

India has been aiming to increase domestic manufacturing across a range of industries through several policy interventions. This in turn has led to an increased demand for industrial real estate in the country from both, domestic as well as foreign investors. Although leasing or purchasing land for setting up a factory accounts for between 20-30% of the overall capex; it is indeed the most critical decision for the Board and is one of the most time-consuming activity for project teams.

This paper is an attempt to share information about various stakeholders in the Indian industrial real estate market and to provide some useful tips for investors. Finding land for construction & development (housing, shopping malls, office, hotels & resorts) within city limits is a completely different ball game than searching for a location to set up a factory. This article is restricted to the process and framework for securing land for manufacturing facilities.

The top five industrialized states in India are Haryana, Tamil Nadu, Gujarat, Maharashtra and Karnataka. Each of these states has been able to develop a thriving ecosystem of vendors and service economy to support industries. Other states like Uttarakhand and Himachal Pradesh did well due to the 10-year long indirect tax (excise duty) breaks. In the last 5 years, relatively new entrants like Andhra Pradesh and Telangana have sprinted ahead to attract new investments in Auto, Hospitality, Information Technology, E-commerce, Food Processing, etc.

Some well-established and prominent industrial clusters in India are highlighted in the graphics-

Himachal Pradesh-Uttarakhand (Hilly State Benefits)

Industrial Areas: Haridwar, Rudrapur, Kashipur, Sittarganj

Major Industries: Automotive | FMCG | Food Processing | Textiles | Chemicals | Pharma

Delhi NCR Region

Industrial Areas: UTTAR PRADESH: Noida-Greater Noida, Ghaziabad | HARYANA: Gurugram-Sohna, Faridabad, Manesar, Bawal, Dharuhera, Hissar | RAJASTHAN: Bhiwadi, Tapukara, Neemrana, Jaipur

Major Industries: Automotive | FMCG | Heavy Industries | Electronics | Electrical

Ahmedabad-Becharaji-Vithlapur (North Gujarat)

Industrial Areas: Sanand, Changodar-Bavla-Bagodara, Vithlapur, Mandal-Becharaji, GIFT City, Mahindra World City

Major Industries: Pharmaceuticals | FMCG | Automotive | Textiles | Engineering

Bharuch-Vadodara (Central Gujarat)

Industrial Areas: Dahej, Saykha, Halol, Karjan,

Major Industries: Petrochemicals | Chemicals | Electrical Machinery | Automotive | Chemicals

Nashik-Aurangabad (South-Eastern Maharashtra)

Industrial Areas: Shendra-Bidkin, Waluj, Nashik MIDC

Major Industries: Engineering | Food Processing | Pharmaceuticals | Automotive

Mumbai-Pune (North-Central Maharashtra)

Industrial Areas: MIDC Talaja, MIDC Tarapur, Patalganga, Chakan, Talegaon, Ranjangaon, JNPT SEZ, Bnuni World Industrial Park, Khed City

Major Industries: Engineering | Automotive | Chemicals | Textiles | Electronics

Assam (North-East Benefits)

Industrial Areas: Guwahati, Dispur, Nalbari

Major Industries: FMCG | Food Processing | Petrochemicals

Chhattisgarh-Jharkhand Belt

Industrial Areas: CHHATTISGARH: Bhilai, Siltara, Raipur | JHARKHAND: Bokaro, Dhanbad, Jamshedpur

Major Industries: Steel | Aluminium | Thermal Power Generation | Mineral-Based Industries

Vishakhapatnam (Eastern Andhra Pradesh)

Industrial Areas: APIC Parks, Brandix Apparel Park, AP Medtech Zone

Major Industries: Steel | Textiles & Apparel | IT & ITES | Fertilizers

Hyderabad-Shamshabad (Telangana)

Industrial Areas: Medchal, Genome Valley, Jedcherla, Shamsabad Airport, Adibatla

Major Industries: Aerospace | Pharmaceuticals | IT & ITES | Textiles & Apparel

Bengaluru-Tumkuru-Narsapura (Karnataka)

