

**SECTOR:
INFRASTRUCTURE**

SECTOR OVERVIEW:

In 2013 the UKIBC continued its engagement with India's planned economic corridors. To learn more about the opportunities available for British companies, we welcomed Mr Amitabh Kant, Chief Executive of the Delhi Mumbai Industrial Corridor Development Corporation, to speak at an event in October.

In this quarterly report we share with you the most relevant highlights from this event, including an overview of the DMIC project, its sustainability principles, international partnerships and importantly, its innovative approach to de-risking infrastructure projects. Also, we discuss some of the first projects being developed in the state of Maharashtra as part of the DMIC and upcoming opportunities.

Finally, in our Market Updates section you will find out more about recent initiatives that are being undertaken by India's government to solve problems in the infrastructure sector. These initiatives include plans to fast-track large infrastructure projects, and a review of the PPP model which is at the moment burdened by over-aggressive bidding.

We hope that you will find this useful and look forward to your comments.

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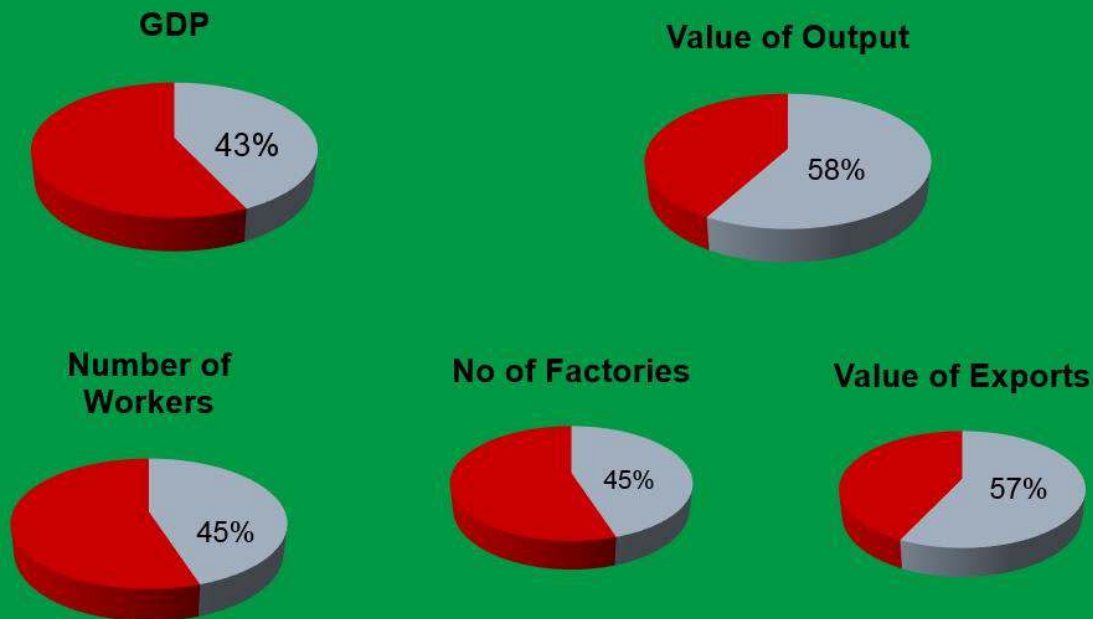
In Focus: Plans and fresh perspectives on the Delhi-Mumbai Industrial Corridor

On the 22nd of October, The UKIBC, together with UKTI and FICCI, hosted an event featuring Amitabh Kant, Chief Executive of the Delhi Mumbai Industrial Corridor Development Corporation (DMICDC), who spoke about the project's progress and opportunities. Mr Kant was joined by Mr Saurabh Chandra, Secretary of the Department of Industrial Policy & Promotion, and Mr Bhushan Gagrani, Chief Executive, Maharashtra Industrial Development Corporation, who further discussed India's plans for industrial corridors and other issues relating to doing business in India.

