

# SOARING DEMAND

Sprawling software parks and high-tech campuses are being developed across Indian cities, as demand for space from IT and IT enabled service companies, both domestic and international, continues to soar. L.B. RAO focuses on the frenetic activity in the sector.



**INUNDATED BY IT WAVE:** A Panchshil IT project in Pune, which is witnessing an IT boom

**DEVELOPERS** of information technology (IT) parks in cities across India are on a roll, as demand for space is soaring. The buoyancy in the IT and the ITES (IT enabled services) sector has triggered off frenzied demand for office space, and builders of these parks are working overtime to meet the requirements.

Most leading developers are promoting state-of-the-art IT parks, and both international and domestic firms are promptly taking on lease the new office space that is being built. While traditional 'infotech' cities - like Bangalore (in the southern state of Karnataka), Mumbai (in the western state of Maharashtra) and Delhi (the national capital) - are leading the race adding millions of sq ft of additional space, others notably Pune (in Maharashtra), Hyderabad (in the southern state of Andhra Pradesh), Chennai (in Tamil Nadu state), Thiruvananthapuram (in the state of Kerala) and even Kolkata (in West Bengal state) are witnessing brisk construction activity.

Importantly, with the Indian government having recently liberalised its investment laws relating to the real estate

development sector, allowing for 100 per cent foreign investments (in projects with a minimum size of 50,000 sq metres), analysts expect several international firms to enter the business with ambitious IT-linked projects.

Groups that have shown an interest in developing real estate projects in India, especially after the recent easing of rules, include High Point Rendel of the UK, Edaw of the US, Japan's Kikken Sekkel, Dubai's Emaar group, Canadian Royal Indian Raj International Corporation, Lee Kim Tah Holdings of Singapore, and Cisma International, also of Singapore.

Another Singapore-based property developer, Ascendas - which develops technology parks across Asia - is also bullish on India. The firm, which has developed over three million sq ft of IT parks in southern Indian cities like Bangalore, Hyderabad and Chennai, is now looking at expanding in other centres.

And Indian industrial and consumer conglomerate Godrej, which has also ventured into property development, is keen on tying up with an international partner following the relaxation of foreign investment norms.

Domestic Indian property developers are equally gung-ho



**STATE-OF-THE-ART IT CAMPUS:** Infosys and other IT giants in India are developing their own IT parks in multiple locations

about the prospects for new IT parks. Says Pune-based Lalit Kumar Jain, managing director, Kumar Builders: "Pune has emerged as the third major destination, after Bangalore and Gurgaon (near Delhi), for IT companies. We are talking of a huge demand for IT parks in the city." At present, there is about 2.5 million sq ft of IT parks available in the private sector in Pune, but another whopping 30 million sq ft would be built over the next five years.

Jain, whose firm is developing major software parks in the city, notes that IT parks, accounting for 3 million sq ft of space, are currently being developed in Pune. And plans for another 3 million sq ft have been finalised.

In Mumbai, the country's financial and commercial capital, demand for space from IT companies is equally brisk. Says Prakash Shah, senior vice-president, finance and marketing, Hiranandani Constructions Pte Ltd, one of India's leading property developers: "We are developing about 5 million sq ft of IT parks in Powai (Mumbai) and Thane (about 50 km from Mumbai). We have also bought a plot of land in Pune, and plan to develop an IT park there."

Adds Vinod Rohira, director (sales), of K. Raheja Corp,

another leading developer from Mumbai: "There is a lot of potential for IT parks in Mumbai. Despite the relatively higher rents, many IT firms want to have a presence in the city, as the infrastructure is excellent, and the quality of living is far superior as compared to other cities."

His firm, which is developing a sprawling residential-cum-commercial complex in north Mumbai, will be accounting for 8 million sq ft of IT parks in the city over the next few years.

All these initiatives by private developers are besides those being promoted by state-run organisations. In the western Indian state of Maharashtra, government-owned Maharashtra Industrial Development Corporation (MIDC) has been at the forefront, promoting a series of IT parks across the state. It has developed the country's premier 'knowledge corridor', straddling the two cities of Mumbai, the state capital, and Pune, about 180 km to the south-east.

**THE** 150-km corridor - which will ultimately have IT and bio-tech parks - has six major software parks at present. And they are linked with an excellent, six-lane expressway, the country's most modern and also the first international-standard artery. Optical fibre cable link has also been

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**MIXED-USE DEVELOPMENT:** The IT park at the Hiranandani complex in Mumbai is a mixed-use project

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provided between the two cities, all along the Mumbai-Pune expressway.

MIDC has promoted over 15 IT parks, and is busy even encouraging the private sector to develop similar ventures. And India's leading IT companies have responded to the slew of incentives that the Maharashtra government offers the industry. Infosys Technologies, for instance, is developing a 110-acre campus at the sprawling, 500-acre Rajiv Gandhi Technology Park in Hinjewadi, lying close to the expressway near Pune.