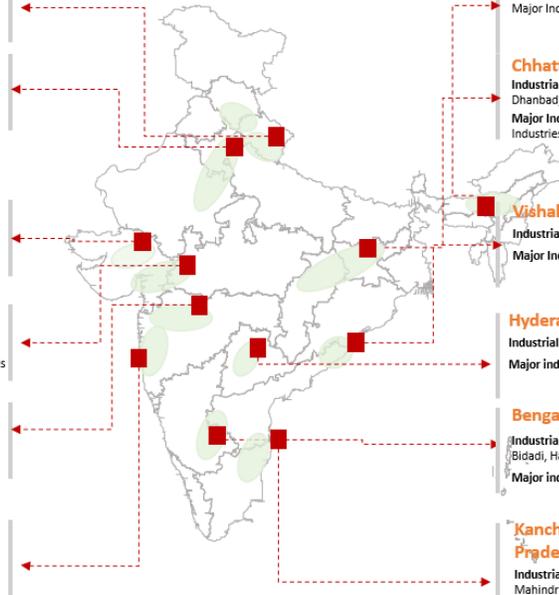
Industrial Areas: Peenya, Narsapura, Tumkuru Road, Bellary Road, Electronic City, Bidadi, Harohalli

Major Industries: Aerospace | Lifesciences | IT & ITES | Automobiles | Electronics

Kancheepuram-Chennai-Chittoor (Southern Andhra Pradesh)

Industrial Areas: Oragadam, Sriperumbudur, Vallam Vadakkal, Ambattur, Krishnagiri, Mahindra World City, Ascendas One Hub, Sricity, Tirupati

Major Industries: Automotive | FMCG | Heavy Industries | Electronics & Electrical | Textiles & Apparel | Leather



Industrial Hotspots of India

The first question to address while deciding the location is the addressable market – Domestic Vs Export Destinations. For predominantly export-oriented units, Special Economic Zones (SEZ) should be evaluated due to several direct and indirect tax breaks. There are over 200 operational SEZs in India that are either sector-specific, multi-sector or service oriented in nature. These SEZs have been developed both by state governments, private developers or companies (mostly IT or ITES firms) for their own use. You can learn more about SEZs and their benefits from this website <http://sezindia.nic.in/>.

REGULATIONS — CAN FOREIGNERS BUY LAND IN INDIA?

Purchase of land assets by foreign firms is governed by Foreign Exchange Management Act, 2000.

As per the Acquisition and Transfer of Immovable Property master directions under Foreign

Exchange Management Act, 2000 — a branch or office or any other place of business in India, other than a liaison office, established by a person resident outside India, may acquire immovable property in India which is necessary for, or incidental to, the activity carried on in India by such branch or office.

This means that Indian subsidiaries of foreign companies can purchase or lease land/building for carrying out the business activities permitted under the Foreign Direct Investment policy. Payment for land should be made by way of foreign inward remittance through normal banking channels. Also, it should be noted that land can be purchased or leased only through equity instruments.

INDUSTRIAL REAL ESTATE — KEY STAKEHOLDERS & PRACTICAL ADVICE

Industrial parks could be sector specific or multi-purpose depending on the geographical locations, pollution norms or availability of skills/raw materials or ecosystem.

Although, development of industrial parks is a State responsibility, Ministries of the Central Government have supported development of sector specific industrial parks through their financial support schemes. For example, there are over 65 textile parks across the country. In addition, about 14 mega food parks are operational across India. There are also talks about development of 26 plastic parks across the country.

Location assessment for a factory is a function of several factors, with key ones being:

- Presence of suppliers and partners
- Availability of skilled labor and talent
- Quality of infrastructure
- Stable and business-friendly environment

- Government effectiveness
- Availability of incentives
- Availability of raw materials or key inputs for manufacturing process
- Last, but not the least is suitably sized and prized land parcels

There are four major ways in which foreign companies can purchase/lease industrial properties in India:

1. State Industrial Development Corporation (State IDCs) — Developed Industrial Parks

- Foreign investors are most comfortable in dealing with Government agencies for securing land for industrial activities. State Industrial Development Corporations (State IDCs) are the government departments responsible for land acquisition, development, promotion and maintenance of industrial parks in their respective states.
- Example of a few State IDCs are Maharashtra Industrial Development Corporation (www.midcindia.org), Gujarat Industrial Development Corporation (gidc.gujarat.gov.in), Haryana State Industrial & Infrastructure Development Corporation (hsiidc.org.in), Rajasthan State Industrial Development and Investment Corporation (www.riico.co.in), State Industrial Development Corporation of Uttarakhand (www.siidcul.com).
- Investment promotion, facilitation and post investment support are specialized functions, and several State Governments have formed professionally managed investment promotion agencies (IPAs) for such functions such as iNDEXTb for Gujarat (www.indextb.com), Bureau of Investment Promotion for Rajasthan (industries.rajasthan.gov.in/bip), Andhra Pradesh Economic Development Board (apedb.gov.in), Punjab Bureau of Investment Promotion (investpunjab.gov.in), among others.
- Foreign investors also have the option of approaching Invest India, Government of India's investment promotion and facilitation agency, which is the "first port of call for investors in

