CHAPTER IV
SPECIAL ECONOMIC ZONE – A PROFILE

INTRODUCTION

In India, the History of EPZs shows that during the initial phase the policies were rigid and the facilities and incentives were not so attractive. The government of India set up three committees to review the working of the Export Processing Zones that had been already set up. These committees recommended the setting up of more EPZs in India and also gave recommendations that would help to improve the performance of the zones. The next phase in History of EPZs in India was the expansionary phase, which lasted from 1985 to 1991. This phase saw the setting up of five Export Processing Zones in India.

The main objectives behind the setting up of Export Processing Zones in India are to encourage export and foreign exchange earnings. The History of Export Processing Zones in India goes back to the 1960s and can be divided into four phases. The initial phase of the EPZs in India, which lasted from 1964 to 1985, witnessed the setting up of the first zone in Kandla in 1965. This was followed by the establishment of the EPZ in Santa Cruz, which started its operations in 1973.

The consolidating phase in the History of EPZs in India lasted from 1991 to 2000 and witnessed the formulation of new measures and polices by the Indian government for revamping of EPZs in the country. In India, the History of Export Processing Zones shows that there were relaxation of the strict controls, liberalization of the provisions, and also simplification of the procedures in this phase. Further the History of EPZs in India shows that during this phase various kinds of units such as agriculture, trading, horticulture, and re-engineering, trading, and aquaculture units were granted permission to set up their business in the EPZs in India.
The emergence phase in the History of EPZs in India and it started from 2000 onwards. This phase saw the formulation of the EXIM Policy that introduced a new scheme for setting up of Special Economic Zones in the various parts of India. This policy adopted several measures in order to encourage the setting up of more SEZs in the country. The EXIM Policy introduced a scheme through which all the Export Processing Zones have been converted to Special Economic Zones in the country.

The History of SEZs suggests that the seeds of the basic concept of Special Economic Zone (SEZ) were sown in the mid sixties. The modern day Special Economic Zone came into existence because the economic reforms incorporated in the early 1990s. The SEZ policy of India was devised to act as a catalyst to promote the economic growth attained in the early 1990. The economic reforms incorporated during the 1990s did not produce the desired results. The Indian manufacturing sector witnessed a sudden dip in the overall growth of the industry, during the second-half of 1990s. The main cause of deterioration of Foreign Direct Investments (FDI) inflow into India were because of red-tapism, lengthy administrative procedures, rigid labour laws and poor physical infrastructural facilities. Further, the Indian markets were not mature enough to facilitate easy entry of Foreign Institutional Investors (FIIs) into the Indian economic system. Furthermore, the legal framework of Indian economy was not strong enough to prevent misuse of Indian markets by the foreign investors. Thus, the lack of investor friendly environment prevented growth of Indian industry, in spite of implementation of liberal economic policy by the Central Government. This resulted in the formation of a much larger and more efficient form of their predecessors with world-class infrastructural facility.

The first policy statement for the development of Special Economic Zones was drafted as a five-year project, starting from 1.11.2000 to 09.02.2006. The
implementation of the first drafted Special Economic Zone policy took place from the end of the year 2000. Further, the first policy statement of the Indian Special Economic Zones was suitably amended to accommodate and compliment the growth.

4.1. SEZ AND EXPORT PROMOTION

The SEZ and Export Promotion facilitated the growth of the Indian Special Economic Zones. The creation of special Economic Zones in the 2000s gives many dividends as projected during their inception. The main factor for the under performance of these Special Economic Zones were poor export policy of India, which was loaded with huge taxes and duties. The Government of India eased the export policy of India to facilitate easy growth of SEZ and Export Promotion of Indian goods across international destinations. This created a congenial environment for the development of a special kind of units within the designated Special Economic Zones. These specialized export oriented units were called Export Oriented Units or EOU and they were created to increase the overall export potential of these SEZ. Further, these EOU were devised in such a way, so that they can focus specifically on the growth of Indian exports.

The government wants to provide the best facilities to the units that are set up in the SEZs to be of world class standards.

Special Economic Zone means a specified region in a state that has liberal economic laws in comparison to the state's typical economic laws. SEZs help in the economic and industrial growth of a country and this is the reason that the government of India is encouraging the setting up of more and more SEZs in the country. The various beneficial features and facilities of Indian SEZ are that the units within the SEZ do not have to have a license for importing goods and they are
exempted from paying central excise duty when they procure raw materials, spares and capital goods from the local market.

The SEZ units have complete freedom to hire contract labour or to indulge in subcontracting, and that there would be no regular examination of import and export cargo by customs. The SEZ units within the SEZ do not require separate documentation for Exim and customs policy, the units’ performance is monitored by the Development Commissioner. In the future also the government of India must continue to provide the best facilities in the SEZs. Economic reforms and the export import policies were realigned to promote export in all possible ways.

The First SEZ Policy of India came into existence because the economic reforms promulgated and implemented in the early 1990s. The First SEZ Policy of India was drafted to act as a catalyst to fuel the economic earnest in the early 1990s. The economic reforms of 1990s did not produce desired results, especially the Indian manufacturing sector witnessed slump in the second-half of the decade. Bottlenecks like red tape, lengthy administrative procedures, rigid labor laws and poor physical infrastructural facilities had detrimental effects on the flow of Foreign Direct Investments (FDI). Further, the Indian markets were not mature enough to embrace Foreign Institutional Investors (FIIs) in the system. Furthermore, the legal framework of Indian economy was not binding enough to prevent overexploitation of Indian markets by the foreign investors. Thus, there was no congenial environment for investments in spite of implementation of liberal economic policy by the Government of India.

The Government of India decided to reestablish its old policy of developing Export Processing Zones (EPZs), to negate these problems The previously designed Export Processing Zones (EPZs) of India could not provide the expected economic
returns due to the lack of Government of India commitment towards the formulated schemes, irrelevant reforms, poor policy, poor land selection, failure to provide world class physical infrastructure, meager fiscal incentives and poor management. The Government of India devised a new and modern version of Export Processing Zones (EPZs). The new amended version of these Export Processing Zones (EPZs) is in fact Special Economic Zones (SEZs). Under the new Government of India policy, all existing Export Processing Zones were converted into Special Economic Zones in the year 2000. The basic difference between a Special Economic Zone and Export Processing Zone is that while the former is an integrated and fully equipped township while an Export Processing Zone is a dedicated area for intensive industrial activity.

The Government of India formulated a stable Special Economic Zone policy regime to create an investor friendly environment, and to add stability to SEZ units of India.

The SEZ policy as implemented from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy, offers fiscal incentives through the provisions of relevant Special Economic Zones (SEZ) Acts and Rules. The Indian Special Economic Zones policy intends to make SEZs a powerhouse for economic growth. These SEZs are supported by world class infrastructure coupled with attractive fiscal incentives and tax rebates, both at the Central and the State level. Further the Indian Special Economic Zones policy attracts minimum possible regulations.

