EXECUTIVE SUMMARY OF PIPAVAV INDUSTRIAL PARK STUDY

Activity Mix

The Industrial Park development to be phased in sequence of first SEZ / trading zone and second other industrial zone with social, industrial infrastructure and housing to be appropriately distributed in both.

Proposed demand model and activity mix for the site is:

Project	Land in Ha.
1. Fertilizer / LNG bottling units. (2005)	250
2. Second Unit – Other Industries (50% - 2004, 50% - 2005)	150
3. SEZ or trading Zone, including roads and other infrastructure (2003 onwards)	400
4. Central Area, Housing, Social & industrial infrastructure (50% - 2003, 50% - 2004)	300
TOTAL	**1100**

For the purpose of modeling the project, one fertilizer complex of around 250 Ha. Or LPG / LNG bottling units and other medium industry (metal, agro based & others) of 150 Ha. have been considered.

The minimum size of the export promotion zone as per the policy guidelines is to be 400 ha. Given plot size of the 250-10000 sq. mtrs., and to include a 40% component for roads & social infrastructure around 400 such light industrial or trading units could be accommodated. export promotion zone. In case policy revisions do not allow traders to be part of the SEZ, the idea is to be dropped and this area will be called a trading and warehousing zone with similar facilities.

Project Cost

Following is details of project cost:

	Rs. Crores
Land (Rs. 5.16 Lakhs / ha)	56.76

Site development	0.52
Transport Infrastructure	27.15
Power	149.5
Water Supply	197.5
Sewerage & Solid waste	44.85
Internal Development	47.00
Amenities	2.6
TOTAL PROJECT COST	**525.94**

Financial Analysis

Following table shows result of financial analysis with various alternatives

Alternative	Project Cost (Rs. Crores)	Sale price Rs. / Sq. Mtrs.	IRR
1. PSP with complete project	525.94	862	16%
2. PSP with desalination on recurring basis	362.26	598	16%
3. PSP for project size of 525 (Phase – II only)	176.31	485	16%
4. PSP with project size of 575 (Phase – I only) Optimist demand model	185.94	766	16%
5. SPV -desalination, power cost on recurring basis	212.76	357	16%

Project Implementation Structure

1. **Private Sector Model:** In this model GIDC may take a token equity 11% of the equity of the company. Sufficient time should be given to the entrepreneur for phasing of the project. Phase I will include the trading infrastructure and part social infrastructure and Phase II the Industrial and social infrastructure. GIDC may find a suitable partner either by competitive bidding or direct negotiation with a party. GIDC will acquire the land for the party at cost and put in its equity once financial closure is achieved.

2. **GIDC promoted SPV with participation of port authorities and development agency such as L&T** : In this model upto 50% of the equity will be brought in by GIDC and other state Government agencies. For example GPCL may be a partner to the SPV so that a base demand for the project is created. Since companies like KRIBHCO are coming up they may be given distribution rights of power to the park as and when it develops. A company like L&T, which has interest in development of the region, may be interested in development of the project, if given the rights for development of the social infrastructure. Similarly, GPPL may contribute to the cost of land for development of the SEZ / trading zone.

   The equity structure may as below:

GIDC	50%
L&T	10%
GPPL	36%
Banks/ADB/IFC	4%

Recommendation

The likely feasible alternatives that may emerge are Private sector participation with development of 575 Hacters only for trading and warehousing activities. Or GIDC prompted SPV as mentioned above.

In the first option, which is essentially an area for port users will have significance once the linkages by rail to Pipavav improve and the economy starts to open up in 2002-2003 where trading shall flourish under the WTO.

The second option will keep Pipavav ready for a fresh wave of heavy industrial announcements once the existing announcements like Kribhco, NTPC & BG terminal start to materialise. 50% participation of the public sector is a good transition from pure public sector to private sector companies. The state participation can assist initiatives for additional gas allocation from Tapti high to Pipavav, creation of SEZ and the privatization of power distribution.

The best course of action for the GIDC to carry forward this project could be to formally write to parties like GPPL, GPCL, L&T, Water Providers etc. with a copy of this report to invite their participation in this project and formally ascertain their interests in a very open and transparent manner.