The DMIC project, a USD 90 billion (£60 billion) infrastructure project currently in the planning stages, is the largest of its kind worldwide and it will see the development of seven new industrial cities across the Indian states of Uttar Pradesh, Haryana, Rajasthan, Gujarat and Maharashtra. These states contribute 43% to national GDP and 57% of exports by value.

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Contribution of DMIC States



Source: Ministry of Statistics & Programme Implementation, ASI, Labour Bureau

Sustainability at the core of planning efforts

The Government's vision is to build 21st Century smart cities, with sustainability at the heart of all planning efforts. At the event, Mr Kant spoke about some of the best practices which are being brought into India largely through collaborations with international consultants.

The sustainability concepts that are being considered in the development of DMIC, and that present areas of opportunities for international consultants are:

- Reduction of commuting needs for the workforce
- Neighbourhoods distributed around High access Mass Transit Corridors
- Recycling and reuse of water and solid wastes
- Energy sufficiency through use of renewables
- Conservation of better agricultural land and protection of sensitive natural environment
- Integration of existing villages into the new city
- SMART City - IT based real-time Control and Governance

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Map of DMIC

Source: DMICDC

Attracting international participation

India's government and private sector are keen to attract participation from the UK's infrastructure development industry, given its global renown in planning, design, construction, operation and maintenance, and financing of infrastructure. Speakers at the event mentioned some of the international partnerships currently participating in DMIC, with Japan as the main funding partner, and Germany as a strong player in skills development. Mr Chandra suggested that UK-Japan-DMIC partnerships could be sought.

In regards to cost vs. quality, speakers further highlighted that DMIC will not follow the lowest cost model and will not compromise on quality. Planners strive to bring in the best companies from around the world. You can find out more about bidding for infrastructure contracts in India and with DMIC [here](#).

DMIC's innovative approach to de-risking infrastructure development

Given the uncertainty and long delays that have burdened other infrastructure projects in India in the past, skepticism surrounding DMIC and other corridors is understood. Some of the concerns being raised by industry in regards to India's corridors can be summarized as follows:

- Realistic ease of doing business in India
- Speed of approvals and clearances (particularly environmental) and how this will affect actual delivery of projects
- Political environment after next year's general elections, and
- Land acquisition

However, it is clear that the unprecedented nature of India's corridors is motivating planners to set out exceptional measures. For DMIC, Mr Kant has indeed been a strong advocate for the project's unique approach and the ways in which it is addressing issues, from delays in clearances to funding.

Mr Chandra spoke about the setting up of a special committee to ensure expediency of clearances, including environmental and land acquisition. Also to avoid delays at later stages, the project is attempting to de-risk projects by means of advancing clearances before the investment is made, rather than post-investment.

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Special Purpose Vehicles SPVs allow an ease of doing business, and by creating SPVs for each project, approvals will be already in place by the time when bids are out.

In regards to political environment and support, which worry investors in view of the upcoming India election, impact has been mitigated by securing shareholder agreements with all the states involved for cooperation on DMIC. This spirit of cooperative work in fact goes beyond DMIC, as planners have a good track record of information sharing with BMEC, another planned industrial corridor. All speakers agreed that there are indeed challenges, and that improvements to India's business environment are needed. However, Mr Kant appeared confident that many DMIC projects will start rolling as early as spring 2014.

DMIC in Maharashtra: Upcoming Opportunities

Speaking at our DMIC event, Mr Bhushan Gagrani, Chief Executive of the Maharashtra Industrial Development Corporation, shared information on some of the opportunities emerging in the state as part of the corridor.

In Maharashtra, DMIC will help decentralize development by means of creating new hubs, ports, towns and industries. 17% of the Project Influence Area will be in the state, affecting nearly 26% of the local population.

