

# Pune's booming IT parks sector

With the IT industry driving the property market in Pune, real estate developers are promoting sprawling software parks, some even attracting funding from international majors. An **India Now** report.



**IT HUB:** With international Infotech majors making a beeline for Pune, foreign investors have also followed suit

One of the major factors driving the explosive growth of the real estate sector in large Indian cities is the voracious appetite of the information technology industry for built-up space.

IT firms have emerged as major consumers of office space in cities like Bangalore, Hyderabad, Cochin, Chennai, Coimbatore, Gurgaon and Pune. And employees at these firms have been pushing demand for residential properties, trig-

gering off a virtual boom in the real estate sector.

Pune, the engineering and automobile hub of western India - lying about 160-km south-east of Mumbai - is emerging as a major IT centre, with sprawling software parks coming up all over the city and in the suburbs. According to the Software Technology Parks of India (STPI), software exports from Pune increased by 48 per cent, touching the \$2 billion-mark, even

surpassing Mumbai's exports.

In terms of exports growth, Pune now ranks next only to Hyderabad - which saw exports soar by 51 per cent last year. P. Venugopal, director, STPI, Maharashtra, notes that Pune is shaping up as an attractive location for niche companies specialising in high-end work, especially in engineering services.

The Maharashtra government has permitted several private developers to estab-



nessing spectacular growth. Currently spread over 330 hectares, it is likely to be expanded to a thousand hectares in a few years. But private developers are also promoting a series of parks in areas like Kharadi, Magarpatta, and Kalyani Nagar.

Atul Chordia, managing director, Panchshil Realty, a leading developer of software parks and special economic zones (SEZs), points out that rents in Pune are competitive when compared to cities like Bangalore and Mumbai. They range from a low of 55 cents (per sq ft per month), to about \$1.45, which compares well with the prevailing rates in Bangalore's prime central business district, but are much higher than those in the suburbs like Electronic City, Whitefield, Outer Ring Road, and Bannerghata Road.

"We have developed about half of the private sector IT parks in Pune," says Chordia. His firm has built about 2.5 million sq ft of office space for IT firms, ever since it got into this specialised business about three years ago. "We are currently developing another 8 million sq ft of IT space," adds the 40-year-old entrepreneur. Lease rentals account for about \$35 million of Panchshil's total income of over \$55 million.

The list of his clients is indeed impressive: IBM, Microsoft, Visteon, Siemens, T-Systems, BMC Software, Tata Johnsons Controls, Bosch, Philips, Nokia, Cognizant Technologies, Calyon Bank, and AXA Insurance.

"For IBM alone we have developed about one million sq ft of space in Pune," notes Chordia.

With international infotech majors making a beeline to Pune, foreign investors have also followed suit. Panchshil, for instance, was the first Indian real estate development firm to attract foreign direct investments (FDI), just a month after the central government cleared the policy last year. Today, the company has attracted funding from Merrill Lynch - for its one million sq ft Panchshil Tech Park - and US-based Ireo Fund, for its four million sq ft EON Free Zone at the Kharadi software park in Pune.

Total funding from the two international partners works up to nearly \$200 million, explains Chordia. The biggest FDI in the Indian real estate sector so far was the \$500 million committed by Dubai-based Emaar Properties, which recently

announced a tie-up with a Delhi-based developer.

Other international firms that have taken advantage of the new FDI regime in the real estate sector include Tishman Speyer Properties and GE from the US, Ascendas, CapitalLand and Keppel Land from Singapore, ETA Star from Dubai, and the Salim group of Indonesia.

With the economy growing at 8 per cent annually, and sectors like IT reporting a much faster clip, demand for real estate will continue to soar.

The IT industry itself has a phenomenal appetite for office and residential space. The Indian government has extended incentives - by way of hefty tax breaks - for those going in for housing loans. IT sector employees, who are paid relatively high salaries, are driving the mortgage business.

Cities like Pune have gained significantly because of the boom in the IT sector. Property prices are not as high as in Mumbai or Bangalore, though the quality of life is much better - with less of traffic congestion, better homes, clubs, and social and leisure facilities. Not surprisingly several private developers are diversifying into building software parks. They include Kumar Builders - which has also taken up several major IT parks - Vascon Engineers, Gera Developers, Kolte-Patil Developers, Rohan Builders and the Paranjape group.

Kruti Kumar Jain, executive director, Kumar Builders - which has developed a million sq ft IT park at Kalyani Nagar - believes that Pune offers several advantages to the IT and ITES (IT Enabled Services) sectors, in terms of the availability of a large number of young professionals. The city, known as the 'Oxford of the East' because of the presence of several top engineering and other professional colleges, is able to meet the growing requirements of qualified personnel.

"There is an abundant availability of young professional talent in Pune, and these people are comfortable working with international firms," adds Jain. So when American and other western firms set up their offices in Pune, getting the right people to staff their units is not a major issue here, she notes.

A city that once had a reputation as being a haven for retired persons, Pune has now shaped up to be a bustling, cosmopolitan city, with virtually all the global IT firms having their operations here. 🌈

lish IT parks in and around Pune, he adds.

Over a hundred companies - including over two-dozen multinationals - have registered with the STPI, seeking space for their facilities. Most of these are involved in research and development, engineering services and embedded technology-related work, remarks Venugopal.

The biggest IT park in Pune is the state government-promoted Rajiv Gandhi Infotech Park in Hinjewadi, which is wit-