

MEPZ SPECIAL ECONOMIC ZONE

MINUTES OF THE 22nd MEETING OF THE MEPZ SEZ AUTHORITY HELD ON 18.12.2019.

The 22nd meeting of the MEPZ SEZ Authority was held on 18.12.2019 at the Conference Hall of MEPZ SEZ, Chennai. The following members participated in the meeting:-

| Sl. No | Name and 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 Member |
| 3 | Shri Varun Singh, I.T.S. Dy. Director General of Foreign Trade | Ex-Officio Member |
| 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 |

At the outset, Joint Development Commissioner, MEPZ SEZ welcomed the members of the Authority. Thereafter the Agenda was taken up one by one by the members, as given below:

Agenda Item No. 1:

The members of the Authority took note of the action taken with respect to the decisions taken in the 21st meeting of the MSEZ Authority held on 10.06.2019.

The members were informed that the following decisions approved by the Authority in its meeting held on 10.06.2019 have been implemented.

- a. Re-fixation of rent in respect of M/s. Manav Packaging India Pvt. Ltd. and M/s.Lucky Exports, located in MEPZ SEZ
- b. Annual revision of the lease rent for the Plots and SDF Modules allotted to the Units inside the Zone w.e.f. 1.4.2019.
- c. Work relating to construction of 3rd floor in the MEPZ Administrative Block has been initiated and tender has been floated through the e-procurement portal.

- d. The renovation of the ground floor of the earlier Creche building was completed in a time bound manner and has now been allotted to MEPZ Health Centre which is operational from 15.07.2019. MEPZ Manufacturer's Association (MEPZMA) has identified Dr. Kumar Speciality Hospital, Chennai to run the MEPZ Health Centre. The Centre is now functioning in a full fledged manner, with a full time Doctor, Pharmacy and an emergency Ambulance.

Shri. Chandra Sekaran pointed out that as per the Factories Act, a factory which employs more than 1000 people must have an Hospital with a full time Doctor, within a distance of 1 km from the location of the factory. Since at present some of the Units in MEPZ have their own Health Centre within the Unit to comply with the Factories Act, it only adds to the cost of the Unit. Therefore, he suggested that the MEPZMA Health Centre can be a common facility of all the Units for the compliance of the Factories Act, whereby the need for having a separate Health Centre facility in each of the Unit can be avoided. The matter was discussed in detail and it was decided that since the Health Centre's distance from some of the Units may be beyond the prescribed 1 km limit, this matter can be taken up with the Industries Department, Government of Tamil Nadu, to seek an exemption from the Rule so that the MEPZMA Health Centre would itself satisfy the requirements of the Factories Act to set up a Health Centre by each of the Units.

- e. Notices were issued to Sundry Debtors for recovery of Arrears of Lease Rental and other charges. An amount of R 87,34,759/- has been recovered so far.
- f. Online payment facility for Lease Rent, Private Security Charges, Water charges & Garbage charges was introduced on 2nd October 2019 with the assistance of M/s. Indian Bank, MEPZ SEZ Branch. The facility is running smoothly. So far an amount of R 7.04 crore has been collected through this Online facility.

The details of civil and maintenance works for which Administrative approval was granted by the Development Commissioner since the previous Authority Meeting, were placed before the Authority and the Authority took note of the same.

Agenda Item No: 2:

2.1. : Extension of Contract entered with M/s. KITCO Limited in MEPZ SEZ

The Authority was informed that M/s. KITCO Ltd., were appointed as Project Management Consultants (PMC) through invitation of Tenders for a period of one year from 1.1.2014 and thereafter the contract was extended by MEPZ SEZ Authority for further periods based on their satisfactory performance. Since the present contract expired on 30.06.2019, the contract has been extended up to 31.12.2019. Since it has been decided to go for fresh Tenders for selection of the PMC, the members were informed that a further extension of the contract with KITCO upto 31.03.2020 is necessary to enable the MEPZ Authority to complete the Tender process.