According to N.R. Narayana Murthy, chairman and chief mentor, Infosys, Pune offers some of the best technical manpower in the country, thanks to the presence of a large number of engineering colleges and other technical institutions. Murthy also describes the infrastructure developed by MIDC as 'truly world class.'

The Bangalore-based IT major has invested over \$28 million in the project, and this is expected to double over the next few years. The company's BPO (business process outsourcing) subsidiary, Progeon, functions out of the new Hinjewadi campus.

The other Bangalore-based infotech giant, Wipro, has also acquired a 50-acre plot at the infotech park at Hinjewadi. The company had a 25-acre plot in the first phase of Hinjewadi. MIDC had earmarked about 400 acres of land in the second phase of Hinjewadi for the IT-BT sector, and all of it has been bought by different companies.

Considering the huge demand, MIDC is now acquiring land

for the third phase of expansion of the infotech park. Over 100 companies are keen on setting up a presence at the campus in Hinjewadi.

Naturally, land costs have soared in and around the park. About two to three years ago, land was available for around \$2,220 an acre. Today, it costs over \$11,000 an acre. Other semi-urban areas around Pune, including Kharadi and Talawade, where IT parks are being planned, have also seen land costs soar.

Not surprising then, that many private developers have started promoting IT parks all along the knowledge corridor. According to industry analysts, nearly 20 IT parks are expected to be developed in and around Pune city alone.

Atul Chordia of Panchshil Realty, points out that the city is being inundated with an 'IT wave' as hundreds of BPO set-ups and software giants are making their presence felt in Pune. "There are over 40,000 IT professionals working in Pune, and the number is growing rapidly," he says.

Panchshil itself is developing three million sq ft of commercial space at its 'tech parks' in Pune to meet the requirements of the IT sector. The new developments are spread across the city. "We are registered with the Software Technology Park of India and provide a host of benefits and facilities to IT companies," explains Chordia.

Another large development in the IT sector in Pune is the 400-acre Magarpatta township, being developed by Satish Magar, a local entrepreneur.

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Initially planned as a residential-cum-commercial project, Magar soon decided to put up a nearly 100-acre cybercity in the centre of the complex. A thriving IT-BPO hub today, it has attracted leading international names, including Avaya, insurance major Aviva, and EXL. Other developers are also planning IT parks in the city.

Closer to Mumbai at Airoli in Navi Mumbai, Patni Computers has acquired 50 acres of land in the MIDC Technology Park. The company is investing over \$50 million in the first phase of the project.

The flurry of activity in the IT sector in the state of Maharashtra, in which both Mumbai and Pune are sited, will hopefully pitchfork the state into the top league in the country. Maharashtra, with software exports of nearly \$1.9 billion (a nearly 55 per cent jump over the previous year's figures) last year, ranked second in India.

Top of the charts, of course, was the southern state of Karnataka with exports almost touching the \$4.5 billion-mark. Maharashtra still has a lot of catching-up to do, not only in its bid to overtake Karnataka, but to keep others from overtaking it. Another state in the south, Tamil Nadu, for instance, ranks third (software exports: about \$1.8 billion), followed by the state of Andhra Pradesh (over \$1.1 billion).

**MANY** other state governments are also pushing ahead, promoting IT parks, offering hefty incentives, and wooing leading companies, both domestic and international. Notable among the states that are encouraging the setting up of IT parks are Kerala (in the south) and West Bengal (in the east).

In the state of Kerala, for instance, the regional government offers several incentives, and IT giants from around the world have rushed to set up a presence. According to Aruna Sundararajan, secretary, information technology department, Wipro is building its own campus in Infopark at Kochi (a city about 225 km north of Thiruvananthapuram, the state capital),

making it the hub for its Middle East and Australia operations. With Wipro establishing its 25-acre campus in the state, all three IT majors - including TCS and Infosys - are now present in Kerala. Both TCS and Infosys are also planning an expansion.

International companies that have started operations - or made announcements of setting up a presence - at the Infopark in Kochi and the Technopark in Thiruvananthapuram include Allianz Cornhill, a leading UK-based general insurer; Affiliated Computer Services, a Fortune 500 company; Ernst & Young, and McKinsey.

The Infopark at Kochi, which currently offers 120,000 sq ft of built-up space, will get an additional 220,000 sq ft of space. Ultimately, over the next five years, the IT park will have a total of 1.7 million sq ft of workspace. An additional 250-acre plot of land is being acquired to facilitate the expansion of the IT park.

Technopark in Thiruvananthapuram, the state capital has a built-up space of about 1.5 million sq ft, much of it already occupied. About 250 acres of land is being acquired to expand its capacity, and a new building - with half a million sq ft of space - will be built.

