

**INSIDE**

## Resurrecting Brand Hyderabad

In a two-part series, Mint reviews the situation in the two states formed by the bifurcation of Andhra Pradesh on 2 June 2014. In the first part, the focus is on Telangana. >P12



REVIVAL PHASE

# Resurrecting Brand Hyderabad

After protests leading to the bifurcation of AP and creation of Telangana dented its reputation, the city is slowly rebuilding its image a year on

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HYDERABAD

It was the boom in the information technology (IT) sector in the late 1990s that gave Hyderabad, till then known only for its rich heritage, its new-age identity. Global IT majors flocked to the city, setting up offices and creating employment. It also triggered a real estate boom as super-specialty hospitals, hotels, shopping malls, multiplexes and higher education institutions mushroomed.

But corruption, corporate scandals, and violent protests and shutdowns since 2009 leading to the bifurcation of Andhra Pradesh and the formation of Telangana in 2014 dented the city's business-friendly image. These days, the IT and panchayat raj minister of the newly formed Telangana, K.T. Rama Rao—or KTR—is busy resurrecting brand Hyderabad.

Son of Telangana Rashtra Samiti (TRS) leader and state chief minister K. Chandrashekar Rao, the 38-year-old minister, who has a management degree from the US, has emerged as the face of the state when it comes attracting foreign investments. Recently, he toured the US, where he met the heads of global IT firms and got ₹3,000-crore worth of investment for Hyderabad, the capital of Telangana, which turns one year old on 2 June.

One of them was Google Inc.'s decision to invest ₹1,000 crore to set up its biggest campus outside the US. The proposed 2 million sq. ft. facility will be Google's first company-owned campus in Asia. To be built over 7.2 acres in Gachibowli, it is expected to be ready by 2019 and will house 13,000 workers.

To be sure, the Internet firm already operates out of a leased facility in Kondapur locality and employs about 7,000 people. Dozens of multinational IT firms such as Microsoft Corp., Facebook Inc., International Business Machines Corp., LinkedIn Corp., Cap Gemini SA, CA Inc. and Dell Inc. are already present in the city.

The city exported software and business process outsourcing services worth ₹57,000 crore in 2013-14, accounting for about 12% of the country's total IT exports. It also provides direct employment to 350,000-450,000 and indirect employment to millions. Hyderabad has also emerged as the pharma capital of the country. With about 250 bulk drug manufacturing units in and around the city, it contributed to one-fourth of the ₹18,000-crore worth of pharmaceutical exports in 2013-14.

Being the main revenue generator, Hyderabad was the biggest bone of contention in the bifurcation of the erstwhile Andhra Pradesh, with leaders of coastal Andhra and Rayalaseema regions unwilling to part with the city. It still remains the headquarters of most businesses in Telangana and AP and the centre of the Telugu movie industry worth in excess of ₹1,000 crore.

Hyderabad will remain the joint capital of Telangana and Andhra Pradesh till 2024, after which the city will be completely transferred to Telangana. Currently, the administration and law and order of the city rest with the Telangana government. "The growth of Hyderabad has definitely slowed in comparison with other major Indian cities," KTR said in an interview to *Mint* on 28 May.

"So, we did lot of introspection in the last one year. We met the international investment community, we talked about the new industrial policy and all the natural advantages a city like Hyderabad has. We were able to succeed partially, but we still have a long way to go," said KTR, who sees the preservation of the cosmopolitan nature of the city and ensuring law and order as the state government's biggest achievement in the last one year.

"We would like the best talent in the country to come and settle in Hyderabad and become a part of its growth story.



Investment destination: A file photo of the iconic Charminar. Hyderabad remains the headquarters of most businesses in Telangana and Andhra Pradesh and will stay as the joint capital of both the states till 2024, after which it will be transferred to Telangana.

KT RAMA RAO/IT MINISTER

## 'Make in Telangana' is our slogan

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HYDERABAD

India's youngest state Telangana will celebrate its first anniversary on 2 June. Telangana began its journey on a strong note with its revenue in surplus and retaining Hyderabad, the economic growth engine of the combined state, as its capital. The Telangana Rashtra Samiti (TRS), the party that spearheaded the Telangana movement, assumed power in Telangana under the leadership of its supremo, K. Chandrashekar Rao.

Rao's son and information technology and panchayat raj minister, K.T. Rama Rao, spoke to *Mint* about his government's priorities and preserving brand Hyderabad. Edited excerpts:

**How was the last year for Telangana? What are your priorities and challenges?**

Telangana emerged as 29th state of India amid a lot of struggle, aspirations and apprehensions. It's not a routine transfer of power that took place after an election, it's a new state born under unprecedented political circumstances. In last one year, the chief minister and his team worked tirelessly to draw plans, priorities and policies with a long-term vision of providing transparent governance and development programmes centred on the aspirations of Telangana's people. The government assumed the task of providing water for irrigation to farmers and drinking water to every household and to make Telangana a power-surplus state in the next four years. The government tried to restore education and healthcare system that were weakened during previous

The fact remains that even today, Hyderabad offers the best value proposition in the entire country, for a city of its comparable size, like Chennai or Bengaluru, where real estate prices are three times that of Hyderabad, and the infrastructure is one-third," KTR said.

"Telangana has tried to project its tech-friendliness and industry-friendliness, while sending some jitters with ethnographic surveys on the intent of the new government," said Rajesh Chakrabarti, clinical associate professor of public policy and executive director of Bharti Institute of Public Policy at the Indian School



Power point: Rao says Telangana could become a power-surplus state by 2018.

### MINT INTERVIEW

ous regimes for short-term political gains...