A number of meetings were held across India for the formulation of ‘The Special Economic Zones Act, 2005’, which was passed by Parliament in May 2005. The SEZ Act, 2005 and SEZ Rules became effective on and from 10th February 2006. The SEZ Act 2005 defines the key role for the State Governments in Export Promotion and creation of infrastructure. A Single Window SEZ approval mechanism
has been facilitated through a 19 member inter-ministerial SEZ Board of Approval (BOA). The respective State Governments or Union Territories Administration duly recommended these applications. This Board of Approval considers any application for the establishment of a Special Economic Zone. All decisions of the Board of Approvals are with consensus of all the concerned members. The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

4.2 EXIM POLICIES AND SEZ:

The provisions of Indian export policy, which facilitated growth of SEZ and Export Promotion of Indian goods, are as follows -

- Exemption on duties on Indian capital goods and inputs are offered as per the requirements of the approved business activity
- Taxes are either exempted or waived and even reimbursed in case they are paid in advanced to the concerned authority
- Duty-free imports of spares, raw materials, capital goods, and consumables are offered as per the requirements of the approved business activity
- Preferential treatment of these units to the Indian market for easy dissemination of their products and / or service
- Rejected commodities (specifically barred commodities cannot be sold) within an overall limit of 50% may be sold in the Domestic Tariff Area (DTA) on payment of respective duties as applicable after proper notification to the Indian customs authorities. And such sales of commodities in the domestic tariff area shall be counted against DTA sale entitlement and sale of such
rejected commodities (up to 5% of FOB value of exports) shall not be subject to achievement of NFE

- All EOU / EHTP / STP / BTP units may sell their finished products or services (excluding pepper and pepper products and marble) Units manufacturing electronics hardware and software, the NFE and direct tariff area (DTA) sale entitlement shall be judged separately for its hardware and software products
- Facilitated to retain 100% in foreign currency in EEFC account of the said trader
- Tax waiver of dividends and profits for repatriates, without any application of repatriation tax
- Total tax exemption on corporate incomes as per the provisions of Section 10 A and 10 B of the Indian Income Tax Act
- Easy and automatic acceptance system for use of existing trademarks, brand names and technological know-how
- Facilitated with out-sourcing of subcontract capacities for export production against orders secured by other SME units
- All SEZ units, (excluding gems and jewelry units) may sell goods up to 50% of FOB value of exports subject to fulfillment of positive NFE on payment of concessional duties. Within the entitlement of domestic tariff area (DTA) sale, the unit may sell in DTA its products similar to the goods, which are exported or expected to be exported from the units
- Facilitated with out-sourcing of subcontract of production or part of production process to Indian or any foreign units
- Sale to direct tariff agreement is subject to mandatory requirement of registration for pharmaceutical products and inclusive of bulk drugs
• For Software services units, the sale in the DTA in any mode, including online data communication shall be permitted up to 50% of FOB value of exports and/or 50% of foreign exchange earned through exports of such services, where the payment of such services offered to its overseas clients, is received in foreign exchange

• SEZ units associated with manufacturing gems and jewelry may sell up to 10% of FOB value of exports of the preceding year in direct trade agreement and subject to fulfillment of positive NFE. Further, in case of sale of plain jewelry, the recipient of such trade shall pay concessional rate of duty as applicable. Furthermore, in case of studded jewelry, duty shall be payable as recommended and amended from time to time

• Total exemption of duties/taxes on scrap or waste or remnants in case the said crap or waste or remnants are destroyed as per the approval of the customs authorities of India

• If the end products is a by-product and it is included in the LOP, then it may also be sold in the direct tariff area, subject to achievement of positive NFE on payment of applicable duties within the provisions of such laws. The sale of such by-products by units those are not entitled to direct tariff area sales

• Facilitated with out-sourcing of subcontract capacities for export production against orders secured by other units

4.3 OBJECTIVES OF SEZ POLICY

The main objectives of the SEZ Policy of India are as follows -

1. Generation of additional economic activity across all the states

2. Promotion of exports of goods and services across all Indian sates according to their indigenous capabilities
3. Promotion of investment from domestic and foreign sources

4. Creation of employment opportunities across India

5. Development of world class infrastructural facilities in these units

6. Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting such business activities

7. Easy and simplified compliance procedures and documentations with stress on self certification with the establishment of single window clearance system

4.4 INCENTIVES AND FACILITIES OFFERED TO THE SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 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.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units up to US $ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.
The major incentives and facilities available to SEZ developers include:

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

4.5 SEZs AND LAND ACQUISITION

SEZs and Land Acquisition are interconnected for in the setting up of SEZs huge amounts of land are required. Land Acquisition and SEZs have picked up speed since the Indian government has encouraged the setting up of SEZs in the country.

Special Economic Zone means an area of land that has been demarcated and is treated as a foreign territory for various purposes such as tariffs, trade, and duties. According to the Government of India's policy a SEZ in the country has to be built on at least 1 thousand hectares or more of land. Land Acquisition on a massive scale is taking place so that more and more SEZs can be set up in the country. The total amount of land, which will be acquired, is around 150,000 hectares. The SEZ Rules provide different minimum land requirements for different types of Special Economic Zones. SEZs and Land Acquisition has been taking place in a very fast pace over the
last few years. The government of India must make sure that Land Acquisition and SEZs must prove beneficial for the people of the country and not harmful.

4.6 PROCEDURE OF SETTING UP SEZ UNIT

The Procedure of Setting up SEZ Unit has been simplified for the Indian government wants the number of SEZ units to increase in the country.

- 15 copies of application, indicating name and address of the applicant, status of the promoter along with a project report covering the following particulars may be submitted to the Chief Secretary of the State:

- Location of the proposed Zone with details of existing infrastructure and that proposed to be established;

- Its area, distance from the nearest sea port / airport / rail / road head etc.

- Financial details, including investment proposed mode of financing and viability of the project.

- Details of foreign equity and repatriation of dividends etc.,

- Detailed guidelines on setting up of SEZ in the Private/Joint/State Sector is given in Appendix 14-II.N of Handbook of Procedures Volume I.

The State Government shall, forward it along with their commitment to the following to the Department of Commerce, Government of India. The proposal incorporating the commitments of the State Government will be considered by an Inter-Ministerial Committee in the Department of Commerce. On acceptance of the proposal, a letter of permission will be issued to the applicant

4.7 TERMS & CONDITIONS FOR SETTING UP OF SEZ

Only units approved under SEZ scheme would be permitted to be located in SEZ.
The SEZ units shall abide by local laws, rules, regulations or bye-laws in regard to area planning, sewerage disposal, pollution control and the like. They shall also comply with industrial and labour laws as may be locally applicable. Such SEZ shall make security arrangements to fulfill all the requirements of the laws, rules and procedures applicable to such SEZ. The SEZ should have a minimum area of 1000 hectares and at least 25% of the area is to be earmarked for developing industrial area for setting up of units.

Minimum area of 1000 hectares will not be applicable to product specific and port/airport based SEZs. Wherever the SEZs are landlocked, an Inland Container Depot (ICD) will be an integral part of SEZs.

4.8 ROLE OF STATE GOVERNMENTS

State Governments will have a very important role to play in the establishment of SEZ. Representative of the State Government, who is a member of the Inter-Ministerial Committee on private SEZ, is consulted while considering the proposal. Before recommending any proposals to the Ministry of Commerce & Industry (Department of Commerce), the States must satisfy themselves that they are in a position to supply basic inputs like water, electricity, etc.

4.9 ROLE OF DEVELOPMENT COMMISSIONER

The statutory functions are controlled by the Government. Government also controls the operation and maintenance function in the 7 Central Government controlled SEZs. In rest of the operation and maintenance are privatized. Development Commissioner is the nodal officer for SEZs and help in resolution of problem, if any, faced by the units / developer.
4.10 TO SET UP A UNIT IN SEZ

For setting up a manufacturing, trading or service units in SEZ, 3 copies of project proposal in the format prescribed at Appendix 14-IA of the Handbook of Procedures, Vol.1 to be submitted to the Development Commissioner of the SEZ.

4.11 APPROVAL MECHANISM FOR THE UNITS

The developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval.

