

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

ITE&C Department - IT Promotion – AP GIC Policy 2017-2020 – Promotion to Infrastructure Developers and Promoters of Global In-House Centers (GICs) – Orders issued - Reg.

INFORMATION TECHNOLOGY, ELECTRONICS & COMMUNICATIONS
(Promotions) DEPARTMENT

G.O.MS.No. 7

Dated: 06-06-2017
Read the following:

1. G.O Ms.No:13, ITE&C Department, dated: 11.08.2014
2. G.O Ms.No:21, ITE&C Department, dated: 22.09.2016

ORDER:

The Government of Andhra Pradesh is committed to augment inclusive growth of the state across different sectors and strongly believes that technology and its development forms the core of an economy. This has led to formulation of a blueprint “Re-Imagining Andhra Pradesh – role of e-Governance, Electronics and IT” for development of Electronics & ICT Industry in the State. The blueprint also envisages a number of conducive policies and simple but effective frameworks being put in place.

1.2 The blueprint has been the underlying basis for formulation of three comprehensive policies viz. (i) AP IT Policy 2014-2020 which acts as patronage including best in class incentives for industries looking to setup their operation and expand in the state, (ii) AP Electronics Policy 2014-2020, which focuses on overall electronics industry development, and (iii) AP Innovation & Start-up Policy 2014-2020, aimed at to create a world-class ‘technology start-up ecosystem’.

1.3 In the past decade, India has emerged as the most competitive destination for Global In-House Centers (GICs). GIC model is a portion of Business Process Management where an organization will use a wholly owned subsidiary instead of a Third-Party Vendor. The benefit of doing such an arrangement would be to leverage the cost savings of using offshore resources, while maintaining complete control over process and delivery. The GIC model has been adopted across a wide range of industry verticals such as manufacturing, healthcare and functions like engineering services, R&D, etc. Globally, GICs provide value addition through four areas: (i) Operational efficiency, where they deliver cost efficient operations with continuous productivity improvements, (ii) High skill capabilities that deliver end-to-end, high expertise that goes beyond back office skills, (iii) High revenue impact, including top line growth, by extending services and/or building new services, and (iv) Total customer experience by focusing operations on end customer needs.

1.4 Most GICs when they setup their GIC in India, they would look for a readily available, state-of-the-art, world class built-up office space to house their operations/employees meeting international standards. Besides, such GICs would expect the amenities and common facilities to meet their company global outlook. That makes it imperative that business houses.

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1.5 experienced in developing such facilities/infrastructures should consider the state of Andhra Pradesh is their best destination to do business.

2. Policy approach: The state intends to be the most preferred destination for companies wanting to set up their GICs in India by providing favourable business climate, excellent infrastructure, good law and order and peaceful industrial relations. The AP GIC Policy 2017-2020 shall focus on creating a conducive eco-system which makes industries based in Andhra Pradesh innovative and globally competitive by encouraging investment and creation of high-value jobs in the IT/ ITES industry through Global In House Centres, which are Captive IT divisions of Multinational Companies.

3. Policy Vision: To develop the State of Andhra Pradesh as a preferred destination for Global In-House Centres for Multinational Companies.

4. Policy Objectives:

- a. To develop an ecosystem that enables long term success in the talent acquisition, infrastructure creation and nurturing innovation.
- b. To create over 50,000 high quality jobs in technology, analytics and core business jobs by March 31, 2020.
- c. To generate capital investment of over Rs 2,500 crores by March 31, 2020.

5. Policy Framework:

5.1 AP GIC Policy 2017-2020 envisages the establishment of GIC projects in the state through Public-Private Partnership (PPP) model to leverage the project execution and marketing skills of the Private Sector.

5.2 Selection of the Private Sector Project Proponent (PSPP) to implement GIC project on PPP:

5.2.1. APIIC shall be empowered to consider the eligibility of the PSPP based on their track record and business proposal in terms of (i) employment to be created, (ii) built-up space to be developed, (iii) investment to be made, (iv) implementation phasing, (v) means of finance, (vi) financial viability of the project (Vii) Required technical experience, and (Viii) Required financial Strength

5.2.2. PSPP shall have an experience of successfully developing and promoting a cumulative built-up area of at least 10 lakh sqft for GIC infrastructure or twice the estimated project cost whichever is higher over the past five financial years preceding the application due date, shall be eligible.

6. Public-Private Partnership (PPP) Model for implementation of GIC Projects:

6.1 The structure of the PPP model shall be governed by the following principles:

6.1.1 Implementation Mechanism: GIC projects shall be implemented through a Special Purpose Vehicle (SPV) which shall be formed by the joint venture (JV) between Andhra Pradesh Industrial Infrastructure Corporation (APIIC) and the Private Sector Project Proponent (PSPP).

