

High On Investment

MUNDRA PORT
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Mundra Port & Special Economic Zone, India's largest private cargo terminal, has seen its Rs 1,770-crore initial public offering (IPO) oversubscribed five times by the end of the very first day. This is the first time a special economic zone (SEZ) has gone public for funds and has received tremendous response from investors. Does it indicate investors' confidence in the success of SEZs in India?

Not really, says Vinayak Chatterjee of Feedback Ventures in Delhi, who is of the view that it is the project per se that matters. "The plus point of Mundra is that it is a port-based SEZ, which always attracts higher premium over a landlocked one," says Chatterjee. This IPO had everything going for it, the location and the promoters Adani — who have a credible infrastructure reputation.

But there are some who think the offer may be a sign of good times to come for those planning to raise money to fund setting up of SEZs. "These zones are dedicated infrastructure zones with tax holidays and real estate potential," says Vikram Doshi, a Hyderabad-based chartered accountant who specialises in matters related to SEZs. "This makes the SEZs very attractive to the investors." He says that the concept of free trade zones has been highly successful in countries such as China. And investors expect this to be replicated in India.

Doshi, however, admits that the response to projects with better connectivity will be much more. "This is because such an SEZ will not only have conducive environment for manufacturing, but also a captive facility to export," he adds. Chatterjee also says that if a project is ill-conceived and promoted by a company of dubious reputation, raising funds may not be so easy.

It may be too early to predict whether investors will line up for other SEZ projects, but this offer may bring cheer to those who have been promoting SEZs as the next step towards India's development.