India Infrastructure Update

J. SAGAR ASSOCIATES
advocates & solicitors

Vol. 7 No. 4 April, 2004 • Produced by J. Sagar Associates • For private circulation only

POWER

Global Bids Invited for Sagardighi Power Project

The West Bengal Power Development Corporation Ltd (WBPDCL) has floated global tenders for the main plant package for the 2000 mw Sagardighi Thermal Power project. These two units comprise the first stage of the project for which financial closure was achieved a few months back. While the Power Finance Corporation (PFC) will provide the Rs 20.57 bn required for setting up the first two 250 mw units, the remaining 20 per cent will be provided by the West Bengal Government. Although the WBPDCL was not bound to invite global tenders for a domestically-funded project, it opted for this route, as it felt it had quite a few benefits, like the participants having to conform to international standards. The project is slated to be set up in three phases with the WBPDCL, planning to set up a 500 mw coal-based thermal unit in the second phase before sealing the project with two 500 mw units based on gas.

PFC Gets ECB Clearance to Raise $100 mn

Power Finance Corporation (PFC) has got permission from the Government to go ahead with an external commercial borrowing of $100 mn, for funding power projects. So far, PFC has borrowed $3.8 bn from the overseas and Indian markets and onlent it to various power projects. The power sector specific-financial institution is now planning to take equity stakes in power projects. This will be done through India Power Fund (IPF), a venture capital fund, which is being set up PFC. IPF will take up to 10% equity stakes in power generation, transmission, distribution and trading projects. Quick yielding projects will be given preference. As per the PFC, the fund will not invest in projects where the IPF sponsors have more than 15% equity participation. PFC plans to make an initial investment of Rs 2 bn and is soliciting investments from the public sector undertakings to fill the IPF corpus.

Inside

CEA Clears Two Power Projects for Kargil, Leh

The Central Electricity Authority (CEA) has approved two hydroelectric power generation projects at an estimated cost of Rs 13 bn in the Kargil and Leh district of Jammu and Kashmir. Another Rs 4.80 bn will be spent in laying the associated transmission lines for evacuating power from these two projects. The projects include a 44 mw Chutak hydroelectric project in Kargil at an estimated cost of Rs 6.75 bn and a 45 mw hydro power project in Nimoo Bazgo in Leh district at a cost of Rs 6.31 bn. Both the projects would be executed by state-owned National Hydroelectric Power Corporation.

As per the CEA, setting up of these two plants will give an impetus to the region's economic development. On the transmission line network for these projects, the proposed 220 KV single circuit line from Srinagar to Leh along with 220/33 KV sub sub-stations at Kargil, Drass, Khalsi and Leh would enhance the reliability of power supply.

DPC to Proceed With Termination Move

Dabhol Power Company (DPC) has claimed that as the Indian lenders have a significantly smaller interest in the project, it (DPC) would proceed with the termination and transfer processes.

DPC's latest petition points to the power purchase agreement (PPA), which says that if the Maharashtra State Electricity Board (MSEB) fails to pay its legitimate dues to DPC, it can terminate the contract and transfer the Dabhol plant to MSEB for the full construction value whereby MSEB would become the sole owner. DPC has pointed out that by blocking the termination and transfer process, the consortium has impeded, rather than facilitated, the transfer of the collateral to MSEB. However, the lenders consortium has opposed DPC's move to terminate and transfer the plant on the grounds that it would jeopardise the interest of Indian lenders.

DPC, in its recent affidavit filed in the Bombay High Court, has argued that the IDBI-led consortium's action in obtaining the appointment of a court receiver was violative of the provisions of the intercreditor agreement. DPC's move is crucial since GE and Bechtel have acquired 65.8% stake held by Enron Corp and its associates in it. DPC has also argued that the consortium has failed to demonstrate how DPC's actions constitute violation of the provisions of the various finance agreements and how they threaten the consortium's security in respect of the project.