**The state is reeling under power, water shortages. How are you tackling these?**

One of the propaganda unleashed on Telangana was the state will crumble due lack of power. The chief minister took it as a challenge, through concerted efforts and vision, he slowly and steadily positioned the state in a comfortable position on the power front. Today, there are no scheduled powercuts. The chief minister personally monitors the power situation through dashboards set up at his office and home. By 2018, Telangana is expected to be a power-surplus state, with total installed capacity of 24,600 megawatts, at an estimated

of Business (ISB).

Three months after the state's formation, Telangana had carried out an intensive survey of 8.4 million households to map socio-economic profiles, triggering fears of exclusion from state's welfare programmes among the people of coastal Andhra and Rayalaseema regions settled in the state.

"Since Telangana was born on separatist lines from a larger state, reassuring all non-Telangana people, particularly from Andhra, to stay back and continue to invest is critical for its growth and retaining the crown jewel of Hyderabad,"

investment of ₹91,500 crore...

**What is your plan to improve the image of Hyderabad and attract industries?**

Hyderabad always has been a resurgent brand. I don't think you need any individual to make an effort for that. One thing remains the fact: growth that Hyderabad could have been able to attract in last decade or so has definitely slowed in comparison with other cities, while other cities kept growing. I think Hyderabad has not grown as quickly as it should have. The fact remains that even today, Hyderabad offers best value proposition in the entire country for a city, compared with Chennai, Bengaluru, where the real estate prices are three times that in Hyderabad and infrastructure is one-third... Bengaluru had a first-mover advantage in the 1990s and is sustaining it. We don't want to lose on the start-up space, what we are trying to do now is come up with country's largest incubation centre that can house 400 start-ups, providing a huge fillip to the start up space in the city.

We are organizing a global investor meet early next year, either in February or March, and that will be a big show. In the meantime, we will conduct lot of roadshows in different countries. For instance, I am travelling to Hong Kong and Taiwan next week. Then, we also have plans to travel to South Korea and Japan. So we definitely try and create a buzz. Now the Prime Minister is talking about making in India. While the global community and investors are looking at India with a lot of intent and optimism, we want them to look at Telangana. Make in India yes, but make in Telangana is our slogan.

Chakrabarti said.

"It has not quite excelled on that count."

K. Nageshwar, political analyst and professor of journalism at Osmania University, has a different view. "Contrary to the initial alarmist view that Telangana under the TRS government will be anarchic, this government has actually dispelled those fears and promoted the brand image of Hyderabad," he said.

To attract investments, the state has unveiled an industrial policy—the Telangana State Industrial Project Approval and Self-certification System (TS-

IPASS)—a single-window for clearing all investment plans. "If you don't get a response from the government on 15th day, the proposal is deemed to have been given approval," KTR said.

The government has created a land bank of 150,000 acres for allotment to investors and plans to acquire another 500,000 acres to make available to industry. The state also unveiled a policy to attract ₹20,000 crore investments by 2020 in life sciences. "We are promoting IT, life sciences and aerospace as thrust areas," KTR said.

"One year is not an adequate time to judge," said Nrupender Rao, founder chairman of Hyderabad-based Pennar Industries Ltd and vice-chairman of industry lobby Confederation of Indian Industry (CII), Telangana. "Nevertheless, this government is making all the right noises; it came up with an industry-friendly policy, ensured 24x7 power supply and dispelled worries about investing in Hyderabad."

When it comes to attracting product development and start-up firms, analysts say the city has lost to Bengaluru. Hyderabad is largely IT services and the top 10 firms probably account for 80% of exports, said Ramesh Loganathan, president, Hyderabad Software Enterprises Association, and managing director of Progress Software India Pvt. Ltd. "Industry has grown and matured so much, there are no low-hanging fruits any more; now comes the difficult growth because all major cities are as compelling as Hyderabad."

"Unlike Bengaluru, Hyderabad lacks the depth in terms of funding innovation, which is a concern," said Saifur Adeni, president of The Indus Entrepreneurs (TIIE) Hyderabad chapter, and managing partner, Meda Venture Group, a venture capital firm.

To attract start-ups, KTR said the government will set up the country's largest incubation centre, called T-Hub, in collaboration with the Indian Institute of Information Technology-Hyderabad, ISB and NALSAR University of Law in June. Around 400 start-ups are expected to function from T-Hub. The government is also planning a global investor summit in March 2016.

The state also plans to spruce up the city by cleaning up the polluted Hussain Sagar lake, a man-made lake in the heart of the city that used to be the source of drinking water. The government also plans to build a new secretariat and an architectural masterpiece called Telangana Kalabharathi, a 125,000 sq. ft. cultural centre.

The government's grand design, along with political stability, has slowly started showing on the property market. "Last 3-4 months is the best period since 2009. Corporate leasing interest and the amount of office space leasing has picked up," said Sandip Patnaik, managing director at property consulting firm ILL India. Residential demand, however, remains flat, and might take at least 3-4 quarters for revival, he said.

"Investor confidence is low and may take 2-3 years to pick up," said Ayodhya Rami Reddy, chairman of Ramky group, one of the largest developers in Hyderabad. The city's businesses suffered during the political unrest ahead of Andhra Pradesh's bifurcation and investment will await clarity on the priorities of the government as well as what the neighbouring Andhra Pradesh has to offer, said Chakrabarti of ISB. "Not rocking the boat is key for Telangana to keep the old glory of Hyderabad."

B.V.R. Mohan Reddy, founder and executive chairman of Cyient and chairman of software lobby group Nasscom, said the last year turned out to be positive for the IT industry in Hyderabad.

"We had a very good IT minister. He has vision, he has passion and he has commitment. He has taken very good interest in the industry. And he fully understands what are the key challenges we had," said Reddy.

He said one challenge was restoring the confidence in Hyderabad.

"The second thing was people's apprehension over problems associated with power. They managed the power situation very well for the industry," he said.