Another exciting project in the state of the Kerala is the proposed 'Smart City' in Kochi, likely to be developed by the Dubai Internet City at a cost of \$400 million.

The neighbouring state of Tamil Nadu is also gearing up to accelerate its IT exports. In financial year 2005-06, the state hopes to export about \$2.25 billion worth of software. State capital Chennai is being projected as an emerging IT hub, which would be one of the top destinations for outsourcing over the next five years.

The government of Tamil Nadu state has cleared over 40 IT parks in the private sector, which would add about 8.5 million sq ft of commercial space. About 6 million sq ft of built-up space in IT parks is expected to be ready in Chennai by the end of the year. Another four million sq ft of built-up space would be available every year for the next few years.



**LUSH SURROUNDINGS:** The new parks offer a host of recreational facilities for the employees

The Karnataka government is developing a massive, over \$100 million, 1,000-acre HiTech city between Sarjapur road and Hosur road near Bangalore

Leading international firms that have started operations in Chennai, the Tamil Nadu capital, include Accenture, iGate, Philips, Kanby Software, Siemens and Alcatel.

Besides Chennai, the state government is also keen on exploiting the potential of Hosur, a much smaller industrial city, which thanks to its proximity to Bangalore - just 30 km away - offers tremendous opportunities. Many of the IT complexes in Bangalore - including Electronic City, where Infosys has its three-million sq ft campus - are just a few minutes drive from Hosur.

The Electronics Corporation of Tamil Nadu (ELCOT) is conducting a survey, together with the Confederation of Indian Industry to assess the potential of Hosur as an emerging new IT destination. Besides proximity to Bangalore, Hosur also offers inexpensive housing, and is also an established industrial city.

The Tamil Nadu government wants to develop a 250,000 sq ft IT park, on the lines of the Tidel Park in Chennai, in Hosur at a cost of over \$10 million. And like Gurgaon and Noida are to Delhi, and Navi Mumbai and Thane are to Mumbai, Hosur could emerge as an ideal satellite city to Bangalore.

ELCOT is already developing an IT Park in Coimbatore, a textile city that lies about 500 km from Chennai, the state capital. The state government also plans to develop similar parks in other cities, including Trichy and Madurai.

Meanwhile, the Mahindra Industrial Park, an integrated township which includes an 'IT City,' is fast taking shape on the outskirts of Chennai. The project has been developed by domestic auto giant Mahindra & Mahindra, together with Infrastructure Leasing and Financial Services, and the Tamil Nadu Industrial Development Corporation. The project is expected to attract investments worth over \$1.5 billion in the first five years.

The state of Andhra Pradesh, which is the fourth major IT software exporter out of India, is developing Cyberabad on the outskirts of its capital, Hyderabad. Gachibowli, near Hyderabad, which is witnessing remarkable development, is already home to IT majors including Microsoft, Wipro, Infosys and Polaris.

According to Ajit Rangnekar, deputy dean, Indian School of Business, which is located in Gachibowli, the half-kilometre-long 'knowledge corridor' in the locality will be humming with about 12,000 software engineers in a year or two. This development is complementary to the HITEC city (the Hyderabad Information Technology and Engineering Consultancy City) that has come up in Madhapur, also on the outskirts of Hyderabad.

**BANGALORE,** the IT capital of India, and capital of the state of Karnataka, continues to attract IT companies, despite the infrastructure-related problems, such as traffic congestion, power cuts and lack of a good airport. The 'golden triangle' - comprising Whitefield-Bannerghatta-Sarjapur Road, which forms its suburbs - is seeing a lot of developments, especially with new IT parks being built.

Whitefield etched a name for itself in the IT map of India, with the setting up of the Information Technology Park, a joint

venture involving the Tata group, the Singapore consortium, and the Karnataka government. The park offers 1.6 million sq ft of commercial space.

But this once-quiet suburb is today bustling with activity, as IT companies rush in to set up a presence. One of the main attractions is the proximity of Whitefield to the proposed new international airport. Almost eight million sq ft of software-related commercial space is being developed in Whitefield, and IT companies have poured in about \$225 million over the past one year.

Another locality in Bangalore that will benefit because of the new international airport at Devanahalli is Yelahanka, and Infosys will be getting a 300-acre plot of land here for its new campus. Karnataka Chief Minister Dharam Singh has okayed the allotment of land to Infosys at Yelahanka, besides another 50-acre plot at the Hi-Tech city project on Sarjapur road.

The state government is developing a massive, over \$100 million, 1,000-acre Hi-Tech city between Sarjapur road and Hosur road near Bangalore. The project, which will form an important part of the IT corridor project, has revived interest of the IT sector in Bangalore, and companies are making a bee-line for plots in the new development.