India” and is mandated to guide investors on location assessments and analysis of incentive policies across all states and union territories in India. Investors can also approach State IDCs and State IPAs directly. Services offered by all central and state agencies are free of cost for investors.

- These agencies can share the required data about the infrastructure, connectivity, utility rates and other technical data on request. Investors are also facilitated to visit the sites and take a primary stock of the facilities on the ground.
- At times, industries that need linkage with agricultural produce like dairy or food processing, mining industries can be facilitated by Invest India or State IPAs in approaching other landowners such as Gram Panchayats (Village Councils) and District Collectors for identifying disposable land parcels.
- Under initiatives like Port-led Industrialization (Sagarmala), several sea ports have started developing industrial parks which are quite suitable for export-oriented units or units heavily dependent on imported/bulky raw materials. JNPT SEZ (Mumbai) and Adani SEZ (Gujarat) are good examples of port-linked industrial infrastructure. Many of these industrial parks are managed by agencies other than State IDCs; hence, investors should approach them separately.

2. State Industrial Development Corporation (State IDCs) — Developed Industrial Parks

- In early 2000s, when industrialization in India started catching momentum, several State Governments realized that they should seek support from private developers for the development of industrial infrastructure.
- This led to the growth of private industrial park developers. Some of the stalwarts of this business in India are Mahindra World City (Chennai and Jaipur), Sricity (Andhra Pradesh), Ascendas One (Chennai), Khed City (Pune), Gallops Industrial Park (Ahmedabad).
- For instance, Sricity, which is one of the most successful private industrial parks, has 180 companies from 27 countries, such as Pepsi, Kellogg’s, Isuzu, Mondelez, Alstom, Kobelco,

Foxconn, etc.

- India shifted to a new unified indirect tax system — Goods & Services Tax (GST) — since July 2017. This tax system made India a single market from the tax perspective and led to consolidation in the warehousing industry. Players like Indospace and Embassy Industrial Park have emerged as the largest warehouse developers and operators in India. Indospace alone manages 30 parks across India with options for ready built and built-to-suit.
- Most private industrial parks are professionally managed and are quite efficient in arranging land, offering flexible land disposal models. For example: private industrial park owners can offer built-to-suite facility on rent for an investor willing to commit occupancy for 5 or more years. In some private parks, standard sheds are also available for rent for immediately kick-starting the operations.
- It should be noted that utilities in a private park like land, water and natural gas are provided by the government agencies and prices of these utilities are also decided by the government. However, private parks have the authority to decide land rates and maintenance charges.
- All statutory approvals and licenses such as building plan approvals, consent to establish/operate, Fire NoC, etc. are offered by the state government agencies. Compliances regarding labor, taxation, air, water and land acts are also the same as in a government industrial park.
- Foreign companies must conduct proper due diligence of the land titles and understand the cost structures of operating in a private park in advance.

3. State Industrial Development Corporation (State IDCs) — Developed Industrial Parks

- This option is suitable for following use cases:
 - Preference for mature industrial parks for proximity to vendors or customers.
 - Immediate commencement of operations through ready built factories or sheds.
 - Start operations on a rental model and test the market conditions before incurring

huge capex.

- Such needs could be addressed by approaching unutilized land plots or factory buildings. However, even in a government industrial park, State IDCs or IPAs don't facilitate these transactions. Foreign companies are advised to use local resources for intelligence on such opportunities and conduct proper due diligence. Benchmarking of prevailing rent rates should be concluded, and for sub-lease most landlords prefer a minimum 5-year agreements. In industrial areas near the 8 big cities of India, average rentals of INR 20-30 Sq Ft per month are prevailing; however, there could always be some outliers as per the demand-supply dynamics.
- In case of leased properties, the original allottee must inform that State's IDC about sub-leasing the property and pay the applicable charges. If the property is a freehold property, the original allottee is free to sell the land after payment of applicable taxes and change of constitution fees.
- Foreign companies must conduct proper due-diligence and ensure strict compliance with the applicable state regulations pertaining to pollution norms, waste disposal norms, building byes, land transfer rights, etc.