The Board of Approval has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 Members. Its constitution is as follows:

(1) Secretary, Department of Commerce Chairman
(2) Member, CBEC Member
(3) Member, IT, CBDT Member
(4) Joint Secretary (Banking Division), Department of Economic Affairs, Ministry of Finance
(5) Joint Secretary (SEZ), Department of Commerce Member
(6) Joint Secretary, DIPP Member
(7) Joint Secretary, Ministry of Science and Technology Member
(8) Joint Secretary, Ministry of Small Scale Industries and Agro and Rural Industries Member
(9) Joint Secretary, Ministry of Home Affairs Member
(10) Joint Secretary, Ministry of Defence Member
(11) Joint Secretary, Ministry of Environment and Forests Member
(12) Joint Secretary, Ministry of Law and Justice Member
(13) Joint Secretary, Ministry of Overseas Indian Affairs Member
(14) Joint Secretary, Ministry of Urban Development Member
(15) A nominee of the State Government concerned Member
(16) Director General of Foreign Trade or his nominee Member
(17) Development Commissioner concerned Member
(18) A professor in the Indian Institute of Management or the Indian Institute of Foreign Trade Member
(19) Director or Deputy Sectary, Ministry of Commerce and Industry, Department of Commerce Member Secretary

**4.12 ADMINISTRATIVE SET UP**

The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee.

Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government. All post approval clearances including grant of importer-exporter code number, change in the name of the company or implementing agency; broad banding diversification, etc. are given at the
Zone level by the Development Commissioner. The performances of the SEZ units are periodically monitored by the Approval Committee and units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of the conditions of the approval.

**4.13 OBLIGATION OF THE UNIT**

SEZ units have to achieve positive net foreign exchange earning as per the formula given in paragraph Appendix 14-II (para 12.1) of Handbook of Procedures, Vol.1. For this purpose, a Legal Undertaking is required to be executed by the unit with the Development Commissioner. The units have to provide periodic reports to the Development Commissioner and Zone Customs as provided in Appendix 14-I F of the Handbook of Procedures, Vol.1.

The units are also to execute a bond with the Zone Customs for their operation in the SEZ.

Any company set up with FDI has to be incorporated under the Indian Companies Act with the Registrar of Companies for undertaking Indian operations

**4.14 SPECIAL ECONOMIC ZONES AND TAX INCENTIVES**

The Special Economic Zones and Tax Incentives offered as per the SEZ policy of India are indeed alluring for the investors, both domestic and foreign investors. The Special Economic Zones and Tax Incentives offered covers areas like state and local taxes, levies, stamp duty and other duties.

The Special Economic Zones and tax incentives as offered are as follows -

**Sales tax /Value Added Tax**

Section 50 of the Special Economic Zone Act of India, empowers all the concerned State Governments to issue notifications allowing exemptions to developer or entrepreneur on state taxes, levies and duties
Rule 5(5) of Special Economic Zone of India provides that before recommendation of any proposal for establishment of a Special Economic Zone, the State Government should offer various incentives, including exemption from state and local taxes, levies, stamp duty, other duties and taxes levied by local bodies on goods required for operations of such authorized unit. Further, the goods sold by such unit in the domestic tariff area (DTA) should also be extended all such exemptions support, except the goods procured from domestic tariff area should be sold as it is.

Therefore, the Special Economic Zone Act and the Rule of India involves all the state governments with clear indication of incentives offered as per the respective state policy.

Central Sales Tax Act

Section 8 (6) of the Central Sales Tax Act of India exempts from Central Sales Tax all inter-state sale of goods made by a dealer to a registered dealer for the purpose of setting up, operation, manufacture, production, processing, assembling, trading, maintenance, repairing, reconditioning, re-engineering, packaging or for use as packing material or packing accessories in any Special Economic Zone unit for development, operation and maintenance of SEZ developer.

The above-mentioned benefit are offered if such registered dealer is authorized to establish such an unit within the designated Special Economic Zone or to develop and maintain such Special Economic Zone by the body authorized by the Central Government to act for and on their behalf.

Income Tax Act

All the Special Economic Zones function under the guardianship and the jurisdiction of the Commerce Ministry, Government of India. The relevant or applicable exemptions and incentives as offered for the operation of the Special
Economic Zones are provided in the Special Economic Zone Act of India. These exemptions on income taxes are detailed in the Second Schedule to the SEZ Act. Section 27 of the SEZ Act provides that it shall apply developer or entrepreneur.

- Physical export benefit
- 100% IT exemption (10A) for first 5 years and 50% for 2 years thereafter.
- Reinvestment allowance to the extent of 50% of ploughed back profits
- Carry forward of losses

For carrying on authorized operations in a SEZ or Unit, subject to modifications specified in Second Schedule.

The relief provided by the Second Schedule of the Special Economic Zone Act of India is as follows -

Section 10[15] [viii]: Interest on deposits in an offshore bank on or after 1st April 2005 of a Non-resident or Not Ordinarily Resident is exempted from paying tax.

Section 10[23][g]: Dividends or interests or long-term capital gains earned from any infrastructure based fund or infrastructure based capital company or cooperative bank from investments made on shares or long-term finance in any enterprise or undertaking those are dedicatedly involved in the business of development of Special Economic Zone.

Section 54GA: The transfer of assets in cases of shifting of any industry from an urban area to any Special Economic Zone is exempted from tax on capital gains.

Section 80LA: 100% tax deduction is offered for the first 5 years & 50% deduction for the next 5 years in respect of income from International Financial Services Center or an offshore banking unit in a Special Economic Zone.

Further, such deductions are also offered on income from other business activities, which are referred in Section 6[1] of Indian Banking Regulations Act, with
an undertaking located in any designated Special Economic Zone or any other undertaking, which helps in the development and/or operation of any such Special Economic Zone

Section 115JB(6): The provisions of section 115JB becomes ineffective if the income accrued or arises on or after 1st April 2005 from any business activities carried therein.

Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs. Any private/public/joint sector or State Government or its agencies can set up Special Economic Zone (SEZ). Foreign Companies are also eligible to set up SEZs

Customs and Excise:

- 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 licence or specific approval.
- Duty free import/domestic procurement of goods for setting up of SEZ units.
- Goods imported/procured locally duty free could be utilized over the approval period of 5 years.
- Domestic sales by SEZ units will now be exempt from SAD.
- Domestic sale of finished products, by-products on payment of applicable Custom duty.
- Domestic sale rejects and waste and scrap on payment of applicable Custom duty on the transaction value.

Companies Act
• Enhanced limit of Rs. 2.4 crores per annum allowed for managerial remuneration
• Agreement to opening of Regional office of Registrar of Companies in SEZs.
• Exemption from requirement of domicile in India for 12 months prior to appointment as Director.

Labour laws

Normal Labour Laws are applicable to SEZs, which are enforced by the respective state Governments. The state Government has been requested to simplify the procedures/returns and for introduction of a single window clearance mechanism by delegating appropriate powers to Development Commissioners of SEZs.

Foreign Direct Investment

• 100% foreign direct investment is under the automatic route is allowed in manufacturing sector in SEZ units except arms and ammunition, explosive, atomic substance, narcotics and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes, cigars and manufactured tobacco substitutes.
• No cap on foreign investments for SSI reserved items.
• Banking / Insurance/External Commercial Borrowings
• Setting up Off-shore Banking Units allowed in SEZs.
• OBU’s allowed 100% Income Tax exemption on profit for 3 years and 50% for next two years.
• External commercial borrowings by units up to $ 500 million a year allowed without any maturity restrictions.
• Freedom to bring in export proceeds without any time limit.
• Flexibility to keep 100% of export proceeds in EEFC account. Freedom to make overseas investment from it.

• Commodity hedging permitted.

• Exemption from interest rate surcharge on import finance.

• SEZ units allowed to ‘write-off’ unrealized export bills.