But the hunger for additional space - which far outstrips supplies - is forcing the IT sector to move out to other cities in the state of Karnataka. Infosys, for example, recently opened a 250-acre 'knowledge campus' at the historic city of Mysore, about 140 km from Bangalore. Prime Minister Manmohan Singh inaugurated the facility.

A new expressway linking Bangalore to Mysore would dramatically reduce the travel time, and accelerate the development of the former royal capital, attracting more IT companies. Like Bangalore, Mysore enjoys excellent weather, has good educational institutions (ensuring the supply of qualified personnel), and offers reasonable housing. Companies like Infosys have also ventured further westwards, to Mangalore about 300 km away, which holds a lot of promise.

The National Capital Region, the area around New Delhi, has seen several leading developers promote software parks - but on a much smaller scale than in the west or south - in satellite cities like Gurgaon, Noida and Greater Noida. With its wide highways and new expressways, Greater Noida offers a lot of promise, and developers are reportedly buying up land to promote software parks.

To the east, Kolkata, the capital of West Bengal state, with about 250 IT and ITES companies, has made a big foray into the sector. The West Bengal government expects software exports to cross the \$500 million-mark this year. According to S.N. Jindal, director, Software Technology Park of India, the state has almost quadrupled its exports over the last three years.

The state government has unveiled plans for the second phase of the Rajarhat knowledge corridor, which would cover 200 acres. The first phase saw 100 acres of land being sold out. The IT biggies who have a presence in West Bengal include



**LURING DEVELOPERS:** Leading developers have promoted IT parks, like Mindscape (above) in suburban Mumbai by K. Raheja Corp

**Most of the international companies that set up IT or ITES operations in India prefer to lease out office space, and it is only the large domestic companies who buy commercial units, or land for their campuses**

Microsoft, IBM, Cognizant Technology, Cisco, Computer Associates, TCS, Wipro, and the Chatterjee group.

Besides Kolkata, IT parks are expected to come up in smaller cities in West Bengal, including Haldia and Siliguri, at a cost of around \$2.25 million. West Bengal has an ambitious plan to emerge among the top-three IT states in about five years. While the large IT companies of the world prefer buying land in cities like Bangalore, Hyderabad and Pune, and developing their own campuses, small and medium enterprises like to take out space in software parks. Such enterprises prefer offices of up to 25,000 sq ft, which can seat up to 100 people. With soaring rents in the major centres - including Bangalore, Mumbai and Delhi - many are migrating to tier-2 cities.

In Pune in Maharashtra, for instance, rents are 30 to 40 per cent cheaper than in Mumbai, says Lalit Kumar Jain of Kumar Builders. Even in a city like Mumbai, rents in the north-central suburb of Powai are far lower than in the southern part.

According to Prakash Shah of the Hiranandani group, rents in the IT park at Powai are between 75 cents and a little over a dollar per sq ft (per month). This compares well with rents in Whitefield in Bangalore, though the rent in Pune could be as low as 45 cents a sq ft.

"Rents at our IT park have been climbing gradually, by about five per cent annually," explains Shah. Many of the parks in large cities like Mumbai - where space is always a constraint - are in mixed-use developments. The Hiranandani complex at Powai - where the IT park is located - also has other commercial and residential developments.

But the IT park enjoys all the benefits that the government offers, including stamp duty exemption, and other concessions offered by the Software Technology Parks of India. Developers, however, have to provide a modern work environment, and amenities such as food courts, gyms, etc, for the employees at these IT parks.

**MOST** of the international companies that set up IT or ITES operations in India prefer to lease out office space, and it is only the large domestic companies who buy commercial units, or land for their campuses.

And considering the growing demand for such units, most of the leading real estate developers in the country are rushing ahead, promoting IT parks. They include the big diversified groups like the Tatas, the Mahindra and the Godrejs (who have their own property development divisions), and also construction and realty giants like Shapoorji Pallonji group, the K. Raheja group, and the Hiranandanis. Shapoorji Pallonji, for instance, is planning to develop seven IT parks all over India.

With liberalisation of foreign investment norms, several international groups are also expected to enter the fray. Encouragingly, financial institutions have also realised the tremendous potential that IT parks have to offer.

Housing Development Finance Corporation Ltd, the country's leading housing finance company, has just set up a real estate fund - HDFC Property Fund - in association with State Bank of India, the country's large commercial bank. The venture capital fund, which has been approved by the Securities and Exchange Board of India, the capital market regulator, will invest in equity and equity-linked instruments of companies engaged primarily in real estate, in major cities.

The HDFC India Real Estate Fund, the initial scheme, has a target corpus of \$166 million, with a greenshoe option of \$55 million. One of its primary aims is to invest in projects which are complete, comprising real estate assets which are in use with established, high-quality tenants. The IT and ITES sector, biotechnology, insurance, and banking have driven growth in the real estate segment, and the new fund will primarily be targeting projects focused on these business areas. ■