4. Land Aggregators/Farmers — Raw land converted for Industrial Usage

- This option is riskier and should be exercised only if the other three options are not feasible or are over budget.
- The purchase of agricultural land is governed by respective state laws and the provisions about lease, sale and purchase by a non- agriculturist differ from state to state.
 - Under Foreign Exchange Management Act (FEMA), a person resident out of India cannot buy agricultural land/ plantation property without specific approval.
 - Similarly, various states in India has specific condition as to whether the agricultural land can be only bought by farmers and there are agricultural land ceiling laws.

- Foreign companies should refrain from directly buying agriculture land from farmers, as it could be illegal as per the laws. They must ensure that “Change of Land Use” has already been implemented before the land transfer in the name of the Indian subsidiary of the foreign company.
- Corporates with very large land requirements (above 50 acres), industrial park developers and warehouse developers (that are looking for cheaper land parcels to ensure project viability) generally use this option for securing land.
- There are a host of things that should be evaluated such as compliance with master plan whether the property is within development control zone, Forest zone, Coastal Regulation zone, Heritage zone, etc. Title of the land and encumbrances need to be checked as well.

INDUSTRIAL PARKS — COST, FEES & TERMS

Most State IDCs and Private Industrial Park owners offer land on a long-term lease (generally between 90-99 years). However, a few states offer land on freehold basis as well e.g. Haryana and Punjab.

Freehold land transfer model has its own advantages as the company becomes the owner of the land and can easily sell or rent the land to other users as per the local regulations. In case of a leasehold, the lessee can use the industrial land within the framework designed by the lessor, and it must seek permission from the lessor for renting/ sub-leasing/mortgaging the property and pay applicable fees. Any change in constitution of the original allottee (especially when the shareholding of the original allottee becomes less than 51%) must also be reported to the lessor and applicable fee will also be charged.

The price of industrial land varies significantly across major industrial clusters. Some of the biggest industrial clusters are in the vicinity of tier 1 and tier 2 cities of India; however, several provincial governments also encourage inclusive development by offering better incentive packages and relaxed investment norms in less developed areas. A good example of such inclusive development

is Andhra Pradesh government's deal with South Korean Auto giant — KIA Motors — at relatively less developed Anantapur District of the state.

Likewise, the industrial corridor development programs like Delhi-Mumbai industrial corridors (DMIC) are also intended to improve the industrial infrastructure in relatively less developed pockets in India. DMIC has already started development and allotment of land at 4 clusters — Greater Noida, Uttar Pradesh (747 acres); Vikram Udyogpuri near Ujjain, Madhya Pradesh (1100 acres), Dholera, Gujarat (422 Sq Km), and AURIC city near Aurangabad, Maharashtra (84 Sq Km). Similar efforts have also been kickstarted between Bengaluru and Chennai under the Chennai-Bengaluru Industrial Corridor (CBIC) project.

States Key websites	Key Cities	Government Parks (Lease Premiums - Rs per Acres in Million)	Industrial Parks	Private Industrial Parks	Land Transfer Policy	Key Industrial Occupiers
Tamil Nadu www.sipcot.com www.investingintamilnadu.com easybusiness.tn.gov.in	Chennai Coimbatore Trichy Madurai	Sriperumbudur (Rs 9 M) Vallam Vadagal (Rs 12.5 M) Irrangattukottai (Rs 9 M) Oragadam (Rs 9 M) Pillaipakkam (Rs 9 M)		Ascendas One Hub Mahindra World City GMR Krishnagiri Marg Swarnabhoomi Embassy Park Indospace	99 years lease. Online allotment through first-cum-first serve	Hyundai Renault Nissan Yamaha Michelin Foxconn Flex Samsung
Karnataka kum.karnataka.gov.in kiadb.in investkarnataka.co.in	Bengaluru Mysore Hubli-Dharwad	Devanhalli (Rs 25 M) Narsapura (Rs 13.1 M) Vemagal (Rs 10.1 M) Tumkuru (Rs 7 M) Peenya* Jigani* (Rs 15 M) Bommsandra* (Rs 20 M) Dobaspeta (Rs 15 M) *Rental options only		Indospace Embassy	99 years lease above 2 acres plot Online allotment through first-cum-first serve	Volvo Honda Scania Bosch Biocon Toyota UTC Aerospace GE India SKF
Maharashtra www.midcindia.org maitri.mahaonline.gov.in	Mumbai Pune Nagpur Nashik Aurangabad	Chakan (Rs 17.5 M) Talegaon (Rs 12.6 M) Ranjangaon (Rs 10.9 M) Aurangabad (Rs 12.9 M) Dindori (Rs 12.1 M) Patalganga (Rs 19.5 M) Supa (Rs 8.45 M)		Khed City Bhumi World Renaissance Park Gebi Industrial Park Babosa Industrial Park	95 years lease, with priority allotment for FDI cases at 10% extra charge	Philips LG Sany GSK Mahindra Merck Tata