ENVISIONING DMIC for MAHARASHTRA

Decentralising Regional Development

- ▶ Create **Nashik as Northeast center** of the region (spin off : Mumbai-Nashik as new growth corridor)
- ▶ Create **Dighi as Port & Maritime City** (spin off : Mumbai-Dighi as new growth corridor)
- ▶ Create a **Cargo Hub at Pune** to capture demand of the entire region.
- ▶ Create **satellite towns** to proposed growth nodes
- ▶ Create **Techno-Industrial Mega Corridor**

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As part of the project, Maharashtra seeks to implement the following infrastructure projects, with many of them at the early planning stages:

- **Dighi Port Industrial Area, Raigad**

132 km from Pune and 154 km from Mumbai. Feasibility report finalized and land needed to complete Phase I expected for acquisition by March 2014.

- **Shendra Bidkin Mega Industrial Park, Aurangabad**

255 km from Pune and 393 km from Mumbai; multiple partnering opportunities post completion of design and engineering plan completion; estimated time: 8 months. Feasibility report finalized and some land already acquired, with Phase I total land area planned for possession by end of 2013.

- **Exhibition cum Convention Centre, Aurangabad**

Opportunity: Project in the process of appointing developer. Technical and economic feasibility report completed.

- **Multi-Modal Logistics Hub, Pune:**

Most of the land needed either notified or under negotiations.

- **Multi-Modal Logistics Hub (railway siding):**

Opportunity: Project to upscale railway siding project as Multi Modal Logistics Hub to cater the logistic needs of DMIC. Financial feasibility and preliminary technical feasibility reports completed. Land earmarked and acquired.

DMIC Tenders and other India corridors

DMIC is an essential component of India's efforts to boost manufacturing. As is stated in the National Manufacturing Policy, the government aims to grow the share of manufacturing to 25% of GDP. To achieve this, the DMIC's goals include the doubling of employment in 7 years and trebling industrial output in 9 years. While the other planned corridors (see below) are certain to have equally ambitious goals, they are still at the early planning stages:

- Chennai Bangalore Industrial Corridor (CBIC)
- Bangalore Mumbai Economic Corridor (BMEC),
- Amritsar - Kolkata Industrial Corridor (AKIC)

To learn more about these corridors, visit: <http://pib.nic.in/newsite/erelease.aspx?relid=101154>

Tenders for DMIC and BMEC can also be found here: <http://www.dmicdc.com/frmTenders.aspx?pgid=36>

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Market Update

Review of PPP model ongoing

India's PPP model has in recent times been under growing scrutiny due to growing problems that have led infrastructure majors like GVK and GMR Infrastructure to walk away from projects. As we discussed in our [UKIBC Infrastructure report](#) in September, the current demand risk model, whereby the concessionaire takes the traffic risk, has resulted in over-aggressive bidding. This issue has in fact been recently [covered in the media](#), along with resulting problems such as unsustainable traffic forecasts and ultimately high user charges. In view of this, and with an aim to boost PPP projects, India's government is taking steps to improve the scheme. Going forward, there will be tighter eligibility norms for shortlisting bidders under PPP, and an inter-ministerial group is being set up to monitor the issue of conflicts of interest.

PM's Project Monitoring Group fast-tracks projects, next step is securing investment

The Prime Minister's Project Monitoring Group (PMG), whose mandate is to expedite clearances of large investment projects, recently [cleared 128 projects](#). The majority of these are in the power sector, but clearances have also included projects in railways, steel, roads, highways, shipping, civil aviation and mines. The PMG was set up in June, motivated by the growing concern over the slow pace of project clearances including environmental, land acquisition, and others at the state government level.

Implementation is the next step in the process, with the [Finance Ministry soon to start tracking projects](#), and the Cabinet Committee on Investment will ensure they are duly implemented. It is yet to be seen whether funding could be an issue for those projects where investment has not yet been committed.

Investment Update

JCB to invest further in India and develop as exports hub

UKIBC Corporate Member, [JCB, is to go ahead with plans to invest £50 million into a new factory in Jaipur](#), despite expectations of further decline in the Indian market. The company's strategy is to manufacture in India to serve global needs, and open new exports market in South East Asia, Middle East and Africa, as well as to continue shipping components to the UK and benefit from rupee depreciation.