The Authority ratified the extension for M/s. KITCO Ltd up to 31.12.2019 and also approved the proposal for further extension for a period of 3 months up to 31.03.2020.

2.2. : Extension of Maintenance Contract of the RFID based Access Control System

The Authority was informed that the maintenance contract with M/s. CMS Limited through M/s. KITCO Ltd., for the RFID based Access Control System expired on 18.10.2019. For uninterrupted maintenance of the facility, the contract was extended up to 31.12.2019. Further it was also informed that the contract is to be extended for a further period of 3 months i.e. up to 31.03.2020 in order to enable the MEPZ SEZ Authority to call for fresh tenders for the maintenance of the RFID based Access Control System. The Authority ratified the extension given to M/s. CMS Ltd., through M/s. KITCO Ltd., up to 31.12.2019 and also approved the proposal for further extension for a period of 3 months up to 31.03.2020.

2.3 : Renewal of Lease Agreement with M/s. Reginex Bio-Science India Private Limited:

M/s. Reginex Bio-Science India Private Limited, earlier known as M/s. Liv Medica India Private Limited, is a Unit in MEPZ SEZ. The Unit's Lease Agreement with MEPZ SEZ

Authority for the plot allotted to the Unit expired on 31.05.2016. Normally, the Lease for the Plots/SDF Modules is extended for further periods of 5 years each. However, the Unit had requested for extension of the Lease Agreement for a period of 15 years which will enable them to avail loan facility from their Banks. Considering the working capital requirements of the Unit and as a measure of Ease of Doing Business, the Lease Agreement was extended for a period of 15 years.

The renewal of Lease agreement with the Unit for a period of 15 years was placed before the Authority for ratification. The members examined the proposal and ratified the same.

2.4: Auction and Allotment of Plot/Built up Modules in MEPZ SEZ:

The details of e-auction conducted for the vacant Plots/SDF Modules, since the last meeting of the Authority, were placed before the Authority for information and ratification. The members examined the details and ratified the same.

2.5: Renewal of Fixed Deposits:

The details of Fixed Deposits renewed with the Banks, since the last meeting of the Authority, were placed before the Authority for information and ratification. The members examined the details and ratified the same.

3.1: StartUp Facility in SDF-I (Phase-I):

In pursuance of the Policy of the Government of India to encourage StartUps, MEPZ SEZ Authority had decided to convert modules 27 & 28 handed over by M/s. DXC Technology India Private Limited into a StartUp facility consisting of 144 seats. The 144 seats were distributed as 4 seats, 8 seats and 12 seats. The module was renovated as Plug and Play facility for Start-Ups at a cost of X 63.85 lakhs.

Upon completion of the works, the seats in the StartUp facility were e-auctioned through M/s. MSTC Limited. The details of the e-auctions and bids received for the StartUp facility were placed before the Members. The Members noted that while for Modules C-8, E-8, F-8, B-12, C-12, D-12 & F-12 more than one bid have been received, but for Modules A-12 & E-12, only single bid has been received. Wherever more than one bid has been received, the Authority decided to allot the module to the H-1 Bidder.

As regards the Modules for which only single bid has been received, the Members had a detailed discussion and decided to allot the Module to the single bidder for the following reasons:-

- a) Wide publicity has been given about the E-auction.
- b) The Terms and Conditions of the Auction were not unduly restrictive.
- c) The difference between the H-1 bids received for other Modules and the single bid received for Modules A-12 & E-12 is very insignificant.
- d) Non acceptance of the single bid will lead to further delay in the allotment of the SDF Modules.
- e) Since these Modules have been built exclusively for StartUp Facility to give a boost to the StartUp Policy of the Government of India, the acceptance of single bids would be in line with the Government of India's Policy and would be in the best interests of the StartUps which require guidance and support.

Further, the Members were informed that some of the bidders for the StartUp facility have requested for allowing them to bid for more than one Module since they are in requirement of seats more than 12. Since presently, there is a cap of 1 Module per bidder, the Members discussed this matter and decided that considering the supply and demand for the StartUp Modules as seen from the E-auctions conducted so far, the request of such bidders for bidding for more than one Modules can be accepted in the forthcoming e-auctions. However, the Members were of the opinion that there will be a ceiling of 36 seats per entity in the StartUp facility.