Environment

• SEZs permitted to have non-polluting industries in IT and facilities like golf courses, desalination plants, hotels and non-polluting service industries in the Coastal Regulation Zone area

• Exemption from public hearing under Environment Impact Assessment Notification

Facilities for Domestic suppliers to Special Economic Zone

• Supplies from Domestic Tariff Area (DTA) to SEZ to be treated as physical export. DTA supplier would be entitled to:

  • Drawback/DEPB
  • CST Exemption
  • Exemption from State Levies
  • Discharge of EP if any on the suppliers
  • Income Tax benefits as applicable to physical export under section 80 HHC of the Income Tax Act.

Others

• No License is required for imports, including second hand machineries.

• State has exempted the sales from DTA to SEZ from local levies and taxes for buying goods from DTA.
• The units would be entitled for a package of Incentives and a simplified operating environment

4.15 SEZ RULES 2006

The main provisions of the Indian SEZ Rules 2006 can be summarized as promotion of industrialization and economic growth through sustainable development of Indian industries. The main essence of the Indian SEZ Rules 2006, states that these Special Economic Zones of India shall be offered tax rebates, fiscal incentives and lands at subsidized rates. The implementation of the first drafted Special Economic Zone policy took place from the end of the year 2000 and the subsequent years witnessed a paradigm development and amendment of the basic Special Economic Zone Rules of India. The first draft of Special Economic Zone Rule for the development of Special Economic Zones was drafted as a five-year project, starting from 1.11.2000 to 09.02.2006. Further, the first draft of Special Economic Zone Rule of India was amended to accommodate and compliment the economic growth attained by India.

The basic provisions of the SEZ Rules 2006 can be summarized as follows -

• Creation of additional economic activity across all such designated zones

• Promotion of exports of goods and services across all such designated zones

• Promotion of investment from domestic and foreign sources

• Creation of employment at competitive rate

• Development of infrastructure facilities to compliment the growth of SEZ units

• Promulgation of simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business
• Single window clearance booth for setting up of a SEZ and within all such Special Economic Zone unit
• Single window clearance on matters relating to Central as well as State Governments approval and certification process
• Facilitation of easy and simplified compliance procedures and documentations with stress on self certification process

Some of the key provisions of the Indian SEZ Rules 2006 are mentioned as below -

➢ Should be exempted from duties on all imports for project development
➢ Should be exempted from excise / VAT on domestic sourcing of capital goods for project development
➢ Should be offered 10-year tax holiday in a block of the first 20 years
➢ No foreign ownership restrictions in developing zone infrastructure and no restrictions on repatriation
➢ Freedom to develop township in to the SEZ with residential areas, markets, play grounds, clubs and recreation centers without any restrictions on foreign ownership
➢ Should be exempted from taxation on business income
➢ Should be exempted from import duty, VAT and other taxes
➢ 10% FDI allowed through the automatic route for all manufacturing activities
➢ Procedural ease and efficiency for speedy approvals, clearances and customs procedures and dispute resolution
➢ Simplification of procedures and self-certification in the labor acts
➢ Artificial harbor and handling bulk containers made operational through out the year
➢ To be equipped with air ports for easy transit of men and goods

➢ To be equipped with host of Public and Private Bank chains to offer financial assistance for business houses

➢ Should be a vibrant industrial city with abundant supply of skilled manpower, covering the entire spectrum of industrial and business expertise

➢ Should be well connected with network of public transport, local railways and cabs

➢ To encourage pollution free environment with proper drainage and sewage system

➢ To house in-house customs clearance facilities

➢ Should have easy access to airport and local railway station

➢ Full authority to provide services such as water, electricity, security, restaurants and recreational facilities within the zone on purely commercial basis

➢ Should have abundant supply of technically skilled manpower

➢ Should have abundant supply of semi-skilled labor across all industry sectors.

At present there eight functional Special Economic Zones located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (Uttar Pradesh) in India. Further a Special Economic Zone at Indore (Madhya Pradesh) is now ready for operation.

In addition 18 approvals have been given for setting up of SEZ at Positron (Gujarat), Navy Mumbai and Kopata (Maharashtra), Nanguneri (Tamil Nadu), Kulpi and Salt Lake (West Bengal), Paradeep and Gopalpur (Orissa), Bhadohi, Kanpur, Moradabad
and Greater Noida (U.P.), Vishakhapatnam and Kakinada (Andhra Pradesh), Vallarpadam/Puthuvypeen (Kerala) Hassan (Karnataka), Jaipur and Jodhpur (Rajasthan) on the basis of proposals received from the State Governments.

**TABLE II**

**STATEMENT SHOWING YEAR WISE PERFORMANCE**

(Rs. in crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports of India</th>
<th>EPZ/SEZs Exports</th>
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<tr>
<td></td>
<td>Rs.</td>
<td>Growth %</td>
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<td></td>
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<td>203571</td>
<td>-----</td>
</tr>
<tr>
<td>2001-02</td>
<td>209018</td>
<td>2.68</td>
</tr>
<tr>
<td>2002-03</td>
<td>255137</td>
<td>22.06</td>
</tr>
<tr>
<td>2003-04</td>
<td>293367</td>
<td>14.98</td>
</tr>
<tr>
<td>2004-05</td>
<td>375340</td>
<td>27.94</td>
</tr>
<tr>
<td>2005-06</td>
<td>456418</td>
<td>21.60</td>
</tr>
<tr>
<td>2006-07</td>
<td>571779</td>
<td>25.28</td>
</tr>
<tr>
<td>2007-08</td>
<td>640172</td>
<td>11.96</td>
</tr>
<tr>
<td>Total</td>
<td>3004802</td>
<td></td>
</tr>
</tbody>
</table>

Source: [http://sezindia.nic.in/](http://sezindia.nic.in/)

Table Export performance of EPZ/SEZ Units to total Indian exports explains the growth of Indian exports over the years from 6.77% in 2000-01 has grown to 21.30% in 2007-08 showing an increase every year. In volume it has increased from Rs.203571 crores in 2000-01 to Rs 640172 crores in 2007-08 which is three times increase over a period of 8 years which shows an average growth of Rs.54, 575 per year. The EPZ/SEZ units have contributed 2.22% on the total Indian exports. EPZ/SEZ units by themselves have shown a growth from Rs.8552 crores in 2000-01 to Rs.66368 crores in 2007-08. The growth of EPZ/SEZ have increased two fold from 2006-07 to 2007-08.
FIGURE - 1

EXPORT PERFORMANCE OF EPZ/SEZ UNITS TO TOTAL EXPORTS.

Export performance of EPZ/SEZ units to Total Exports.

- Total Indian Exports
- EPZ/SEZ exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Indian Exports</th>
<th>EPZ/SEZ Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FIGURE - II

PERCENTAGE OF EPZ/SEZ EXPORTS TO TOTAL EXPORTS AND PERCENTAGE OF EXPORTS TO TOTAL EXPORTS.

