

Government of Andhra Pradesh  
ABSTRACT

IT&C Dept. – AP Policy on Information Technology Enabled Services (ITES) –  
Orders – Issued.

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Information Technology & Communications Department

G.O. Ms. No.5

Dated 29.01.2002

Read the following:

1. G.O. Ms. No. 114, Finance & Planning (Plg. IT & C) Department dated 25.5.1999.
2. G.O. Ms. No. 41, Information Technology & Communications Department dated 21.8.2001.

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**ORDER:**

Government of Andhra Pradesh has been working on various initiatives to attract investments in Information Technology (IT) Industry and identified the IT Enabled Services as a potential area especially for employment generation. M/s. Mc. Kinsey & Co. have conducted an in-depth study and suggested a series of measures to be taken up for creating a conducive and supportive environment for promoting ITES sector in the State. Thus far, the Government of Andhra Pradesh has been adopting a common policy for both IT Services and IT Enabled Services. However, with the expected growth of ITES and for the development of a better understanding of industry needs, the Government identified the need for a separate and targeted ITES policy. Government also incorporated suggestions from leading industry players, industry associations, academic institutions and the concerned departments and agencies of the government in the preparation of this policy.

**2. Objectives:**

ITES is not only a potential sector but also a fast growing sector most suitable to a State like Andhra Pradesh, which is endowed with large and technically competent manpower. The ITES is identified as a sunrise sector, which could drive the economic growth and prosperity of not just States but even Countries. It could therefore provide a long-term viable solution to the problem of unemployment by providing jobs for millions of people. The Government's view is to leverage this rapidly growing sector.

- 2.1 Through its ITES policy and initiatives, it intends to capture a large portion of India's ITES opportunities by strengthening AP's value proposition;
- 2.2 Generate employment in the State including the smaller towns;
- 2.3 Ensure that the competitive advantage of the ITES companies is sustained over the long term by developing Tier II towns as a source of manpower and infrastructure;
- 2.4 Attract foreign direct investment;
- 2.5 Increase export earnings and thereby the State's GDP and revenue and
- 2.6 Enable the youth of the state to acquire skills and knowledge in this important, fast growing sector, thereby making them highly employable not just in AP based ITES companies but ITES companies based anywhere in the world.

**3. Features of the ITES Policy:**

In order to achieve its objectives, the State Government is moving in the direction of providing the most conducive environment for ITES companies with the development of AP's Bill of Guarantees, which guarantees the following:

**3.1. Easy Availability of Trained Manpower:**

- Ensuring availability of high quality people certified by renowned Institutions / Companies;
- Develop company specific courses/modules duly coordinating with the training Institutions and Industry and
- Provide shared training facilities and infrastructure at subsidized cost.

**3.2. High Quality infrastructure:**

- Provide reliable, cost effective telecom infrastructure with adequate built-in redundancy
- Work with key real estate developers to provide multi-option ready-to-move-in ITES office space
- Provide reliable, economically priced power with adequate built-in redundancy
- Ensure reliable public and private transport for rapid movement of employees

**3.3. Supportive environment:**

- Provide the most supportive and progressive regulatory environment;
- Provide a single window interface for facilitating the setting up, and running of business.

**3.4. Easy Accessibility:**

- Provide world-class accessibility and ensuring completion of the new international airport by 2005.

**The above individual items are discussed in greater detail as under:**

**3.1 High Quality Manpower**

Andhra Pradesh (AP) believes that highly skilled, English speaking manpower is a key prerequisite for ITES companies. Towards this end, AP intends to provide ITES companies, manpower that is proficient in English as well as in soft and domain specific skills. It intends to do this by training approximately 200,000 to 300,000 students by 2010 of which 10,000 will be trained in the next 2 years.

To address the requirements of ITES companies, AP will institute a two-tiered training programme. The first level of this training programme, required for all potential ITES employees, will be geared towards augmenting basic English capability. The second level of this programme will focus on specialized skills for ITES. Further, AP will also provide value-added elective courses for domain specific skills such as HR training, payroll processing, insurance processing, GoAP laws, etc. in the second level of training.