The Members have also decided that since there have been no bidders for the 4-seater Modules and there has been a good demand for 12-seater Modules, the six 4-seater Modules shall be converted into two 12-seater Modules. Similarly, the members also decided that the three 8-Seater modules which have no takers yet, could also be converted to two 12-seater Modules.

3.2 : Startup Facility in SDF-I]Phase-II):

The Authority was informed that M/s. DXC Technology India Private Limited has also surrendered modules 5,6,7,8,9,10,11,12,15,16,31,32,35,36,43,44,49,50 and 58 to MEPZ SEZ Authority. Out of the modules surrendered by M/s. DXC Technology India Private Limited, it is proposed to convert Modules 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 49 & 50 as a StartUp facility (Phase-II) with 875 seats. This is in addition to the 144 seats of

Plug and Play facility already made ready for auction and allotment to Start-Ups. The remaining modules surrendered by M/s. DXC Technology India Private Limited, i.e., 31, 32, 35, 36, 43, 44 & 58 is proposed to be auctioned as such, as SDF Modules through MSTC Limited to any potential SEZ Unit. The proposal for conversion of Modules 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 49 & 50 into Plug and Play Facility of 875 seats for allotment to Start-Ups was examined by the Members. After deliberations, the proposal was accepted by the Members. Further, the proposal to auction the remaining modules (Modules 31, 32, 35, 36, 43, 44 & 58 as SDF Modules) through auction by M/s. MSTC Limited was also considered and approved by the Authority Members.

3.3:1 Re-Fixation of Lease Rent in respect of M/s. Venture Lighting India Private Limited

The Authority was informed that M/s. Venture Lighting India Private Limited, Unit in MEPZ SEZ, had submitted a request for approval of the change in the shareholding pattern of the Company. The proposal was placed before the Unit Approval Committee in its meeting held on 20.09.2019. The Committee examined the proposal of the Unit and decided to approve the change in the shareholding pattern, subject to the condition that the lease rent for the Unit will be re-fixed by the MEPZ SEZ Authority since the change in the share-holding pattern of the Company will lead to change in the ownership of the SEZ Unit.

The MEPZ SEZ Authority in its meeting held on 21.08.2018 had decided that wherever there is a change in the ownership of the SEZ Unit in the Zone, the lease rent of the Unit would be re-fixed as per the market rates to be arrived at the highest bids received in the immediately preceding 3 auction proceedings held by the MEPZ SEZ Authority. The details of the last 3 Auction proceedings held by MEPZ SEZ Authority were placed before the Authority.

The Authority examined the proposal and perused the details of H-1 bids received in the preceding 3 auction proceedings. Accordingly, the average rate was worked out and the lease rent for the Plot allotted to M/s. Venture Lighting India Private Limited was fixed at Rs.1,460/- per sqm per annum from the Quarter following UAC meeting, in which the proposal for change in the shareholding pattern of the Company was approved.

3.3.2: Re-Fixation of Lease Rent in respect of M/s. Efficient Light Resourcing India Private Limited

The Authority was informed that M/s. Efficient Light Resourcing India Private Limited, Unit in SEZ, had submitted a request for approval of the change in the shareholding pattern of the Company. The proposal was placed before the Unit Approval Committee in its meeting held on 20.09.2019. The Committee examined the proposal of the Unit and decided to approve the change in the shareholding pattern, subject to the condition that the lease rent for the Unit will be re-fixed by the MEPZ SEZ Authority since the change in the shareholding pattern of the Company will lead to change in the ownership of the SEZ Unit.

The MEPZ SEZ Authority in its meeting held on 21.08.2018 had decided that wherever there is a change in the ownership of the SEZ Unit in the Zone, the lease rent of the Unit would be re-fixed as per the market rates to be arrived at the highest bids received in the immediately preceding 3 auction proceedings held by the MEPZ SEZ Authority. The details of the last 3 Auction proceedings held by MEPZ SEZ Authority were placed before the Authority.