![Graph showing percentage of total exports and EPZ/SEZ exports to total from 2000-01 to 2007-08. The graph indicates an increasing trend in both categories over the years.]
The above table depicts the growth EPZ/SEZ export from 4.63% in 2000-01 has registered a growth to 36.11% in 2007-08. The growth of EPZ/SEZ is units are doubled in 2007-08 as compared to 2006-07. It has registered a growth percentage of 91.56% in 2007-08 as to that of the previous year 2006-07.
FIGURE – III

Export performance of EPZ/SEZ units

export (Rs. crore)

EPZ / SEZ Units Rs

0 10000 20000 30000 40000 50000 60000 70000

year
TABLE - IV

INVESTMENT IN GOVT/STATE GOVT/PRIVATE-NOTIFIED SEZs
(As on 31-03-2008)

<table>
<thead>
<tr>
<th></th>
<th>Prior to SEZ Act</th>
<th>After SEZ Act, 2005</th>
<th>Incremental</th>
<th>Incremental %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Amount</td>
<td>No</td>
<td>Amount</td>
</tr>
<tr>
<td>Government SEZ</td>
<td>7</td>
<td>3899</td>
<td>7</td>
<td>5519</td>
</tr>
<tr>
<td>State Government/Private SEZ</td>
<td>12</td>
<td>3960</td>
<td>12</td>
<td>6164</td>
</tr>
<tr>
<td>Notified SEZs under SEZ Act</td>
<td>--</td>
<td>--</td>
<td>206</td>
<td>69350</td>
</tr>
</tbody>
</table>

Source: [http://sezindia.nic.in/](http://sezindia.nic.in/)

The above table indicates investment in Government/State Government and private notified SEZs prior to establishment of SEZ Act and after establishment of SEZ Act as on 31.03.2008. The table indicates an incremental percentage of 41.55% in Government SEZ and 55.66% in State Government and private SEZ and 100% in Notified SEZ under SEZ Act, 2005 as the notified SEZs started functioning only after the SEZ Act.
### Table V

**Export Performance of SEZ Established by Central Government**

(Rs. In crore)

<table>
<thead>
<tr>
<th>Name of SEZ</th>
<th>Exports 2007</th>
<th>Exports 2008</th>
<th>Incremental</th>
<th>Incremental %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kandla Special Economic Zone(KSEZ)</td>
<td>1483</td>
<td>1882</td>
<td>399</td>
<td>26.90</td>
</tr>
<tr>
<td>SEEPZ Special Economic Zone(SEEPZ)</td>
<td>12048</td>
<td>11265</td>
<td>-783</td>
<td>-6.50</td>
</tr>
<tr>
<td>Noida Special Economic Zone(NSEZ)</td>
<td>6893</td>
<td>16843</td>
<td>9950</td>
<td>144.35</td>
</tr>
<tr>
<td>MEPZ Special Economic Zone(MPEZ-SEZ)</td>
<td>2384</td>
<td>3047</td>
<td>663</td>
<td>27.81</td>
</tr>
<tr>
<td>Cochin Special Economic Zone(CSEZ)</td>
<td>803</td>
<td>4471</td>
<td>3668</td>
<td>456.79</td>
</tr>
<tr>
<td>Falta Special Economic Zone(FSEZ)</td>
<td>999</td>
<td>1026</td>
<td>27</td>
<td>2.70</td>
</tr>
<tr>
<td>Visakhapatnam Special Economic Zone(VSEZ)</td>
<td>750</td>
<td>741</td>
<td>-9</td>
<td>-1.20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>25360</strong></td>
<td><strong>39275</strong></td>
<td><strong>13915</strong></td>
<td><strong>54.87</strong></td>
</tr>
</tbody>
</table>

Source: [http://sezindia.nic.in/](http://sezindia.nic.in/)

The above table of export performance of SEZ Units established by Central Government shows an overall increase of Rs.13,915 crores as compared to the previous year with an increase of 54.87% to the previous year. The SEZ wise performance shows a decline the SEEPEZ –Santa Cruz Electronic Export Processing Zone, Mumbai which is only marginal. It is due the establishment of Maharashtra State Electronic Zones in Maharashtra State. Visakhapatnam Special Economic Zone the decline is negligible. All the other SEZ have shown an increase as that of previous year.
FIGURE - IV

EXPORT PERFORMANCE OF SEZ ESTABLISHED BY CENTRAL GOVERNMENT

Export performance of Central Govt established SEZs

- KSEZ
- SEEPZ
- NSEZ
- MEPZ-SEZ
- CSEZ
- FSEZ
- VSEZ

Name of SEZ

Exports (Rs. Crores)

- Exports 2007
- Exports 2008
TABLE - VI

EMPLOYMENT IN GOVT/STATE GOVT/PRIVATE-NOTIFIED SEZs
(As on 31-03-2008)

<table>
<thead>
<tr>
<th></th>
<th>Prior to SEZ Act</th>
<th>After SEZ Act, 2005</th>
<th>Incremental</th>
<th>Incremental %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No. employed</td>
<td>No.</td>
<td>No. employed</td>
</tr>
<tr>
<td>Government SEZ</td>
<td>7</td>
<td>193474</td>
<td>7</td>
<td>264712</td>
</tr>
<tr>
<td>State Government/Private SEZ</td>
<td>12</td>
<td>44768</td>
<td>12</td>
<td>77068</td>
</tr>
<tr>
<td>Notified SEZs under SEZ Act</td>
<td>--</td>
<td>--</td>
<td>206</td>
<td>97993</td>
</tr>
</tbody>
</table>

Source: [http://sezindia.nic.in/](http://sezindia.nic.in/)

The above table has brought to light that employment in Government/State Government and private notified SEZs prior to establishment of SEZ Act and after establishment of SEZ Act as on 31.03.2008. The table indicates an incremental percentage of 36.82% in Government SEZ and 72.15% in State Government and private SEZ and 100% in Notified SEZ under SEZ Act, 2005 as the notified SEZs started functioning only after the SEZ Act.
TABLE - VII

EXPORT PERFORMANCE IN GOVT/STATE GOVT/PRIVATE-NOTIFIED SEZs
(Rs. In crore)

<table>
<thead>
<tr>
<th></th>
<th>Export 2006-07</th>
<th>Export 2007-08</th>
<th>Incremental</th>
<th>Incremental %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Exports</td>
<td>No</td>
<td>Exports</td>
</tr>
<tr>
<td>Government SEZ</td>
<td>7</td>
<td>25358</td>
<td>7</td>
<td>39275</td>
</tr>
<tr>
<td>State Government/Private SEZ</td>
<td>12</td>
<td>9134</td>
<td>12</td>
<td>22167</td>
</tr>
<tr>
<td>Notified SEZs under SEZ Act</td>
<td>7</td>
<td>122</td>
<td>206</td>
<td>5195</td>
</tr>
</tbody>
</table>

Source: http://sezindia.nic.in/

The above table explains export performance in Government/State Government and private notified SEZs prior to establishment of SEZ Act and after establishment of SEZ Act as on 31.03.2008. The table indicates an incremental percentage of 54.88% in Government SEZ and 142.69 % in State Government and private SEZ and Rs. 5,195 crores as against Rs.122 crores in the previous year and the number units is 206 during the year 2007-08 as against 7 in 2006-07 which accounts for the increase in Notified SEZ under SEZ Act, 2005 as the notified SEZs started functioning only after the SEZ Act.
4.16 PROFILE OF MEPZ-SEZ

MEPZ Special Economic Zone was established in 1984 with the objective of promoting foreign direct investment, enhancing foreign exchange earnings, and creating greater employment opportunities.

The Zone was converted into a Special Economic Zone on 1.1.2003. The added objective of the SEZ is to facilitate exports through reduction of transaction costs. To this effect, the Ministry of Commerce and Industries has introduced special features that include Offshore Banking Units and Container Freight Stations to be set up within the Zone, besides liberalized Customs procedures. It is expected that the cost, time and effort saved would translate to higher exports from the Zone.

MEPZ SEZ is a multi-product Zone housing 110 functional units. Another 17 units are under various stages of implementation to end of March 2008.

4.17 LOCATION

Chennai occupies a vantage position for trade and commerce. Popularly regarded as the "Gateway to the South", Chennai boasts of a culture that is distinctly different from that of northern India. Music, dance and all other art forms of the South are cherished and nurtured in this industrialized city. Chennai is a city where the traditional and the modern blend in life harmoniously.

Chennai boasts of a strong educational and technological base. It is home to the renowned IIT, Madras, besides several other professional colleges, research institutions, polytechnics, and industrial training institutes.

Located in Chennai (formerly Madras), the Zone is under the administrative control of the Ministry of Commerce and Industries and caters to the needs of both units in the Special Economic Zone as well as of 100% EOUs located in Tamil Nadu,
Pondicherry and Andaman & Nicobar islands. The Zone is headed by Development Commissioner.