**In order to institutionalize the training programme, the state will:**

**3.1.1** Set-up a Virtual Institute for ITES training headed by the Chairman of the AP State Council for Higher Education. The advisory board of this institute will have representation from both academia and industry and will be responsible for ensuring that the curriculum design, certification methodology, etc. are in line with industry needs and support marketing of the programme to end customers. The Departments of English of the State Universities will act as nodal agencies for the ITES courses run in the University Colleges.

**3.1.2** Franchise ITES diploma programmes to IT training providers with a well-established network of training institutes to increase training capacity and expedite penetration into smaller towns.

### **The Virtual Institute for ITES Training shall also:**

- Develop certification for the programme together with leading educational institutions in the world
- Tie up with the extensive network of colleges throughout the state to administer the diploma programme.
- Negotiate with banks to provide soft loans with a payback time of 3 years after completion of course.
- Attract private ITES training providers.

In the long term, the Virtual Institute for ITES Training will work towards institutionalizing and strengthening the English language capability in the state. It will:

- Assess and redesign the existing English curriculum in schools, colleges and polytechnics to ensure higher English standards in AP.
- Design a comprehensive curriculum for teacher training programmes by developing a greater understanding of teaching methodologies and increased awareness of the needs of learners.

### **3.2. High Quality Infrastructure**

High quality infrastructure is one of the most important pre-requisites for fostering the growth of the ITES industry as each aspect of infrastructure has a significant impact on the costs incurred by an ITES company. To address this need, Government of Andhra Pradesh will encourage private real estate developers to develop and reinforce three key aspects of infrastructure viz. office infrastructure, city infrastructure, and residential and commercial infrastructure.

#### **3.2.1 Office infrastructure**

Ready availability of high quality office space serviced with amenities like high-speed telecommunication links, uninterrupted power supply, central air-conditioning, etc. are critical to attract ITES companies. Therefore, it is the endeavor of Government of Andhra Pradesh to facilitate creation of this space not only in and around Hyderabad but also **in other important cities and towns in the state such as Vijayawada, Vizag, Warangal, Guntur and Tirupati.**

It will ensure that the following are available to the ITES companies:

- **High quality real estate:** To cater to the rising demand of the ITES industry, AP will encourage the development of quality office space. This is divided in to two categories based on the requirements of the ITES companies:
  - **Ready to move in office space:** Government of Andhra Pradesh will ensure that a host of renowned real estate developers would offer high quality ITES office space.
  - **Built-to-suit office space:** The same set of incentives, as available to infrastructure developers, would be applicable to the ITES companies, which decide to build their own facilities.

In order to attract renowned real estate developers to AP, Government of Andhra Pradesh will provide the administrative and asset base support as well as foregoing select revenue streams as detailed below:

#### **Administrative Support:**

- Provide State level statutory clearances within specified time frames after the project is sanctioned in favor of the developer and also automatically grant non-statutory state level clearances
- Acquire land necessary through APIIC (Andhra Pradesh Industrial Infrastructure Corporation) for the project, if the same does not already belong to the Government and undertake all rehabilitation & resettlement activities resulting from acquisition of land
- Provide best effort support for obtaining all central level clearances

**Asset Based Support:**

- Provide government owned land at concessional lease charges for projects where ownership would revert to the government within a maximum period of 33 years from the start date of the lease
- Commit/facilitate development of linkage infrastructure for ITES projects

**Foregoing Revenue Streams:**

- 50 % Rebate on registration and transfer of property charges and exemption from stamp duty for sale/ lease of built-up space.
- Exemption from payment of segniorage fees i.e. cess on minor minerals during construction periods
- **Reliable Telecom:** AP will develop adequate telecom capacity dedicated to ITES. The government would ensure:
  - Presence of multiple telecom service providers offering high-speed telecommunication links with several levels of built in redundancy. The state already has multiple private and government providers like VSNL, STPI, BSNL, Reliance, Tata Teleservices and Bharti.
  - Establishment of broadband digital networks and satellite communication links.
  - Service level agreements (SLAs) in place with different telecom service providers to provide quality of service (QoS). The SLAs will be designed to include normal anticipated delays as a safety margin, and will provide incentives to the concerned service providers on timely delivery of service. The QoS requirement shall be reviewed with concerned service providers and consumers, on an annual basis to reflect changes in network capabilities as well as consumer requirements.

