

Modi's GIFT to India gets ready for a global pitch; project awaits unified regulator, tax certainty

Gujarat International Finance Tec-City or GIFT City, Modi's troubled pet project, has been receiving clearances and approvals in double quick time. With physical and regulatory infrastructure largely in place, the proposed mega financial hub now needs to cross a few more hurdles before it begins to woo global investors. A ground report from GIFT City on the outskirts of Ahmedabad.



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The towers on the left fall in the domestic-tariff area while those across the road are in the IFSC area. Together, they account for 9,000 jobs today at the Gujarat International Finance Tec-City near Ahmedabad; courtesy of N Sundaresha Subramanian

On a trip to Singapore in 2007, strolling along the Singapore river in Boat Quay with Narendra Modi, silhouetted against the brilliantly lit skyline of the city's central banking district, veteran lawyer Nishith Desai floated the idea of an onshore financial centre to the then chief minister of Gujarat.

By then, Modi had seen a few presentations on setting up an international financial centre (IFC) in Gujarat. And soon, things were set in motion to build a mini-Singapore in his backyard. Around that time, the United Progressive Alliance (UPA) government at the Centre had set up a committee to make Mumbai the IFC. But Modi and his team had other ideas.

By 2011, the basic contours of Gujarat International Finance Tec-City or GIFT City was drawn, a smart city with cutting-edge infrastructure. The hub would also house an international financial services centre (IFSC), carved out under the Special Economic Zones Act.

The project moved at a glacial pace till 2014, but gathered impetus as soon as Modi became the Prime Minister. Today, there are about 12 banks operating out of IFSC with combined business of about USD22 billion, apart from 100 financial intermediaries, 17 insurance companies, and two major bourses – the NSE and the BSE – housed there, according to Tapan Ray, managing director and CEO of GIFT. About 9,000 jobs have been created within the city. Ray tells ET Prime. But it appears well short of what Modi set out to achieve by now.

The project has been mired in troubles over the years, but now, at the beginning of the Prime Minister's second term, most of the physical and regulatory architecture is almost in place. More importantly, it has left Mumbai, India's financial capital, far behind even as a contender.

ET Prime travelled to the GIFT City to find out the status of the project first hand.

In our 30km-odd drive from Ahmedabad airport to the GIFT City, we refrained from striking a conversation with the cabbie, but he started talking after a while. "Four or five years ago, a lot of people used to fly down to the GIFT City. We used to get 10, sometimes even 15 trips to GIFT on a good day. But these days, there are hardly any."

Perhaps, people have now moved in as the City is already operational, we reasoned.

"No, there is not much traffic on the roads (around the GIFT City). The trips I usually get are to the college outside and sometimes the school inside [of the City]," he said. The trickle-down effects of the project are yet to kick in for the local community.

Physical infrastructure

Troubles at IL&FS, a joint venture partner in GIFT City's development, had cast a shadow over the project with its earlier chief Ajay Pandey stepping down. But the state government quickly bought the troubled NBFC's stake in 2018 and roped in former IAS officer Tapan Ray as its new managing director and CEO.

GIFT City sprawls over 866 acres on the far side of Sabarmati. The initial prototypes and models projected a glittering riverfront — dozens of skyscrapers with the 400-metre Diamond Tower as the centrepiece.

The IFSC is the nucleus of this project. After an amendment to the SEZ Act, GIFT was notified as the first IFSC in the country in 2015. The IFSC area, which is a little over 100 acres, is fenced by a white compound wall across the road from the Domestic Tariff Area (DTA), where the two towers built by IL&FS, GIFT One and Gift Two, stand.

At present, there are three towers within the IFSC. The first one is the Signature, developed by Hiranandani, with BSE affiliate INX as the anchor client apart from about 100 intermediaries and top banks. The building has an occupancy rate of between 50% and 70%, according to estimates.

The second tower in IFSC, developed by Bengaluru-based builder Brigade, has NSE IFSC, and HDFC Bank as the first movers. A third tower being developed is a joint venture between Noida-based ATS Infrastructure and Gandhinagar-based Savvy Infrastructure and is likely to be completed in the next few months, officials say.

Construction activity continues in several patches outside the IFSC zone, while the Jamnabai Narsee School and the GIFT Club in the far end are already functional. A tower by World Trade Centre is coming up, so are projects by State Bank of India and LIC.

Desai says about INR1 lakh crore worth of landed assets have already been locked into the IFSC project. Social infrastructure such as hospitals and residential buildings are in various stages of development and the city wants to promote the walk-to-work culture, Ray says.