MEPZ SEZ is easily accessible from the city centre by efficient public transport, suburban railway, buses, and cabs. Located on National Highway 45, it is located 6 Km from the international airport and 24 Kms. from the seaport. It is a mere 45 minute ride from the city centre.

**4.18 SERVICES OFFERED BY MEPZ SEZ**

- a pollution free environment
- In-house Customs clearance facilities
- Uninterrupted power supply
- Abundant supply of skilled and managerial manpower
- Proximity to airport and suburban Railway Station

MEPZ SEZ has been notified by the Government of Tamil Nadu as a public utility whereby the units are protected from illegal strikes. All labour laws of the land are however, applicable to units located in the Zone.

**4.19 AREA**

MEPZ SEZ is spread over an area of 262 acres (109 hectares). It offers developed plots as well as built up factory space. Plot size ranges from 1 to 5 acres, and allotment is on 15-year lease basis. Built up space in Standard Design Factories (SDF) varies from 300 to 500 sq. m. and is allotted on 5-year renewable lease. The normal lease period is 15 years.

**4.20 DETAILS OF PLOTS AND READY BUILT SHEDS:**

<table>
<thead>
<tr>
<th>Area developed and plots allotted</th>
<th>Phase - I</th>
<th>Phase - II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Developed</td>
<td>98</td>
<td>164</td>
<td>262</td>
</tr>
<tr>
<td>Area Converted into plots</td>
<td>49</td>
<td>95</td>
<td>144</td>
</tr>
</tbody>
</table>
Area allotted 49 94 143
Area available --- 1 1
No. of plots developed 79 65 144
No. of plots allotted 79 65 144
Area available --- --- ---

**Tariff**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease rental for Land</td>
<td>Rs. 45 per sq.mtr per annum</td>
</tr>
<tr>
<td>Standard Design Factory</td>
<td>Rs.710 per sq.mtr per annum</td>
</tr>
<tr>
<td>Water Charges</td>
<td>Rs.25 per Kilo Litre</td>
</tr>
<tr>
<td>Electricity Charges L.T connection</td>
<td>Upto 200 Units Rs.4.60 per unit</td>
</tr>
<tr>
<td></td>
<td>Above 200 Units Rs.5.10 per unit</td>
</tr>
<tr>
<td>Electricity Charges H.T.connections</td>
<td>Upto 1500 Rs.3.60 per unit</td>
</tr>
<tr>
<td></td>
<td>Above 1501 Rs.4.40 per unit</td>
</tr>
</tbody>
</table>

**4.21. INFRASTRUCTURAL FACILITIES**

The lease rent for land/SDF and the water charges are payable to the Development Commissioner, MEPZ SEZ.

The Electricity charges are payable to the Tamil Nadu Electricity Board directly. The Electricity Board announces tariff from time to time. The electricity charges indicated above are effective w.e.f.1.12.2001.

**POWER**

Uninterrupted power supply is assured by the State Government by means of a dedicated 230 KV Sub-Station, capable of supplying 30 MW.

**WATER**

MEPZ SEZ provides water to the units through the exclusive arrangement with TWAD Board from the Palar River. Water connection is given upon application from the licensed unit.
COMMUNICATION

An exclusive telephone exchange is functioning within MEPZ SEZ. The Exchange has Optic Fibre Connectivity facility. Telephone connections are easily available from Telecom Department. Units are permitted to import and install facsimile equipment free of customs duty. ISDN connections or dedicated lease lines can be easily obtained.

A Post Office functions within the Zone.

MEPZ SEZ has set up a Video Conferencing facility in the Administrative Building to cater to the needs of the EPZ units and EOU's. The Video Conferencing can be had point to point using ISDN (128 kbps). Multi point conferencing can also be organized provided the booking is made sufficiently in advance.

With the help of the dedicated leased circuit hired from VSNL, MEPZ SEZ has set up a DNS server and email facility is provided to each desk to enable the EOU's to communicate with the MEPZ SEZ through email.

The establishment of AIRTEL tower in the zone is expected to enhance the communication through mobile telephony.

OTHER INFRASTRUCTURAL FACILITIES

- A crèche is run by the MEPZ SEZ Manufacturers’ Association for benefit of worker's, children.
- An ESIS dispensary functions within the Zone for the benefit of workers.
- Solid waste disposal is managed by the Maintenance agency for a fee.
- Banking facilities include two ATMs and an Indian Bank branch with facilities for Foreign Exchange transactions.
- Warehouse to store goods operated by Central Warehousing Corporation.
- Continued beautification of the Zone to make it environment friendly and
make working in the zone a pleasure.

The MEPZ SEZ offers the following services to the units located in the MEPZ SEZ complex.

- Clearance of proposals for Automatic Approval including foreign investment.
- Allotment of land and ready built sheds.
- Release of water connection and telephone connection.
- In house Customs clearances such as filing of shipping bills, bills of entries, examination of goods, custom escort services wherever required.
- Endorsement in SOFTEX forms.
- Allotment of Import Export Code No. (IEC).
- Acceptance of Legal Undertakings (LUT).
- Execution of Lease Deeds for plots and sheds allotted.
- Issuance of Green Card.
- Import of Capital Goods list attestation.
- Reimbursement of Central Sales Tax (CST) and Terminal Excise Duties (TED) and disbursal of Duty Drawback.
- Clearance for job work / subcontracting.
- Clearance goods for Sale in DTA.
- Maintenance of Roads inside MEPZ Complex, Street lighting and Avenue Plantation.
- Round the clock Security Services.
- Liaison with Central, State Government and other agencies for redressing and resolving problems encountered by the EOU/EPZ Units.
TABLE - VIII

CLASSIFICATION OF TOTAL NUMBER OF UNITS AT MEPZ-SEZ, CHENNAI
(As on 31.03.2008)

<table>
<thead>
<tr>
<th>Details of Units</th>
<th>No. of units</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Units in operation</td>
<td>110</td>
<td>73.83</td>
</tr>
<tr>
<td>No of Units to be implemented</td>
<td>17</td>
<td>11.41</td>
</tr>
<tr>
<td>No of Cancelled Units</td>
<td>14</td>
<td>9.40</td>
</tr>
<tr>
<td>No. of sick units closed</td>
<td>3</td>
<td>2.01</td>
</tr>
<tr>
<td>No. of Units De-boned</td>
<td>4</td>
<td>2.68</td>
</tr>
<tr>
<td>No. of Units evicted</td>
<td>1</td>
<td>0.67</td>
</tr>
<tr>
<td>Total no. of units</td>
<td>149</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai-600 045

The table of classification of total number of units at MEPZ-SEZ as on 31.03.2008 shows that 73.83% of the total units are in operation, 11.41% are to be implemented, 9.40% units are cancelled, sick units closed are 2.01%, de-bonded units amount to 2.68% of the total and the remaining one unit that is 0.67% is evicted.
### TABLE IX

**CLASSIFICATION OF FUNCTIONING UNITS AT MEPZ-SEZ, CHENNAI**

(As on 31.03.2008)

<table>
<thead>
<tr>
<th>Classification of units surveyed</th>
<th>No. of units surveyed</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics and software</td>
<td>14</td>
<td>12.72</td>
</tr>
<tr>
<td>Engineering</td>
<td>28</td>
<td>25.45</td>
</tr>
<tr>
<td>Garment and Textiles</td>
<td>17</td>
<td>15.45</td>
</tr>
<tr>
<td>Leather and Sports goods</td>
<td>6</td>
<td>5.45</td>
</tr>
<tr>
<td>Chemical and allied industries</td>
<td>19</td>
<td>17.28</td>
</tr>
<tr>
<td>Gems and Jewellery</td>
<td>8</td>
<td>7.28</td>
</tr>
<tr>
<td>Trading and services</td>
<td>18</td>
<td>16.37</td>
</tr>
<tr>
<td>Total no. of units</td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai.