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- 6.1.2 Definitive Agreements: APIIC, PSPP and the SPV shall enter into a Joint Venture and Shareholder Agreement wherein APIIC shall have an equity share of 10% to 26% (Ten to Twenty six percent) in the SPV.
- 6.1.3 Management of SPV: The composition of the Board of Directors shall be in proportion to the shareholding of APIIC and PSPP in the share capital of the Company. The Chairman of the Board shall be elected by the Board by simple majority periodically. The quorum for each meeting of the Board shall be constituted by one third of the total strength of the Board. However, the quorum shall not be considered complete until and unless one of the attendees is an APIIC Director. The Board shall be responsible for the day to day operations of the SPV. However, the matters listed below (the "Reserved Matters") shall not be undertaken by the SPV, at the Board level or at the Shareholder level, without the prior written consent of the APIIC on these matters:
- a. Issue, transfer, redeem or repurchase any securities of any kind or otherwise alter the capital structure of the SPV in any manner, other than as permitted pursuant to this Agreement, or engage in any discussions with any person for such purpose.
 - b. Merger, de-merger, acquisition or corporate restructuring.
 - c. Sale or transfer of substantial assets of the SPV resulting in a Change of Control.
 - d. The acquisition of any other business by SPV.
 - e. Investments by the SPV in entities engaged in activities similar to the Business.
 - f. Incorporation of a wholly owned subsidiary.
 - g. Carry out any change in the nature and scope of Business.
 - h. Any changes or modifications in the Memorandum and Articles of Association of the SPV.
 - i. Any change in the management or Control of the SPV including any change in the size of the Board, any change in the Board of Directors, any reconstitution or appointment of independent directors.
 - j. Voluntary winding up of the SPV.
- 6.1.4 Obligations of the PSPP: Through SPV, the PSPP shall ensure that below conditions are fulfilled within a span of six years from the date of handing over the project land by APIIC to SPV:
- a. Built-up Area: Minimum built-up area of one lakh Sq Ft per acre of project land shall be developed. Built-up area to be utilized for commercial, social and support facilities shall not exceed 30% of the total built-up area.
 - b. Investment: Minimum investment of Rs 500 Crore for the entire project, excluding the cost of land, with an investment of at least Rs.50 Crores per acre of the project land. The investments to be made by PSPP shall be verified and agreed upon by APIIC before execution of the definitive Agreements. Any future increase in the investment after execution of the definitive agreements, shall be subject to approval of APIIC and such incremental investments shall be borne by the SPV without impacting the equity shareholding of APIIC in the SPV.

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- c. Employment: Creation of minimum 500 jobs per acre of the project land. Out of the total employment to be created, at least 70% shall be graduate jobs for IT professionals.
- 6.1.5 Paid-up Capital of SPV: The total paid-up capital of the SPV shall be freezed at the time of execution of the definitive Agreements. APIIC's equity shareholding in the issued and paid up share capital of the SPV shall be maintained at the same level at all times during the project life.
- 6.1.6 Equity Contribution of APIIC: APIIC's equity contribution in the project shall be in the form of land to be allotted for implementation of the GIC project. APIIC shall transfer the land to SPV with clear title and free from any encumbrances or legal issues.
- 6.1.7 Cost of Land: The cost of land shall be determined by APIIC. The excess value of land over APIIC's committed equity, shall be paid to APIIC by SPV.
- 6.1.8 Shareholding Dilution: Dilution of shareholding by either party shall be permissible only after fulfilment of the conditions mentioned at para 6.1.4, Dilution of shareholding shall be done with mutual agreement between both the parties and with first right of refusal to the other party.
- 6.1.9 Arrangement of Funds: PSPP shall be solely responsible for arranging funds (including debt) for the project on SPV account. While arranging funds for the project, the land allotted by APIIC may be allowed to mortgage, if necessary, subject to prior intimation to APIIC. Any and all the funds raised through such mortgage shall be deposited in an escrow account opened separately for this purpose by the PSPP and APIIC and shall be operated jointly. Any and all funds raised through such mortgage shall be utilised by the SPV solely for the implementation of the GIC project for which such land has been allotted.
- 6.1.10 Incentives to the GIC Tenants: The units that are to be located within a GIC project shall be eligible for incentives as per AP IT Policy 2014-2020, read in 1st and 2nd above.
- 6.1.11 Termination on default by PSPP: APIIC shall have the right to appoint, a third-party consultant/auditor to validate the utilization of funds and the details on the progress of the Project which are to be provided by the SPV from time to time. In the event, obligations mentioned at para 6.1.4 are not fulfilled by the end of 6th year, necessary action shall be taken as per conditions stipulated in the definitive agreements executed between APIIC, PSPP and SPV. APIIC shall have the right to terminate the definitive agreements and to take over the SPV after reimbursing 90% of the investment made by the PSPP as per the book value on the date of termination.

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7. This order is issued with concurrence of Finance department vide U.O. No.29024/23/2017 dated 31.05.2017 and will come in to force with immediate effect.

(BY ORDER AND IN THE NAME OF GOVERNOR OF ANDHRA PRADESH)

K VIJAYANAND
PRINCIPAL SECRETARY TO GOVERNMENT

To

All the Departments of Secretariat
The Vice Chairman and Managing Director, APIIC, Vijayawada
The Director of Industries, Andhra Pradesh, Vijayawada
The Commissioner CRDA Vijayawada.
All the District Collectors & Magistrates,
All the Municipal Commissioners, AP,
The CEO AP E&IT Agency, Visakhapatnam

Copy to:

The PS to Prl. Secretary to CM Andhra Pradesh
The OSD to Minister for Information Technology, Andhra Pradesh.
The PS to Spl. CS to CM & IT Advisor, Government of Andhra Pradesh.
The PS to Chief Secretary to Government of Andhra Pradesh.

//FORWARDED::BY ORDER//

JOINT SECRETARY (HRD) i/c