

MEPZ SPECIAL ECONOMIC ZONE

MINUTES OF THE MEPZ-SEZ AUTHORITY MEETING HELD ON 21.08.2018

The 19th meeting of MEPZ SEZ Authority was held on 21.08.2018 at the conference Hall, MEPZ Administrative Building, Chennai – 45. The meeting was chaired by the Development Commissioner MEPZ and the following members attended the meeting:-

Sl.No	Name & Designation	
1	Dr. M.K. Shanmugasundaram, I.A.S, Development Commissioner, MEPZ-SEZ	Chairperson
2	Shri. D. Anandan, I.A.S, Joint Development Commissioner, MEPZ-SEZ	Ex – Officio
3	Smt. Shakuntala Naik, I.T.S, Dy. DGFT	Ex – Officio
4	Shri. R. Chandra Sekaran, Director, M/s. Agile electric Sub Assembly Pvt Ltd.	Member
5	Shri. Milind Mungikar, Director, M/s. Zen Linen International Pvt Ltd.	Member

The following members also participated in the meeting:-

- 1) Smt. R. Anitha Nandhini, I.F.S, Deputy Development Commissioner, MEPZ SEZ.
- 2) Shri. K. Balasubramanian, Assistant Development Commissioner, MEPZ SEZ.

The following Agenda Items were taken up for discussions:-

Agenda Item No: 1

Action taken on the minutes of the previous Authority meeting held on 12.09.2017

The Members of the Authority were informed about the action taken on the decisions in the previous Authority meeting held on 12.09.2017. The same were taken on record. The members noted that in some of the Auction proceedings of Plots/SDF Modules, the H-1 (Highest) Bidders have backed out of the bids after the Auction proceedings are over. Though the EMD of such bidders would be forfeited, the members felt that the forfeiture of EMD alone may not be deterrent for such back outs by the H-1 bidders. Therefore, it was decided that in addition to the forfeiture of the EMD, such bidders who back out of their bids after the auction should be debarred from participating in the next three auction proceedings of the Authority. In this way, the members of the Authority felt that the bidders would be more serious while submitting their bids for the vacant plots/SDF Modules.

Agenda Item No: 2

Progress of works inside the zone campus:

2.1 Provision of Access Control and Security System (RFID system):

The members agreed that the RFID system at the toll is almost stabilised but for the initial troubles. The members were informed that the pedestrian entry is also functioning smoothly. The members were informed that, it is also proposed to implement RFID at the Rear Gate and Kadaperi Gate to complete the RFID circuit and also to reduce traffic congestions faced in the evenings. M/s KITCO, the Project Management Consultants have submitted an estimate and it is under consideration.

Agenda Item No. 2.2

REVAMPING OF 1.5 MLD SEWAGE TREATMENT PLANT:-

2.2.1. The Authority noted the progress made by MEPZ with reference to the revamping of the Sewage Treatment Plant (1 MLD) capacity. DC, MEPZ informed the members that financial assistance under Trade Infrastructure for Export Scheme (TIES) have been secured to the tune of ₹ 1.25 crore against the total estimated cost of ₹ 2.81 crore.

3. FOR APPROVAL:-

Agenda Item No.3.1

RFID Rate Fixation (Toll Fee) :

3.1.1 The Members of the Authority found the toll fee suggested by MEPZ-SEZ authorities to be fair compared to the parking and other fees applicable elsewhere in the city. Further, the members were apprised about the fact that these rates were fixed in consultation with the units in MEPZ SEZ and members of MEPZMA. The fee for the Annual RFID Tag was reduced from ₹ 800/- to ₹ 500/-effective from 14.4.2018 in pursuance of the decision taken in the meeting with MEPZ Units and MEPZMA. The free usage for entry and exit for shorter duration proposed in the toll tariff is likely to bring down the revenue substantially. It was unanimously agreed that the revenue generated from the toll fee should at least cover the Operation and Maintenance Cost. It was also agreed that in view of the representation given by MEPZMA, the toll fee can be finalised in consultation with MEPZMA.

Agenda Item No. 3.2

Revision of Rent for the Plots/Built up Modules in the Zone campus:

3.2.1 Ministry of Commerce in the meeting chaired by the Additional Secretary on 01.05.2013 decided that the Lease Rent shall be increased annually by 10%. A copy of the same was communicated to this office vide Letter

No.D-12/25/2012-SEZdt. 14.5.2013. In pursuance of this decision, It is proposed to increase the Lease rent by 10% with effect 01.04.2018 as below:-

Description	Rent as on 01.04.2017	Rent increase proposed @ 10% w.e.f. 01.04.2018
Plots	₹ 145/-	₹ 160/-
SDF/Built up Modules	₹ 1610/-	₹ 1771/-

The authority approved the proposal for increase in the revision of rent as proposed.