			HDIL Industrial Park K Square Industrial Park		
Haryana Hsiidc.org.in Investharyana.in	Gurugram Faridabad	IMT Bawal (Rs 31.1 M) IE Dharuhera (Rs 44.5 M) IMT Manesar (Rs 94 M) IMT Rohtak (Rs 29.1 M) IMT Faridabad (Rs 62.7 M) IMT Barhi (Rs 48.6 M) Saha Food Park (Rs 21.8 M)	Reliance MET	Freehold. Allotment by online auction	Maruti Suzuki Hero Suzuki JCB Siemens GE Mitsubishi Caparo
Uttar Pradesh www.noidaauthorityonlien.com www.greaternoidaauthority.in Yamunaexpresswayauthoroty.com www.onlineupsidc.com niveshmitra.up.nic.in	Noida- Greater Noida Ghaziabad Kanpur Lucknow	Ecotech X, XI (Rs 32.3 M) DMIDC zone (Rs 32.3 M) YEIDA zones (Rs 20.2 M) Noida sector 62, 83, 88* Slab rates that decreases with increasing plot sizes, sample rates for 10 acres. * Rental options	—	90 years lease. Allotment by online auction	OPPO VIVO Samsung LG Honda Mediatek
Gujarat Gidc.gujarat.gov.in lfp.gujarat.gov.in www.indextb.com	Ahmedabad Surat Vadodara Rajkot	Sanand (Rs 15.3 M) Mandal (Rs 11.7 M) * Saykha (Rs 7.4 M) Halol (Rs 5.3 M) *Reserved for Japanese investors	Gallops Mascot Adani SEZ Indospace – Bavla	99 years lease. Online allotment through first- cum-first serve	Tata Motors Ford Motors SAIC Motors Suzuki Motors Hero Vestas
Andhra Pradesh www.apic.in apedb.gov.in www.apindustries.gov.in	Vizag Vijayawada Tirupati	Tirpuati EMC 2 (Rs 4-6 M) SEZ Atchutapuram (Rs 7-8 M) Attivaram (Rs 5-6 M) Routhusurmala (Rs 3-4 M) Gollapuram (Rs 5-6 M) Tekulodu (Rs 5-6 M) Gudipalli (Rs 4-5 M)	Sricity GMR Kakinada Brandix Textiles SEZ	99 years lease, shorter lease of 33/66/99 years also available Online allotment by first-cum-first serve basis	Foxconn Xiaomi TCL KIA Motors SAIL Kellogg's Gamesa Pepsi Isuzu
Telangana tsiic.telangana.gov.in ipass.telangana.gov.in	Hyderabad Warangal	Jedcherla (Rs 9.7 M) Jeedimetla (Rs 64.7 M) Medchal (Rs 48.5 M) Adilabad (Rs 20.3 M)	Ragamayuri Food Park Genome Valley	99 years lease Online application	Tata P&G Mahindra & Mahindra
Rajasthan www.riico.co.in industries.rajasthan.gov.in/bip swcs.rajasthan.gov.in	Jaipur Jodhpur Ajmer	Ghiloth (Rs 14.2 M) Salapur (Rs 24.2 M) Kishangarh (Rs 21.4 M) Karoli (Rs 24.2 M) Manda, Jaipur (Rs 10.1 M) Neemrana* *Reserved for Japanese investors	Mahindra World City – Jaipur Elcina Electronics Zone, Bhiwadi	99 years lease Online allotment by auction on first come first serve basis	Saint Gobain Cairn Vedanta Coca Cola Genpact Daikin Honda

Source: Author's survey, State IDC websites and inputs. Note: 1 acre = 4046 Sq M. The list is only an indicative representation and by no means is exhaustive account of industrial parks across India.