In order to attract telecom service providers to AP and encourage existing ones to expand their operations, Government of Andhra Pradesh already provides comprehensive support to them in the form of:

- Incentives for land acquisition to set up telecom equipment.
- Permission to set up base stations and telecommunication network equipment in earmarked areas.
- Right of way allowing any entrepreneur holding the necessary licenses from Bharat Sanchar Nigam Limited (BSNL), to lay optic fiber along the state highways, forest roads, district roads, municipal and Panchayat Raj roads free of any license fees or special charges.
- **Uninterrupted Power:** Government of Andhra Pradesh will provide reliable power supply. The government will ensure:

- Rapid set-up of redundant connections from AP Transco. The maximum time period to establish a connection from the existing lines will be 10 days with a 3 months provision of setting up a captive transformer.
- Exemption from statutory power cuts for ITES parks/ facilities and 24 X 365 (round the clock) maintenance services.
- Service Level Agreements (SLAs) with the nodal agency to ensure Quality of Service (QoS).
- **Shared training Infrastructure:** Government of Andhra Pradesh will encourage building of shared training infrastructure like classrooms, computers and projectors for companies to use periodically on a rental basis. This will help reduce the investment for emerging ITES players.
- **Restaurants, food courts:** Government of Andhra Pradesh will encourage leading international/national food and entertainment chains to set up shop in AP and offer multiple options to suit different budgets.

### 3.2.2 City Infrastructure

Government of Andhra Pradesh will focus on enhancing the Quality of Service (QoS) of state run bodies providing these support services to ITES companies. It is committed to working along the following areas to ensure a robust city infrastructure:

- **Public Transport:** The Government of Andhra Pradesh would develop sustainable means of public transport to service the needs of the ITES companies and will:
  - Ensure adequate number of buses and trains are available to transport employees of ITES companies.
  - Establish a bus depot close to ITES parks to handle the high volume of traffic.
  - Establish customer service centers for both bus and rail services to provide companies with a single contact to the service provider and also ease the procedure of bookings, payments etc.
  - Encourage state run transport providers (APSRTC) to sign Service Level Agreements (SLAs) with companies and infrastructure developers.
- **Roads, water etc.:** Provide roads and water facilities at the site of ITES parks, at no extra cost to the developers. This will involve replicating facilities that exist in HITEC City today, such as street lighting with photo sensor controls, municipal water reservoir, treated water supply network, excellent sewerage system, RCC storm water drain network to other ITES parks.

### 3.2.3 Residential and commercial infrastructure:

This includes amenities such as high quality and affordable housing, entertainment, reputed schools and hospitals etc. that employees of ITES companies look for in a city. Government of Andhra Pradesh is actively working towards improving the quality of life in AP. It will ensure:

- **High quality residential space:** Government of Andhra Pradesh would encourage development of residential space and will:

- Provide a range of options to the budgets of various ITES employees from a manager to a process associate.
- Attract private real estate developers to build excellent residential facilities. Government of Andhra Pradesh will provide administrative and asset based support to these developers in line with the incentives delineated in this section.
- **Commercial space:** Government of Andhra Pradesh will encourage development of commercial space dedicated to shopping and entertainment by 2006. The government is working towards:
  - Attracting leading food and entertainment chains to build a strong lifestyle brand for AP. The government will earmark viable plots of land for these companies to build and/or expand their facilities.
  - Attracting private real estate developers to build suitable support infrastructure such as entertainment complexes, mega malls etc. The Government of Andhra Pradesh will provide administrative and asset based support to these developers in line with the incentives delineated in this section.
  - Attracting leading schools in the country to establish in AP by offering suitable plots of land and other administrative and financial support. They will be given necessary clearances within a specified timeframe and the entire process will be coordinated by the ITES agency.
  - Attracting leading healthcare players to augment their existing healthcare set up. The government will offer land at subsidized rates and also accord necessary help in securing all approvals through the ITES agency.