Agenda Item No.3.3

Revision of Water Charges / Garbage Charges / Private Security Charges

Water Charges :-

3.3.1 The members were apprised of the fact that the TWAD Board had increased the water charges rate from ₹ 15/- to ₹ 80/- (433% increase). TWAD Board increased the water charges from ₹ 15/- to ₹ 45/- in November 2017. However, they informed MEPZ that they have erroneously charged ₹ 45/- instead of ₹ 80/-. MEPZ levied water charges @ ₹ 45/- to the units when the TWAD Board was supplying the water @ ₹ 15/-. The difference between the actual cost of purchase and the cost of supply is to maintain the network supporting the supply of Water and towards Operation and Maintenance Costs. It was also informed to the members that MEPZ-SEZ has not increased the water charges during the past five years. The members were apprised of the fact that the proposed increase is to maintain the balance between the receipts and payments. For the reasons mentioned, the Authority approved the proposal to increase the water charges from ₹ 90/- to ₹ 150/-.

Revision of Garbage collection charges:

3.3.2 The reasons for the proposed increase of the Garbage collection charges as per the rates furnished in the table below were explained to the members:-

- The rates have not been revised for the past 5 years.
- The collection of garbage is outsourced to a contractor. The contractor has revised the rate per truck load from ₹4330/- to ₹4960/-, i.e.an increase of ₹630/- (about 15%) due to fuel rate increase. Therefore, it is proposed to increase the rate by 20% from the current rates.

Area of the Unit	Existing Rate	Proposed Rate
Plot		
Less than 1000 sq.m	₹ 200/- p.m	₹ 240/- p.m
1000 sq.m to 2000 sq.m	₹ 375/- p.m	₹ 450/- p.m
2000 sq.m to 5000 sq.m	₹ 525/- p.m	₹ 630/- p.m
Above 5000 sq.m	₹ 675/- p.m	₹ 810/- p.m
SDF		
Upto 500 sq.m	₹ 225/- p.m	₹ 270/- p.m
Every addl. 500 sq.m. of part thereof	₹ 225/- p.m	₹ 270/- p.m

Revision of Private Security Charges:-

3.3.3 The issue with reference to the increase in the Security Charges was discussed in details. The following reasons necessitating the increase was appraised to the members.

- a) As against the collection of ₹ 1.00 crore, MEPZ is spending ₹ 2.00 crore on security charges. The expected shortfall on account of the increased wages is 110%.
- b) TEXCO, based on the recommendation of the DGR, has increased the wages by 9.4%.
- c) MEPZ has not revised the Private Security Charges in the past 5 years, which is 5% of the annual rental / lease charges.
- d) The increase in expenditure which is 9.4% is likely to increase further due to impending increase in the DA rates.
- e) In order to close the widening gap in the Expenditure vs. Revenue, MEPZ has proposed to increase the security charges from the present level of 5% to 7.5% (average of 0.5% increase per year for the past 5 years)

The members representing the Industry felt that the raise in all fronts, together, may affect the morale of the units. Therefore, the representatives suggested to the MEPZ Authorities to consider periodic increase. The industries representative further felt that MEPZ-SEZ authority may consider posting Security Guards at vantage points instead of them crowding at the Toll and Entrance Gates.

Agenda Item No.4:-

Allotment of Plot D6/II A and D6/II B:-

The members of the Authority were informed about the low rate of ₹ 155/- per sq.m offered by the H-1 bidder viz., M/s. DHL logistics Private Ltd. in the e-auction held on 24.07.2018 for Plot D6/IIA and D6/II B. The MEPZ-SEZ Authority also noted that M/s. DHL Logistics Private Ltd. was the single bidder in the e-auction held on 24.07.2018. Considering the high rates of Bids received in the previous Auction Proceedings held by the Authority in the recent past and taking into account that M/s DHL Logistics Private Ltd being the only bidder for the Plot, the members of the MEPZ Authority decided to reject the bid offered by the H-1 bidder using the provision under Clause 11 of the terms and conditions of the E-auction held on 24.07.2018.

