

# Hyderabad : The Latest Go-To Place for Business Travelers

Telangana, despite being India's youngest state, had an inherent advantage in business. When it was carved out of the erstwhile Andhra Pradesh in June 2014, after a long and bloody struggle, it got Hyderabad as its capital – and with it the benefit of its business friendly legacy. Hyderabad had over the



past couple of decades become a hub for information technology, pharma and biotech companies. This image was to a large extent created when N Chandrababu Naidu was the chief minister of the unified Andhra Pradesh, from 1995 to 2004. Today, the new Andhra is building a capital city from scratch in Amaravati.

Though Hyderabad was to be joint capital of both states for 10 years, the Andhra government has chosen to move its operations to cities near Amaravati.

Despite having Hyderabad, the Telangana Rashtra Samithi (TRS) govt in Telangana knew that it had to allay concerns about being a new state. So in November 2014, the state introduced the Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS) Act, which came into effect in June 2015. Under the law, any new enterprise in manufacturing or services with an investment of more than Rs 200 crore will be approved within 15 days and all other proposals will be green-lit in 30 days. If all the approvals do not come through in that period, the company can consider the project deemed to be approved and go ahead with its plans. What's more, the officials in charge of the clearances would be penalised Rs

1,000 each for every day of delay.



The move was a welcome departure for companies used to dealing with the crushing red tape that was the norm in most other states. Y Venkat Reddy was one person who was pleasantly surprised with the pace of approvals. "It was quite refreshing to see things working in a speedy manner," says Reddy, who had moved back to Hyderabad in early 2015 after working in the US and Singapore. He had heard a lot about the time taken to get all the clearances to start a project in India and was fearing the worse.

But GeneSys Biologics, a company which makes insulin biosimilars and of which Reddy is managing director, got a conditional approval for a research & development and manufacturing facility in Hyderabad's Genome Valley within a couple of weeks of submitting its application. The four acre plant, in which the company has invested Rs 100 crore, was inaugurated this September.

According to data provided by the Telangana government, between January 2015 and November 2018, over 8,500 projects with a total investment of Rs 1.4 lakh crore have been approved. Of those, over 6,000 projects with an investment of around Rs 60,660 crore have commenced operations. The government claims these projects have generated 2.7 lakh jobs. Of the investments in the operational projects, around a fifth has come from manufacturing projects with an investment of at least Rs 10 crore, and services projects with a minimum outlay

of Rs 5 crore, according to data compiled by the Department of Industrial Policy and Promotion (DIPP).



These numbers have given a boost to the TRS, the ruling party in the state that is being criticised by the opposition for its failure to create enough jobs. With assembly election scheduled on December 7, the party is gearing up to take on the Congress-Telugu Desam Party.

Politics aside, TS-iPASS Act has helped Telangana position itself as an attractive destination. One of the questions raised by the deemed approval system is what happens if the government finds gaps in a proposal after the project is underway?

“If irregularities are detected later, the company is given an opportunity to rectify them within a specified period of time. But approvals can’t be reversed,” says Jayesh Ranjan, principal secretary of the IT and industries departments in the state. Officials have failed to approve projects within the specified timeframe only in four cases and penalties have been levied against delays ranging from a day to eight days, he adds.

KT Rama Rao, information technology and industries minister and son of chief minister and TRS chief K Chandrashekar Rao, did not respond to requests for comment. The deemed approval policy is an extension of the single-window clearance system

that several states have in place.



Besides Telangana, Andhra and Odisha also have a deemed approval policy. Telangana accounted for 4.4% of the Indian economy in 2017-18, and services contributed two-thirds and manufacturing a tenth to Telangana's output last fiscal year. While Telangana's growth in its first two fiscal years lagged India's, it has outpaced national growth in 2016-17 and 2017-18. Telangana's gross value added at constant prices grew at an estimated 9.2% and 9.3% in 2016-17 and 2017-18, respectively, compared with India's growth rate of 7.1% and 6.5% for the corresponding periods.

"TS-iPASS is one of the hallmarks of this government. It has been working very well," says Arun Luharuka, president of the Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry. Sanjay Singh, chairman of the Confederation of Indian Industry in Telangana and chief executive of ITC's paperboards and specialty papers division, concurs.

"Things are moving much faster than before." But some issues have to be ironed out, he adds, referring to problems with wheeling power from its wind farm in Andhra Pradesh, set up before the state's bifurcation, to the company's paper mill in Telangana. ITC, which has invested Rs 2,500 crore in the state, including in a hotel, plans to plough a similar amount into a consumer goods plant and logistics facility and its paper mill in the state.

Among the other companies that have announced plans to invest

in the state are smartphone brands OnePlus and Oppo, chipmakers Qualcomm and Micron, and superbike maker Benelli. Tech majors Microsoft, Google, Facebook, Amazon and Apple already have offices in Hyderabad. Telangana ranked 13th among states in the first ease of doing business ranking, in September 2015. But in 2016, Telangana shared the top spot with Andhra, although it slipped to the second spot, behind Andhra, in 2017.

The ranking is done by DIPP and the World Bank. The Telangana government's fasttrack mechanism alone might not be enough to ensure investments keep flowing. "Financial closure for a project is not in the hands of the government. Because of rising non-performing assets, banks have been cautious with lending," says Luharuka.

Critics say companies could have a free run in the government's haste to welcome them. They also question the delay in disbursement of subsidies to companies – including on investment capital, interest on loans and patent registration. IT and industries principal secretary Ranjan says subsidy dues are at Rs 1,950 crore. It is clear that Telangana has managed to create an impression as a business-friendly state but whether it can sustain it will depend on the outcome of the assembly election.

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