PIB Clearance for Barsingsar Power Project

Project Investment Board, Government of India, has given its approval for the Rs13 bn lignite-based 250-mw Barsingsar power project. The project is being set up by Neyveli Lignite Corporation near Bikaner in Rajasthan. The project is expected to resolve the power crisis in the state. Work on the project will be started after clearance from Cabinet Committee on Economic Affairs (CCEA). With an early approval from CCEA, the first 125- mw unit of the project is likely to start functioning by 2007- 2008.

Reliance Mulls Power at Rs 2 Per Unit

In a bid to deliver power at a competitive rate of Rs 2 per unit, Reliance Energy Ltd (REL) is attempting to structure its project on a 90:10 debt-equity pattern. This heralds a significant shift from the traditional 70:30 debt-equity norm on which financial institutions have financed power generation projects in the country. Since debt is cheaper than equity, a project entailing a lower equity component will deliver power at a lower cost since power tariff is largely an aggregate of the debt, equity and fuel costs.

Recently, REL made a proposal to the FIs where it offered a 'package' that would mitigate the additional risk that the FIs will be facing on account of a higher equity contribution. As part of the 90:10 debt-equity proposal, it has offered to guarantee a year's debt service reserve besides a commitment to underwrite infusion of an additional 20% equity at any point of time. In contrast to the 70:30 norm, the 90:10 norm entails lower equity contribution on the part of the promoter, REL.

Therefore, the company can settle for lesser returns. From the point of view of the institutions, a higher debt exposure is secured through the commitments offered by the promoter, who has strong credentials. The FIs are currently studying REL's proposal. REL is also exploring the possibility of obtaining export credit from foreign countries to fund its power generation project.

NHPC reports Progress on 2000 MW Subansiri Lower Hydel Power Project

NHPC is proceeding with its plan to implement the 2,000 mw (8 x 250 MW) Subansiri Lower hydel power project in Lower Subansiri district of Arunachal Pradesh and Dhemaji district of Assam. The Rs.62 bn project is being funded through term loans and budgetary support from the central government. The project located on River Subansiri envisages construction of 5 diversion tunnels, a concrete gravity dam, 8 horse shoe shaped head race tunnels, circular steel lined pressure sharps and a surface power house. The company has awarded a Rs.10,980 mn contract to a joint venture comprising Soma and 2 Russian companies, Boguchangesstroy and Soyuzgidrospetsstroy for construction of concrete gravity dam works. L&T has been awarded a Rs.9,210 mn contract for construction of the power house and water conductor system works. The power plant is scheduled for commissioning during 2011.

Two Bidders Lead Bakreswar Project Race

Itochu-BHEL consortium and Marubeni Corporation have emerged as frontrunners in the Rs 16 bn Bakreswar Phase IV and V project. West Bengal Power Development Corporation Ltd (WBPDCL) is expected to invite the final bid for the project by the third week of May. It will place the final order a couple of months after the final bids are opened. The state government through WBPDCL had drawn up plans of setting up two 210 mw units at the existing location where the units I, II and III are located under its second phase of expansion.

The L1 bidder is expected to commence the project 45 days after the orders are placed. The Bakreswar Phase IV and V are 210 mw each and are likely to be completed 33 months after commencement of the project.

Equipment at the existing units of Bakreswar - I, II and III were supplied by Itochu, BHEL and Fuji through a consortium. This time, Itochu has teamed up only with Bharat Heavy Electrical Ltd. The Japanese Bank for International Cooperation (JBIC) had sanctioned a loan to WBPDCL some time back for the two phases of Bakreswar plant. Phase I, II and III for Bakreswar were also built with financial aid from JBIC.

The loan agreement for the project has been signed and disbursement is likely to begin once the project is commissioned. The project received the clearance of the Central Electricity Authority (CEA) a few months back.

