

Sensex ↓ (-0.66%) 66266.82 -440.38	Nifty ↓ (-0.60%) 19659.90 -118.40	Nifty Midcap ↑ (0.27%) 37151.60 + 101.50	Nifty Smallcap ↓ (-0.09%) 5217.20 -4.50	Nifty Bank 45679.30
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At a crossroads: Finance, tech hub GIFT City looks for a new present

The concept is really of a tri-city--Gandhinagar and Ahmedabad on two sides of the GIFT City-almost merging the old and the new



Ruchika Chitravanshi | Gandhinagar

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A finance and technology hub, a central business district or a greenfield smart city? Gujarat International Finance-Tec City or GIFT City, on the banks of the Sabarmati river, aspires to be all that and more, as a recent ground visit suggested.

Wide open roads, lined with manicured shrubs and lush green surroundings, make way for swanky skyscrapers as you drive through the GIFT City in Gandhinagar district. The concept is really of a tri-city--Gandhinagar and Ahmedabad on two sides of the GIFT City—almost merging the old and the new.

When this correspondent went around the integrated complex spanning some 886 acres, the structures stood out in stark contrast to the traditional bungalows and low rise tenements of Gujarat's capital city, Gandhinagar. The skyline and the logistics here could easily make you think of Singapore or Hong Kong, even though it's still work in progress.

The technology is striking. An automated waste segregation unit, for instance, catches the eye along a walk. The unit has been designed by Envac, a Swedish firm focussed on next-generation recycling and what it calls a greener planet. Some distance away, down two flights of stairs, accompanying officials pointed to an underground utility system that the repairmen can even drive into, if required. Then there's a district cooling system designed by UAE's ETA group, meant to distribute thermal energy in the form of chilled water through underground pipes to the whole of GIFT City.

But it is hard not to notice that most of this smart city is dug up with several under-construction high rises including residential towers, the State Bank of India office designed in the shape of its logo, the main office of IFSC (International Financial Services Centre) and so many more.

With the Gujarat government approving GIFT City's expansion to 3,300 acres from 1,000 acres now (including core area of 860 acres), the possibility of a seamless integration with the high-tech infrastructure may get real in this mix of commercial and residential development. That, however, will take time.

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Build and they will come

Operationalised as International Financial Services Centre in 2015, the GIFT city is now home to more than 450 business institutions, including 25 banks, 73 fund managing entities, over 50 professional services providers, 21 aircraft lessors and more. But, there are concerns.

Despite the infra and the glitzy buildings, the GIFT City is not exactly buzzing with people. Many companies, in fact, are finding it difficult to recruit employees and set up offices here due to lack of social infrastructure such as malls, theatre, restaurants. “Talent either has to be recruited directly from or relocated to Gujarat. For certain types of businesses set up in GIFT City, like fund managers or fintech companies, their talent pools are largely located in cities like Mumbai, Delhi and Bengaluru,” said Radhika Parikh, Head of GIFT City offices at law firm Nishith Desai Associates.

Of the total occupied area, 11 per cent is meant for social, 22 per cent for residential and 67 per cent for commercial activities. The idea behind this division is to promote the walk to work concept. And to this end, several residential towers are currently under construction, a mall is also being planned alongside schools and foreign universities. Developers, though, needed some convincing for building flats as there were no takers.

“This place was just coming up, and builders were concerned about who would buy these flats especially if they were meant only for those who worked in the IFSC,” a senior IFSCA official said.

To incentivise, the first 5,000 flats were allowed to be sold to non-residents, largely developers themselves. Many of the premium flats found other takers as well, including Bollywood actor Akshay Kumar.

To make itself self-sustainable, the revenue model of the GIFT City involves a 99-year lease to the developers and also a city-level maintenance fee of Rs 10 per square feet. A single authority to manage the power, water and electricity supply has been constituted here to ensure no one works at cross-purposes. With barely any residents at present, much of this infrastructure is yet to be put to test.

Ironing out issues

Most of the business that has come to IFSC has been post 2020, after the regulations were formed. Officials are confident that from next year there will be occupants. “Majority of our business is wholesale, which is why you don’t see a lot of retail activity at present. Around 90 per cent of the flats are sold out and by mid next year apartments will be ready and you will see more residents here,” a GIFT city official said.