### **3.3 Supportive Environment:**

Government of Andhra Pradesh believes that providing a supportive and progressive government is critical to realizing the state's aspiration in the ITES field. Therefore, it intends to undertake several initiatives to make AP's regulatory environment, the most optimal environment for ITES companies. The government will:

- 3.3.1** Amend the AP Shops and Establishments Act, to make it more suitable for the ITES companies. It will allow ITES companies to:
- Employ women and young persons (between age group 18 -21) during night shift, subject to provision of adequate security and transport, through amendment in section 21& 23.
  - Have "flexi-timing" by asking an employee to work for more than eight hours a day, without exerting an additional financial burden on the companies, in terms of overtime payments, as long as the statutory requirement on the maximum weekly working hours, 48 hours, is respected. This will be achieved by amending section 16.
  - Operate twenty four hours a day by amending section 15
  - Operate 365 days in the year by amending section 31
  - Reduce the procedures involved in retrenching employees, if certain conditions are satisfied, by amending section 47
- 3.3.2** Develop an ITES Act to provide specific labour policies and a single interface to the government. AP will also provide a reliable single

interface to facilitate the start up process and help ITES companies in obtaining state government approvals. The single interface, to be called the ITES Agency will provide Escort Executives to assist each ITES Company. In addition to helping companies with the necessary approvals, escort executives will help resolve all issues between the government and ITES companies, explain relevant laws to companies and help them complete all application forms.

**3.3.3** Develop a Data Protection and Consumer Privacy Act to reassure the ITES companies and their customers of the safety of their data and indicate the Government of Andhra Pradesh's commitment to, and respect for, consumer privacy. The act will lay out the nature of information protected under the law, setup a regulatory authority for enforcing this act and lay down the consequences of violation, etc.

**3.3.4** Work with the Government of India for simplifying the custom bonding procedure. The state will work towards amending the existing STP scheme to allow ITES companies to self certify as custom bonded warehouses.

### **3.4 Easy Accessibility**

AP will improve international connectivity in the years to come. It will:

**3.4.1** Influence domestic airlines to link to incoming and outgoing international flights so that travel time to Hyderabad is reduced.

**3.4.2** Expedite the development of the new international airport

## **4.0 INCENTIVES AND OTHER EXEMPTIONS**

Government of Andhra Pradesh intends to provide certain financial incentives and other exemptions to the ITES companies to provide a nurturing environment. As a result of these exemptions, the ITES companies will be:

**4.1** exempted from the purview of AP Pollution Control Act, except in respect of power generation sets

**4.2** exemption from the purview of statutory power cuts

**4.3** able to self-certify in respect of the following acts:

- The Factories Act
- The Employment Exchange (Notification of Vacancies Act)
- The Payment of Wages Act
- The Minimum Wages Act
- The Contract Labour (Regulation and Abolition) Act
- The Workmen Compensation Act
- The Andhra Pradesh Shops and Establishments Act
- The Employees State Insurance Act

- 4.4** Allowed to run a three-shift operation
- 4.5** Able to get power at industrial power tariff and all other admissible incentives and concessions in respect of power shall be applicable to the ITES Industry including those in the urban areas.
- 4.6** New units will get 25% concessional power tariff for a period of 3 years from the date of release of power or from the date of commencement of commercial operations whichever is earlier.
- 4.7** Eligible to purchase land or ready to move office space at a rebate of Rs. 20,000/- per job created subject to:
- Lands being allotted by Government / APIIC with prospective effect
  - ITES companies not having availed of the incentives laid out in 4.8.
  - Infrastructure provider not having availed of the incentives laid out in 4.8.
  - Limit of Rs. 20,000/- per job created or the cost of bare land/cost of ready-to-move-in office space (excluding development charges/cost), whichever is less subject to a ceiling computed at the rate 0.30 acres for every 100 jobs created. In case of the ready-to-move-in office space, the ceiling measured in terms of square feet would be computed at the rate of 13608 multiplied by maximum FAR stipulated in that area for every 100 jobs created.
  - Minimum number of employees to be hired by a company being 100, corresponding to 0.30 acres of land.
  - Minimum gross salary/wage of Rs. 5000/- per month.
  - Sustaining the employment for a minimum period of two years.
  - The number of employees not exceeding the number arrived at by the following formula:

Number of computer workstations at a location  $\times (1.33) \times$  number of shifts (of 8 hours each) operated by the company at the location.

