plot -D-6/II/A - vacated by M/s. Pearl Global	2064

Agenda Item No.8

Revision of Base Rent for E-Auction of Plots:-

In the 17th meeting of the MEPZ-SEZ Authority held on 4.4.2017, the base rent for plot was increased from ₹ 145/-to ₹ 1600/-per sqm per annum based on the average of the bids received during the e-auction held on 4.11.2016.

Based on the revised rates, the Plot A-11 vacated by M/s. Ambition Clothing was e-auctioned on 12.5.2017. However, no bids were received for the said plot from any bidders. It is felt that one of the reasons for non-receipt of any bid for Plot A-11 may be the revision of base rent from ₹ 145/- to ₹ 1600/- per sqm per annum.

— Further, in a meeting held with the representatives of the Units in MEPZ by this office to know the sector-specific issues affecting the growth of the manufacturing sector and its exports,

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the Unit Representatives expressed their grievances towards the steep rise of the base rent for the e-auction of the Plot from ₹ 145/- to ₹ 1600/-. The Representatives felt that it would discourage smaller Units in participating in the e-auction. In continuation of the discussions held in the meeting, EPCES and MEPZMA have also submitted a letter requesting for roll back of the revision of base rent to ₹ 145/ per sqm per annum.

The Industry Representatives in the Authority (Mr. Govindaraj and Ms. Viji Samuel) also were of the opinion that the base rent for the E-auction of the Plots should be reduced to ₹ 145/- per sqm per annum which would encourage more smaller entities also to participate in the E-auction.

After considering all the above facts, the Members decided to roll back the revision of the base rent and accordingly fixed the base rent at ₹ 145 per sqm per annum, as was the case earlier. This was done with the objective of having a wider participation among potential investors including smaller entities under MSME sector to participate in the auction and to provide them a level playing field with the other large entities, in the interest of industrial growth and promotion. It was also decided that the terms and conditions of the E-auction as approved at Agenda Item No.7 would be amended accordingly.

Agenda Item No.9

Revision of EMD for SDF Modules:

During the e-auction that was held on 12.5.2017, some of the highest bidders backed out of the auction after the finalisation of the bids. This had resulted in avoidable delay in the auction of SDF Modules and also loss of revenue till the re-auction is held. It is felt that the Earnest Money Deposit (EMD) for SDF modules should be suitably increased to discourage non-serious bidders and to avoid repetition of such situation. Therefore, it was decided to fix the EMD for the SDF modules at 10% of the annual rent or a minimum of ₹ 1 Lakh, whichever is higher. It was also decided that the terms and conditions of the E-auction approved at Agenda Item No.7 to be suitably amended.

Agenda Item No.10

Renewal of the lease for the area allotted to M/s. Indian Bank, MEPZ:-

A Branch of Indian Bank has been operating at the ground floor of the Administrative Building of MEPZ SEZ. The Bank was given the space for operating its branch at a subsidised lease rent which is 10% of the SDF module lease rent, considering the essentiality of the banking

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services within the Zone. At present, the rate of lease rent for the SDF module is Rs.1610/- per sqm per annum. Therefore, the lease rent for the space occupied by the Indian Bank in the Administrative Building would be Rs.161/- per sqm per annum. In addition to this, a small plot at the entrance gate has also been allotted to Indian Bank for operating its ATM. Since the present lease rent for Plot in MEPZ is Rs.145/- per sqm per annum, the lease rent for the plot allotted to Indian Bank would be Rs.14.50/- per sqm per annum.

Since the lease deed entered with Indian Bank had expired on 30.04.2012 and no renewal was done so far, the Authority condoned the delay in renewal of the lease deed and also approved the renewal of the lease deed for a further period of 10 years from 1.5.2012 to 30.4.2022 at the rates referred above.

Agenda Item No: 11

Swapping of SDF Modules allotted to M/s. Gislen Software Private Limited and M/s. Shore to Shore Brand Packaging Private Limited:

M/s. Shore to Shore Brand Packaging Private Limited was allotted Module 28 in SDF-II through e-auction conducted on 12.5.2017. In the same auction, Module No.30 in SDF-II was allotted to M/s. Urjita Electronics Private Limited. Since M/s. Urjita Electronics Private Limited backed out from the bid, M/s. Gislen Software Private Limited, who was H2 bidder were offered the module at H1 rate. On acceptance of the offer by M/s. Gislen Software Private Limited, Module 30 has now been allotted to M/s. Gislen Software Private Limited.

Since M/s. Gislen Software Private Limited is already in occupation of Module No.26 & 27, they have requested for swapping of Module No.28 with M/s. Shore to Shore Brand Packaging Private Limited in place of Module No.30 allotted to them. M/s. Shore to Shore Brand Packaging Private Limited has no objection in exchanging Module No.28 for Module No.30.