Not just apartments, even office space is in short supply, according to some companies present there. “The developers are addressing this need by developing co-workshare spaces which new entities can sign up for initially, and then transition to more permanent office spaces once available,” Parikh added.

One of the main objective of the IFSC is that India’s offshore investment should come onshore to GIFT City. “GIFT should become a natural choice for Indian institutions to avail international finance. It has not come to that level yet,” the official added. Why?

Officials believe there are perception issues. “We have ironed out most regulatory issues. Financial sector has a gestation period. Things like taxation and regulation have to be stabilised. We are on the right course,” an official explained.

“The teething issues of infrastructure—last mile connectivity, availability of more office space to meet the demand etc—are also being rapidly addressed,” said Sunil Badala, Partner, BFSI-Tax, KPMG India. IFSC will soon become an attractive option for foreign investors as well as help Indian companies and investors go global, he added.

To draw businesses, policy interventions are being planned by the authorities. Stakeholders of course are asking for more. For instance, many at the IFSC want the most favoured nation or the MFN status, which is usually given to an international trade partner to ensure non-discriminatory trade between all partner countries of the WTO. Also, a unified regulator and single window clearance is yet to happen on ground.

The IFSC authority is moving on several Budget announcements, such as the creation of data embassies. A draft note for regulations of these centres is being considered by the Department of Economic Affairs. While IFSC units were allowed by the government to issue participatory notes or offshore derivative instruments to foreign investors, the Authority will only allow banks for now. “We want to start with more credible players, in the first phase. We are also seeing a lot of interest from investment bankers,” an IFSCA official said.

Meanwhile, as of April 1, 2023, the IFSCA has asked all its banks to ensure that 5 per cent of their overall portfolio comes from sustainable financing.

To give reprieve to the aircraft lessors located at the IFSCA, the corporate affairs ministry is also considering exempting them from the moratorium clause of the insolvency and bankruptcy code. This means that their assets would be free to be leased, even if a company goes bankrupt.

To sweeten its offering, the GIFT City has requested the Gujarat government to allow liquor to be sold in the IFSC premises. As a hopeful employee at the GIFT City put it, that will surely give this place an European touch.

ALL THAT GLITTERS

Funds management entities	73	Total AIFs:	60	Total amount committed by AIFs	₹16.33 bn (Incl. fundraising via green shoe option)	Monthly turnover on IFSC exchanges:	\$38.67 bn (As of June 2023)		
Cumulative debt listing (up to June 2023)	\$52.7 bn	Aircraft, aircraft assets leased from GIFT IFSC	79	Fintechs, techfins registered	44	Aircraft lessors	21	Insurance entities	27

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		1-year tenure	3-year tenure	5-year tenure		
Shriram Finance*	ICRA - AA+/Stable IND AA+/Stable by India Ratings and Research	7.34%	7.95%	8.18%	12-60 months	0.50%
Mahindra Finance	CRISIL - AAA/Stable India Ratings - IND AAA/Stable	7.40%	8.05%	8.05%	12-60 months	0.25%
Manipal Housing Finance Syndicate Ltd.	ACUITE - ACUITE A	8.25%	8.25%	7.75%	12-60 months	0.25%
PNB Housing Finance Ltd.	CRISIL - AA/Stable CARE - AA/Positive	7.35%	7.70%	7.50%	12-120 months	0.25%
Sundaram Home Finance	CRISIL - AAA/Stable ICRA - AAA/Stable	7.45%	7.75%	7.90%	12-60 months	0.35%-0.50%
Muthoot Capital Services Limited	CRISIL - A+/Stable	6.25%	6.75%	7.25%	12-60 months	-
ICICI Home Finance	CRISIL - AAA/Stable ICRA - AAA/Stable CARE - AAA/Stable	7.00%	7.45%	7.30%	12-120 months	0.25%
Can Fin Homes Ltd.	ICRA - AA+/Stable	6.50%	6.75%	6.75%	12-60 months	0.50%
Bajaj Finance Limited	CRISIL - AAA/Stable ICRA - AAA/Stable	7.40%	8.05%	8.05%	12-60 months	0.25%
LIC Housing Finance Ltd.	CRISIL - AAA/Stable	7.25%	7.75%	7.75%	12-60 months	0.25%

*At Monthly Rests. Additional interest of 0.25% p.a on all renewals, where the deposit is matured. Additional interest of 0.10% p.a. for women depositors.

Data as on 26th July 2023

Source: Paisabazaar.com

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