- In case of ready to move-in-office space, the infrastructure provider will be provided the land at a discount linked to the no. of jobs expected to be created by the ITES companies, which is based on the office space constructed by infrastructure provider. The Infrastructure provider will have to provide a bank guarantee equivalent to the discount including the interest component given in the price of land. As and when the office space is sold to the ITES company the bank guarantee will be released to the extent of jobs created and will be replaced by a bank guarantee of equivalent amount from the ITES Company on similar lines as highlighted above. This is to ensure a pass through of incentive benefits to IT and ITES companies even for land bought from developers.

In case the ITES Company does not create or maintain job promised after availing the discount within three years, the bank guarantee can be invoked. The amount invoked will be linked to the short fall between the jobs promised and the jobs actually created.

The Infrastructure providers will be given reasonable period to be negotiated between provider and Government from the purchase of land to market and sell the office space.

- 4.8** Get investment subsidy of 20% of the fixed capital investment up to a limit of Rs. 20 lakhs and an additional subsidy of 5% of fixed

capital cost, with an additional limit of Rs. 30 lakhs in the event of promoters belonging to scheduled castes or tribes. This will not be available to ITES companies availing themselves of the incentives mentioned in 4.7.

- 4.9** Get special packages for projects, with investment exceeding Rs.50 crores, based on the gestation period of projects, pioneering nature of projects, locational aspects, state of the art technology, profitability scope for further related investments, etc.

## **5.0 DEFINITION OF ITES AND SERVICES COVERED UNDER THIS POLICY**

ITES include processes and services sourced from a place that is located in a country separate from that in which the end users are located. It is delivered over private and secure public telecommunication networks. These services can be sourced from external contractors, own subsidiary or joint ventures. These services do not include remote production/ manufacturing units, local branches of global businesses and virtual businesses on the Internet. They include, but are not limited to:

- Customer interaction services, e.g., call/contact centres and email help desks
- Engineering and design
- Back office processing
- Finance and accounting (provided remotely)
- Insurance claims processing (provided remotely)
- HR services (provided remotely)
- Web site development and maintenance services
- Data search, integration and analysis
- Network consulting and management
- Remote education
- Animation (provided remotely)
- Market research (provided remotely)
- Translation, transcription and localization (provided remotely).

**6.** The above incentives will be inclusive of any similar incentives of State Government / Central Government Institutions / Agencies already availed / Central incentives including the IT incentive policy of the State Government, which may be announced from time to time by the Government of India and other such incentives extended by any other Government agency.

**7.** The package of incentives will be valid initially for a period of 3 years and subject to review there after.

**8.** Education (School & Higher Education), Energy, Labour Employment Training and Factories, Municipal Administration and Urban Development, Revenue (Regn.) Departments are requested to take consequential action to enable the ITES industry reap the benefits of the Policy announced without any time lag.

**9.** This order issued with the concurrence of Finance Wing vide their U.O. No. 418 / PFS dated 25.1.2002.

**10.** These orders will come in to force with immediate effect.

11. Copies of this order also available on [www.ap-it.com](http://www.ap-it.com) or [www.apts.gov.in/apgos](http://www.apts.gov.in/apgos).

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

**RANDEEP SUDAN**

Ex-Officio Secretary to Government.

To

All the Departments of Secretariat,  
Commissioner Municipal Administration  
Commissioner and I.G Stamps and Registration  
Commissioner Industries  
Chairman and Managing Director APIIC  
Managing Director APIDC  
Commissioner Information and Public Relations  
Managing Director A.P.T.S. Ltd.,  
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//FORWARDED BY ORDER//

**SECTION OFFICER**