The Members discussed the above request of M/s. Gislen Software Private Limited. Since there is no financial loss by accepting the proposal of swapping of the modules, the Authority approved the same. It was also decided that though the modules are being exchanged between the two entities, the lease rent for the respective modules as per the highest bid received during the auction would have to be paid by the respective units, notwithstanding the swapping. In other words, M/s. Gislen Software Private Limited would pay the Lease Rent of Module No.30 and M/s. Shore to Shore Brand Packaging Private Limited would pay the Lease Rent of Module No.28.

Agenda Item No.12**Other Issues:-**

In addition to the above Agenda, the following issues were also discussed during the meeting:-

- a) Shri R. Govindaraj, President of M/s. Pharmazell (India) Private Limited, who is a Member of the Authority brought to the notice of the Authority about the dumping of plastic waste behind their unit and the blockage of drains. ADC(EM) was asked to take immediate necessary action to clear the garbage.
- b) The Industry Representatives in the Authority raised concerns about the decline in the presence of manufacturing sector within the zone. They stated that on the other hand, more and more IT/ITES units are coming into the zone. They pointed out to the increase in number of IT employees compared to that of employees in manufacturing sector and the consequent increasing burden on the infrastructure of the zone. They suggested that there should be a restriction on the allotment of plots/modules to IT/ITES Units at least for a brief period of time to encourage more units in the manufacturing sector. It was also noted that MEPZMA & EPCES have raised a similar issue during the sectoral review meetings held by this office. They have also submitted a letter on 11th Sep 2017 requesting for restricting allotment of plots/modules to the manufacturing sector.

The following points were also noted during the discussion:-

- (1) There were enough number of IT/ITES SEZs in and around Chennai, where there is sufficient scope for setting up of IT/ITES units. Incidentally, some of the IT/ITES SEZs have more than 50% of their area still unoccupied. On the other hand, MEPZ SEZ is fully saturated without scope for further expansion.
- (2) MEPZ SEZ is the only Multi Product SEZ in and around Chennai with a proximity to the Ports. IT/ITES units do not require proximity to Ports unlike the Units in the manufacturing sector. Therefore, MEPZ SEZ being in proximity to the Ports is more suited for manufacturing sector than IT/ITES.
- (3) The employees working in IT/ITES units in MEPZ SEZ is more than 50% of the total employees of the zone. This has put an enormous burden on the common infrastructure of the zone like roads, sewage treatment plant, water facility, parking facility, etc. This has seriously affected the growth of manufacturing industry within the zone.
- (4) IT/ITES units generally are cash-rich entities, who could afford to offer very high rates for the Plots/Modules in MEPZ SEZ. However, the manufacturing units, especially the smaller ones, work on low margins and in a highly competitive

environment. They cannot compete with the large IT firms in the auction of plots/modules within MEPZ SEZ.

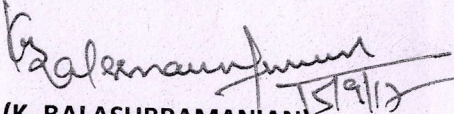
- (5) Since its inception, MEPZ SEZ has been pre-dominantly a manufacturing SEZ. It was known for the variety and range of products that were being manufactured. Of late, with the advent of IT sector, the zone is slowly turning to be a IT/ITES zone and is losing its uniqueness.

In the above background, the Members felt that more preference should be given for manufacturing sector in the allotment of plots/SDF modules in comparison with IT/ITES sector. However, MEPZ being a Multi Product SEZ, it was felt necessary to seek the approval of the Department of Commerce on the basis of the above points for restricting allotment of plots/modules to the manufacturing sector only, at least for a limited period of time like five years. It was decided to send a proposal to the DoC accordingly.

- c) The Members also raised the issue of unutilised land within the Zone. MEPZMA & EPCES have in their letters dt.11.09.2017 raised the issue of some of the units keeping their land allotted/assigned to them unutilised. The Authority decided to identify such lands which are not being put into productive use and use them for the purpose of warehousing and multi-level car parking which are in acute demand within the Zone.

In the end, ADC(EM) and ADC(KB) were instructed to take immediate action for all the decisions taken during the meeting.

The meeting ended with a vote of thanks.


15/9/12

(K. BALASUBRAMANIAN)

ASST. DEVELOPMENT COMMISSIONER, MEPZ SEZ

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... They cannot compete with the large firms in the sector of
polyethylene with MPEX.

... the above mentioned, the Member has not been informed should be given for
manufacturing sector in the absence of any other member in production with MPEX
sector. However, MPEX being a member of the sector it was not necessary to be informed
of the Government of Commerce of the fact of the above points for restricting movement
of products to the manufacturing sector only. It was for a limited period of time the
year it was decided to send a message to the D.C. committee.

The Member has not been informed with the fact that MPEX is a member
of the sector. It is not clear from the text of the report that the
Member has not been informed. The Member has not been informed and
the fact that the Member has not been informed for the purpose of restricting and
the fact that the Member has not been informed with the fact.

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