Classification of functioning units at MEPZ-SEZ reveals that 12.72% of the functioning units are electronic and software, 25.45% are engineering, 15.45% are garment and textiles, leather and sports goods contributes to 5.45% of the total, chemical and allied industries contributes to 17.28%, 7.28% are gems and jewellery and the remaining 16.37% are in the nature of trading and services.
TABLE - X

**CONSTITUTION WISE CLASSIFICATION OF UNITS AT MEPZ-SEZ, CHENNAI**
(As on 31.03.2008)

<table>
<thead>
<tr>
<th>Public Ltd</th>
<th>Private Ltd</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>28(25.45)</td>
<td>70(63.63)</td>
<td>12(10.92)</td>
<td>110(100)</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045
Figures in parenthesis denote percentage to total.

The above table shows that out of 110 units functioning at MEPZ-SEZ 25.45% are Public Limited Companies, 63.63% constitutes Private Limited Companies and the balance 10.92% constitutes others.

TABLE - XI

**EMPLOYMENT IN MEPZ-SEZ (as on 31-03-2008)**

<table>
<thead>
<tr>
<th></th>
<th>Prior to SEZ Act</th>
<th>After SEZ Act, 2005</th>
<th>Percentage Increase / Decrease in no. of units</th>
<th>Percentage Increase / Decrease in no. of persons employed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of units</td>
<td>No. of persons</td>
<td>No. of units</td>
<td>No. of persons employed</td>
</tr>
<tr>
<td>MEPZ-SEZ</td>
<td>68</td>
<td>29195</td>
<td>110</td>
<td>46190</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>38.18</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36.95</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045

The table indicates that employment in MEPZ-SEZ has increased by 36.95% after SEZ Act, 2005 as compared prior to the SEZ Act.
**TABLE - XII**

**EXPORT PERFORMANCE OF SEZ and MEPZ-SEZ to Total Indian Export**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Total Indian Export</th>
<th>% Increase/Decrease</th>
<th>SEZ Export</th>
<th>% Increase/Decrease</th>
<th>% to Total Export</th>
<th>MEPZ-SEZ Export</th>
<th>% Increase/Decrease</th>
<th>% Total Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>203571</td>
<td>--</td>
<td>8552</td>
<td>--</td>
<td>4.20</td>
<td>691</td>
<td>--</td>
<td>0.34</td>
</tr>
<tr>
<td>2001-02</td>
<td>209018</td>
<td>2.61</td>
<td>9190</td>
<td>6.94</td>
<td>4.40</td>
<td>764</td>
<td>9.55</td>
<td>0.37</td>
</tr>
<tr>
<td>2002-03</td>
<td>255137</td>
<td>18.08</td>
<td>10057</td>
<td>8.62</td>
<td>3.94</td>
<td>822</td>
<td>7.06</td>
<td>0.32</td>
</tr>
<tr>
<td>2003-04</td>
<td>293367</td>
<td>13.03</td>
<td>13814</td>
<td>27.20</td>
<td>4.71</td>
<td>1038</td>
<td>20.81</td>
<td>0.35</td>
</tr>
<tr>
<td>2004-05</td>
<td>375340</td>
<td>21.84</td>
<td>18655</td>
<td>25.95</td>
<td>4.97</td>
<td>1376</td>
<td>24.56</td>
<td>0.37</td>
</tr>
<tr>
<td>2005-06</td>
<td>456418</td>
<td>17.76</td>
<td>22840</td>
<td>18.32</td>
<td>5.00</td>
<td>1860</td>
<td>26.02</td>
<td>0.41</td>
</tr>
<tr>
<td>2006-07</td>
<td>571779</td>
<td>20.18</td>
<td>34787</td>
<td>34.34</td>
<td>6.08</td>
<td>2383</td>
<td>21.95</td>
<td>0.42</td>
</tr>
<tr>
<td>2007-08</td>
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<td>10.68</td>
<td>66638</td>
<td>47.80</td>
<td>10.41</td>
<td>3047</td>
<td>21.79</td>
<td>0.48</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3004802</td>
<td>184533</td>
<td>11981</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045

Percentage increase / decrease is calculated considering 2000-01 as the base year.

The above table explains the growth of SEZ and MEPZ-SEZ export to total Indian export has registered an increase from 6.94% in 2001-02 to 47.80% in 2007-08. Export performance of Indian exports has increased from Rs. 203571 crores in 2000-01 to Rs 640172 crores in 2007-08 in volume which is three times increase over a period of 8 years which shows an average growth of Rs. 54,575 per year. MEPZ-SEZ export when compared to total Indian export has contributed 0.34% in 2000-01 to 0.48% in 2007-08. The EPZ/SEZ units have contributed 9.55% from 2001-02 to 21.99% in 2007-08 on the total Indian exports. EPZ/SEZ units by themselves have shown a growth from Rs. 8552 crores in 2000-01 to Rs. 66368 crores in 2007-08. The growth of EPZ/SEZ have increased two fold from 2006-07 to 2007-08.
<table>
<thead>
<tr>
<th>Year</th>
<th>SEZ Export</th>
<th>Percentage Increase/Decrease</th>
<th>MEPZ-SEZ Export</th>
<th>Percentage Increase/Decrease</th>
<th>Percentage to SEZ Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>8552</td>
<td>--</td>
<td>691</td>
<td>--</td>
<td>8.08</td>
</tr>
<tr>
<td>2001-02</td>
<td>9190</td>
<td>6.94</td>
<td>764</td>
<td>9.55</td>
<td>8.31</td>
</tr>
<tr>
<td>2002-03</td>
<td>10057</td>
<td>8.62</td>
<td>822</td>
<td>7.06</td>
<td>8.17</td>
</tr>
<tr>
<td>2003-04</td>
<td>13814</td>
<td>27.20</td>
<td>1038</td>
<td>20.81</td>
<td>7.51</td>
</tr>
<tr>
<td>2004-05</td>
<td>18655</td>
<td>25.95</td>
<td>1376</td>
<td>24.56</td>
<td>7.38</td>
</tr>
<tr>
<td>2005-06</td>
<td>22840</td>
<td>18.32</td>
<td>1860</td>
<td>26.02</td>
<td>8.14</td>
</tr>
<tr>
<td>2006-07</td>
<td>34787</td>
<td>34.34</td>
<td>2383</td>
<td>21.95</td>
<td>6.85</td>
</tr>
<tr>
<td>2007-08</td>
<td>66638</td>
<td>47.80</td>
<td>3047</td>
<td>21.79</td>
<td>4.57</td>
</tr>
<tr>
<td>TOTAL</td>
<td>184533</td>
<td>47.80</td>
<td>11981</td>
<td></td>
<td>6.49</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045
Percentage increase / decrease is calculated considering 2000-01 as the base year.