The Authority examined the proposal and perused the details of H-1 bids received in the preceding 3 auction proceedings. Accordingly, the average rate was worked out and the lease rent for the Plot allotted to M/s. Efficient Light Resourcing India Private Limited was fixed at Rs.1,460/- per sqm per annum from the Quarter following UAC meeting, in which the proposal for change in the shareholding pattern of the Company was approved.

3.4 :E-auction and allotment of Executive Canteen:

The Authority was informed that e-auction was carried out to auction the Executive Canteen premises located near SDF-I, MEPZ SEZ. Despite three attempts made, only single bidder qualified in the Technical Bid. The issue was also discussed with the concerned official of Central Vigilance Commission, New Delhi. It was decided to allot the premises of the Executive Canteen along with the existing building to the single bidder M/s. Currys and Crunch. The Authority examined the proposal and approved the allotment of the Canteen to M/s. Currys and Crunch.

3.5 : Representation of MEPZ Manufacturer's Association for reduction in the rate of increase of Lease Rent w.e.f. 1.4.2019:

The Members were informed that the Lease rent for Plots and SDFs are being increased every financial year @ 10%. Accordingly, the annual lease rent for Plots was fixed at T176/- per sq.mt and Annual Lease rent for SDF was fixed at R 1,948 per sq.mt. with effect from 1.4.2019. The same was approved by the Authority in its meeting held on 10.06.2019. However, now the MEPZ Manufacturer's Association has appealed to the Authority to reduce the rate of increase of the lease rentals for the following reasons:

- 1) MEPZ SEZ being a Multi-product Manufacturing Zone, Manufacturing sector is passing through a critical juncture and exports are at the lowest for the past several years and
- 2) While all the Units have been renewing the lease rental agreement with 10% annual, as a standard practice over a period of time, in the wake of steep increase in all manufacturing costs and inability to pass on such increases in the global market, the Units are no more in a position to absorb any cost escalations planned or other wise.

The members deliberated on the request of MEPZMA to reduce the rate of increase of Lease Rentals. The reasons given by MEPZMA in support of this request were also examined. Upon detailed discussions, the members were of the opinion that there should be a differentiation between IT/ITES Units and Non-IT/ITES Units considering the fact that the Non-IT/ITES Sector, especially the Manufacturing sector, faces stiff competition and works on relatively lower profit margins. Therefore, the members have decided to revise the increase in Lease Rentals in respect of Plots and SDF Modules, with effect from 1.4.2019, as follows:

- a. For IT/ITES Units : 10% per annum
- b. For Non-IT/ITES Units : 7% per annum

It was also decided that the revised rates are applicable only for the financial year 2019-20, and that the rate of increase of Lease Rentals in future will be decided by the Authority based on the circumstances prevailing then. Further, it was decided that excess Lease Rental paid by any Unit in view of the downward revision of the Lease

Rentals will be adjusted towards the Lease Rentals yet to be paid by the Unit for the remaining part of the financial year.

3.6 : Representations received from M/s. Manav Packaging India Private Limited and M/s. Lucky Exports:

The representations of the Units was examined by the Members. After detailed discussions, the Members decided to adhere to the decision taken by the Authority in its meeting held on 21.08.2018 and the fixation of Lease Rental in respect of these 2 Units in its meeting held on 10.06.2019 for the following reasons:

- a) The decision taken in the meeting of the Authority held on 21.08.2018 was taken only after the detailed deliberations on this subject matter based on the available inputs.
- b) The Units in the Zone are eligible only for Leasehold rights of the Plots/SDF Modules allotted to them. However, the ownership of the Plots/SDF Modules remain with the Government of India and therefore, any increase in the market value of the Plots/SDF Modules should originally go to the owner of the Plots/SDF Modules, i.e., the Government of India and not to the SEZ Units.

The meeting ended with a vote of thanks to the Chair and all Members.


V.K. VISWANATHAI
ASST. DEVELOPMENT COMMISSIONER