The probable reasons for the poor response to the auction were discussed. The Members representing the Industry suggested to the Development Commissioner to once again consider splitting of Plot D-6/IIA and D-6/II B along with superstructure for the next e-auction. They felt that this will reduce the initial investment from the present level of ₹ 5.42 crore to ₹ 2.36 crore and ₹ 3.06 crore respectively.

5. Differential charges (Lease Rental) at the time of mergers / take overs/ Acquisitions:

The members of the Authority were informed about some recent attempts made by some Units in the Zone to transfer their Leasehold rights of the Plots in the Zone to other Units at the Government fixed nominal rates, in the guise of Business Transfer Agreements. This is suspected to be an attempt to circumvent the E-Auction process for allotment of vacant plots.

The members noted this issue with concern and opined that though mergers/acquisitions are part of normal business activity such attempts to circumvent the E-Auction process through mergers/acquisitions between unrelated parties should be thwarted failing which it may lead to nefarious transactions affecting the Government revenue.

The members unanimously agreed that such cases should be handled on a case to case basis, based on the complete background of the issues involved and by lifting the veil behind such dubious activities. One of the suggestions was to consider charging Lease Rental at market value on such plots being transferred between unrelated parties in the name of Business Transfer Agreement or Merger/Acquisition, etc. The market value of Lease Rentals can be arrived at on the basis of the average of the highest bids received in the immediately preceding three auction proceedings held by the Authority. However, the members of the industry submitted that mergers/acquisitions and genuine business transfers between entities of the same Management Group or of the same Parent/Holding company should be kept outside the purview of such lease rentals at market value.

6. CREATION OF 2.5 MLD SEWAGE TREATMENT PLANT (Zero Discharge (Ultra Filtration) :-

Development Commissioner, MEPZ informed the members that Govt. of India, Ministry of Commerce has sanctioned funds under Trade Infrastructure Export Scheme for the construction of additional Sewage Treatment Plant with a capacity of 2.5 MLD to take care of the future requirement as a long term measure. The Development Commissioner also informed the members that it can be considered whether a Common Effluent Treatment Plant (CETP) can be considered in place of a STP since a STP is already in position. ADC (KB) was instructed to get details of SEZ Units in MEPZ with ETP facilities and units which require ETP facility. The members representing the Industry felt that the Operation and Maintenance Cost would be very high to maintain the CETP.

FOR RATIFICATION:-

Agenda item no: 7

Renewal of Fixed Deposit

The MEPZ – SEZ Authority ratified the renewals of Fixed Deposits as per the details in the Agenda.

Agenda item no: 8

Extension of Contract of M/s. KITCO, the Project Maintenance Consultants.

M/s. Kerala Industrial Technical Consultancy Organisation (KITCO) a Joint Venture of Kerala Government has been the Technical Consultants carrying out Project Management Consultancy for MEPZ-SEZ Authority since MEPZ Authority does not have an Engineering Cell of its own. The agreement entered with KITCO for the year 2017-18 ended on 30.06.2018. Based on the satisfactory performance of M/s. KITCO in the past one year with regard to monitoring the execution of Civil Works and also in order to ensure continuity of the on-going Civil Works within the MEPZ-SEZ, it was decided by the to extend the Contract period with M/s. KITCO for another period of one year on the same terms and conditions as that of the last agreement.

The approval given for extension of the contract with KITCO was placed before the Authority for its consideration and ratification. The Members of the Authority, after detailed discussions, ratified the approval for extension of Contract of the MEPZ Authority with M/s. KITCO for another one year on the same terms and conditions as that of the last agreement in view of the several on-going Civil Woks within the Zone.

Agenda Item No.9

9.1. Administrative approval for works awarded by the Development Commissioner:-

MEPZ-SEZ Authority ratified the collective decision of the MEPZ officials in respect of the Administrative approvals sanctioned by the Development Commissioner as per the details provided in the Agenda.

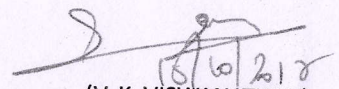
9.2 Works recently taken up for execution:

9.2.1 MEPZ-SEZ Authority ratified the approvals given by the Development Commissioner for the on going works within powers of the Development Commissioner

Agenda Item No.10

Dredging / Desilting and Restoration of Alleri Lake:

MEPZ-SEZ Authority noted the initiative taken by the MEPZ SEZ, for taking up the work of drudging, desilting and restoration of the picturesque Alleri Lake located inside MEPZ through MEPZMA under Corporate Social Responsibility (CSR) of the units.


(V. K. VISWANATHAN)

ASST. DEVELOPMENT COMMISSIONER, MEPZ SEZ