The above table has brought to light that export of SEZ has registered an increase from 6.94% in 2001-02 to 47.80% in 2007-08. In volume it has shown a growth from Rs.8,552 crores to Rs.66,638 crores in 2007-08. MEPZ-SEZ export when compared to SEZ export has contributed to 8.08% in 2000-01 to 4.57% in 2007-08. MEPZ-SEZ units by themselves have shown a growth from Rs.8552 crores in 2000-01 to Rs.66368 crores in 2007-08. The growth of EPZ/SEZ have increased two fold from 2006-07 to 2007-08. The overall contribution of MEPZ-SEZ to total SEZ’s export is 6.49%
TABLE - XIV

STATEMENT OF NET EARNING

(Rs. In crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Indian Export</th>
<th>Percentage Increase / Decrease</th>
<th>Total Import</th>
<th>Percentage Increase / Decrease</th>
<th>Net Surplus</th>
<th>Percentage Increase / Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>203571</td>
<td>--</td>
<td>230875</td>
<td>--</td>
<td>-27304</td>
<td>--</td>
</tr>
<tr>
<td>2001-02</td>
<td>209018</td>
<td>2.61</td>
<td>245200</td>
<td>5.84</td>
<td>-36182</td>
<td>24.54</td>
</tr>
<tr>
<td>2002-03</td>
<td>255137</td>
<td>18.08</td>
<td>297206</td>
<td>17.50</td>
<td>-42069</td>
<td>13.99</td>
</tr>
<tr>
<td>2003-04</td>
<td>293367</td>
<td>13.03</td>
<td>359108</td>
<td>17.24</td>
<td>-65741</td>
<td>36.01</td>
</tr>
<tr>
<td>2004-05</td>
<td>375340</td>
<td>21.84</td>
<td>501065</td>
<td>28.33</td>
<td>-125725</td>
<td>47.71</td>
</tr>
<tr>
<td>2005-06</td>
<td>456418</td>
<td>17.76</td>
<td>660409</td>
<td>24.13</td>
<td>-203991</td>
<td>38.37</td>
</tr>
<tr>
<td>2006-07</td>
<td>571779</td>
<td>20.18</td>
<td>840506</td>
<td>21.43</td>
<td>-268727</td>
<td>24.09</td>
</tr>
<tr>
<td>2007-08</td>
<td>640172</td>
<td>10.68</td>
<td>964850</td>
<td>12.89</td>
<td>-324678</td>
<td>17.23</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3004802</td>
<td></td>
<td>4099219</td>
<td></td>
<td>-1094417</td>
<td></td>
</tr>
</tbody>
</table>

The above table reflects that net earnings has registered declining trend of Rs.27,305 crores from 2000-01 to Rs. 3, 24,678 crores in 2007-08, there is an increase in total Indian export from Rs.2,03,571 crores in 2001-02 to Rs.6,40,172 crores in 2007-08. The Indian import has also registered a growth from Rs.2,30,875 crores in 2000-01 to Rs. 9,64,850 crores in 2007-08.

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045
Percentage increase / decrease is calculated considering 2000-01 as the base year.
### TABLE - XV

**STATEMENT OF NET EARNING MPZ-SEZ**  
(Rs. In crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Percentage Increase or Decrease</th>
<th>Imports</th>
<th>Percentage Increase or Decrease</th>
<th>Net Earnings</th>
<th>Percentage Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>691</td>
<td></td>
<td>329</td>
<td></td>
<td>362</td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>764</td>
<td>9.55</td>
<td>351</td>
<td>6.27</td>
<td>413</td>
<td>12.35</td>
</tr>
<tr>
<td>2002-03</td>
<td>822</td>
<td>7.06</td>
<td>394</td>
<td>10.91</td>
<td>428</td>
<td>3.50</td>
</tr>
<tr>
<td>2003-04</td>
<td>1038</td>
<td>20.81</td>
<td>484</td>
<td>18.60</td>
<td>554</td>
<td>22.74</td>
</tr>
<tr>
<td>2004-05</td>
<td>1376</td>
<td>24.56</td>
<td>689</td>
<td>29.75</td>
<td>687</td>
<td>19.36</td>
</tr>
<tr>
<td>2005-06</td>
<td>1860</td>
<td>26.02</td>
<td>993</td>
<td>30.61</td>
<td>867</td>
<td>20.76</td>
</tr>
<tr>
<td>2006-07</td>
<td>2383</td>
<td>21.95</td>
<td>1219</td>
<td>18.54</td>
<td>1164</td>
<td>25.52</td>
</tr>
<tr>
<td>2007-08</td>
<td>3047</td>
<td>21.79</td>
<td>2525</td>
<td>51.72</td>
<td>522</td>
<td>(122.99)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11981</strong></td>
<td></td>
<td><strong>6984</strong></td>
<td></td>
<td><strong>4997</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045  
Percentage increase / decrease is calculated considering 2000-01 as the base year.

The net earning statement of MEPZ-SEZ has shown an increase from 12.35% in 2001-02 to 25.52% upto 2006-07. The net earning as shown a decrease in 2007-08 as compared to that of 2006-07, though there is a growth in export and import of that particular period. The net earnings has decreased to 122.99% in 2007-08 as compared to 2006-07, it due to the growth in the import from 18.84% in 2006-07 to Rs.51.72% crore in 2007-08.
TABLE - XVI
EXPORT-MEPZ SECTORWISE CLASSIFICATION OF UNITS
(Rs. In crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>MEPZ exports</th>
<th>Engineering Industry</th>
<th>Electronics and Software</th>
<th>Chemical and Leather</th>
<th>Garments and Textiles</th>
<th>Gems and Jewellery</th>
<th>Trading and Services</th>
<th>Sector wise total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>691</td>
<td>143.17</td>
<td>203.03</td>
<td>138.53</td>
<td>169.06</td>
<td>13.65</td>
<td>23.5</td>
<td>690.94</td>
</tr>
<tr>
<td>2001-02</td>
<td>764</td>
<td>187.75</td>
<td>234.66</td>
<td>141.47</td>
<td>162.77</td>
<td>9.71</td>
<td>27.54</td>
<td>763.9</td>
</tr>
<tr>
<td>2002-03</td>
<td>822</td>
<td>195.61</td>
<td>260.83</td>
<td>153.39</td>
<td>172.85</td>
<td>14.07</td>
<td>25.81</td>
<td>822.56</td>
</tr>
<tr>
<td>2003-04</td>
<td>1038</td>
<td>221.14</td>
<td>291.67</td>
<td>167.97</td>
<td>309.65</td>
<td>17.51</td>
<td>30.81</td>
<td>1038.75</td>
</tr>
<tr>
<td>2004-05</td>
<td>1376</td>
<td>352.25</td>
<td>394.44</td>
<td>221.16</td>
<td>326.45</td>
<td>21.83</td>
<td>59.66</td>
<td>1375.79</td>
</tr>
<tr>
<td>2005-06</td>
<td>1860</td>
<td>523.45</td>
<td>532.69</td>
<td>237.73</td>
<td>405.7</td>
<td>105.96</td>
<td>53.99</td>
<td>1859.52</td>
</tr>
<tr>
<td>2006-07</td>
<td>2383</td>
<td>677.03</td>
<td>634.01</td>
<td>336.34</td>
<td>349.27</td>
<td>321.77</td>
<td>64.48</td>
<td>2382.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>3047</td>
<td>753.47</td>
<td>720.09</td>
<td>391.5</td>
<td>376.74</td>
<td>685.44</td>
<td>119.4</td>
<td>3046.64</td>
</tr>
<tr>
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<td>3053.87</td>
<td>3271.42</td>
<td>1788.09</td>
<td>2272.49</td>
<td>1189.94</td>
<td>405.19</td>
<td>11981</td>
</tr>
</tbody>
</table>

Source: Office of the Commissioner, MEPZ-SEZ, Tambaram, Chennai. 600 045

The table explains that there is a growth in export of all the sectors of MEPZ-SEZ.

The ostensible goal of the SEZ policy is to generate additional economic activity, development of infrastructure facilities, generate employment, promote investment from domestic and foreign sources, and facilitate easier exports of goods and services. So far, it has approved 237 SEZs and 51 have commenced operations. The industry ministry has showcased Nokia’s SEZ in Tamil Nadu, Apache (Adidas Group) in Andhra Pradesh, Flextronics in Tamil Nadu, Quart City in Chandigarh, Motorola and Foxconn in Tamil Nadu as examples where thousands of people were employed and hundreds of millions were invested.