The companies interested in seeking land for industrial activity must enquire all applicable charges that they need to pay to the land owner. State IDCs and Invest Promotion agencies in India are quite professional and cooperative in sharing information about the procedure and applicable charges.

Here are the key charges that are levied:

- **Land Premium (One Time):** This is a one-time charge that is levied on the lease transactions. This figure is decided by the State IDCs and private industrial park owners after considering the cost of land acquisition and cost of land development. Most State IDCs publish these rates on their websites and this rate is not negotiable. Land rates can be negotiated in private sector parks, which are often flexible to attract large investments and good brands.

However, State IDCs can offer discounts as per provisions mentioned in their industrial policies in following cases — ultra-mega investments, investments in areas of advance technology, investment in specific sectors. E.g. 25% upfront discount on land premium is offered in Greater Noida and Yamuna Express region of Uttar Pradesh for electronics sector.

Investors should also pay attention to the permitted ground coverage ratio, it varies from 40-60% across states, but states can incentivize better land utilization and thus cost optimization by allowing usage of open areas for other activities like parking, restrooms, storage, etc. Floor Area Ratio (FAR) permits the total construction that can be done on a plot. Although for several industries FAR is not important as large factories are often flat, but for assembly-oriented units higher FAR means better utilization of land plots.

- **Lease Rental (*% of lease premium*):** This charge must be paid every year. It is generally defined as a % of the lease premium. It generally ranges between 2-3% and differs from state to state in India. There are also provisions of systematic hike in lease rental in a block

of few years.

- **Maintenance Charges** (*% of plot size per annum*): These charges are levied to recover the cost of maintaining internal roads, street lights in industrial park, landscaping, security, storm water drainage services, etc. Maintenance charges vary substantially across India. It is generally charged as a fixed amount based on the plot size. Investors must carefully evaluate and benchmark the maintenance cost before choosing an area.
- **Stamp Duty** (*% of lease premium*): Stamp duty is payable on documents relating to the transfer / sale / rent of property including agreements to sell, conveyance deed, gift deed, mortgage deed, etc. The documents must be properly stamped before registration. Stamp duty on industrial property across states roughly ranges from 5-7%.
Most Indian states have provisions in their industrial policy for either full or part exemption or refund of stamp duty on industrial land transactions. E.g. Rajasthan allows 50% exemption of stamp duty value and land use conversion charges. Andhra Pradesh, Telangana and Punjab offer 100% stamp duty exemption across the state. Whereas, Uttar Pradesh and Karnataka offer part exemption based on the zone and size of investment. Gujarat does not offer any stamp duty exemption.
- **Registration Charges** (*% of lease premium*): Registration charges are generally 1% of the market value or agreement value of the property.
- **Transfer charges or sub-lease charges** (*% of prevailing lease premium*): These charges are levied when the original allottee tries to transfer the plot to another owner or sub-lets part or full property to another user. This fee is levied as per the internal policies of the state IDC or private park developer.
- **Change in Constitution** (*% of prevailing lease premium*): “Change in Constitution” means

change in shareholding pattern of allottee and / or change in legal status of allottee and shareholders/partners/members of the allottee at the time of allotment shall hold not less than 51% of share/equity of the business unit after such change. This charge is levied by state IDCs in case of both leasehold and freehold property transfer cases, and it varies from state to state.

- **Property tax:** This is the tax collected by the local urban development body.
- **Land Conversion Charges:** This is only applicable when the agriculture land is converted to industrial land. These charges are levied by a competent revenue authority such as District Collector/Sub-Divisional Officer (SDO)/Tehsildar in a rural area and urban development agency within municipal limits. A fee is charged depending upon the area, nature and location of the property. The fee charged is as per the rule prescribed by Land revenue rules of the concerned state. Some state governments offer discounts on the land conversion charges to industries.
- **Other charges:** There could be separate fees to seeking pre-establishment and pre-operation approvals. List of such approvals can be obtained from the websites of investment promotion agencies of the state or from the dedicated single window facilitation portal. Links to such portals has been shared in the table above. Investor need to pay to get connections of utilities such as electricity, water, natural gas, broadband, open access to solar power (wherever applicable), etc. Charges would have to be paid for using effluent and sewage treatment facilities.

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