Solar Power Project to Supply 1500 Villages

The Jharkhand Renewable Energy Development Agency (JREDA) is planning a solar power project to provide electricity for 1500 villages. The phase I scheme will cover 890 villages for which, tenders will be floated by July 2004 to finalise contractors/ equipment suppliers. Further, a 16 kw solar photovoltaic system is to be installed at Jhinkpani in West Singhbum district under the programme. The agency is also planning to install stand alone systems in 80 remote villages, which cannot be covered under the phase I scheme.

As of April 2004, approval had been obtained from the concerned ministry. JREDA has also drawn up plans to tap wind energy in the state and has identified Pithoria in Ranchi district and Netrahat in Gumla district with estimated potential of 200 -250 mw. The Centre for Wind Energy Technology has been retained to undertake a detailed study, which is to be completed in the next 6 months.

ISA Power Plans 7.5 MW Biomass Power Plant in Chhattisgarh

ISA Power plans to set up a 7.5 mw rice husk based power plant at Dhamtari in Chhattisgarh. Avant-Garde Consultants, Chennai has been appointed to prepare the feasibility report. The project is estimated to cost around Rs 260 mn to Rs 290 mn and is to be funded through bank loans. The project work is expected to begin in the next 3 months and is scheduled to be completed by September 2005.

Oil India May Buy 50% in Assam Refinery

State-owned exploration major, Oil India, is looking to acquire close to a stake of 50%, over and above its present holding of 12.3%, in Numaligarh Refinery (NRL), which is a subsidiary of BPCL. According to a proposal being considered by the ministry of petroleum and natural gas, Oil India is to acquire about 37% from BPCL and another 12.3% from the Oil Industry Development Board. If the proposal materialises, Oil India will be able to increase its stake to about 62% in the 3m tonne Assam-based refinery.

Subsequently, BPCL's holding in Numaligarh Refinery will come down to 26% from its current holding of almost 63% in NRL. The Assam government holds over 12.3% in the venture. The proposal was originally mooted by the ministry of disinvestment.

The divestment will help BPCL bring down its stake in the company ahead of its proposed privatisation. NRL is learnt to have been dragging down the overall valuation of BPCL. The petroleum ministry, which earlier wanted Oil India to buy a 26% stake in NRL, now wants the exploration major to acquire a controlling stake in the refinery.

Third Major Oil Strike in Rajasthan by Cairn Energy

UK-based Cairn Energy has announced its third major oil strike in Rajasthan from the same block. The latest discovery could potentially contain 400 million barrels of crude. The total quantity of crude oil in Cairn's three discoveries in the past four months could be as high as 2 billion barrels.

As per company sources, it is difficult to assess the recoverable oil at this stage. Based on similar reserves elsewhere, the recoverable oil could be 20% of the total reserves.For the three discoveries put together, recoverable oil could be anywhere from 240 million to 400 million barrels.

The crude from the latest strike is of higher density than that of earlier finds. However, this strike was 250 metres below the crest of the oil-bearing structure. Lighter crude is likely to be found closer to the top of the structure. Commercial production, though, may take a while. The environmental and other government clearances may take up to a year. Production activity can start only after these have been obtained. Commercial production from the reserves would take three years.

Gail to Decide on Pune JV Partner

Gas Authority of India (GAIL) expects to finalise its joint venture partner to distribute natural gas in Pune, in the next couple of months. GAIL already has JVs with three oil companies, in Mumbai (British Gas, Mahanagar Gas), Delhi (BPCL, Indraprastha Gas) and Hyderabad (HPCL, Bhagyanagar Gas), as it allows the use of its distribution network. While natural gas may be available from '05 in Pune, it could take several years to create the necessary infrastructure. While Phase I of Gail's Dahej-Uran pipeline, via Hazira and Panvel, is slated for completion by March '05, Phase II will see the pipeline being extended from Panvel to Dabhol and Pune.

IOC Plans to Acquire Foreign Exploration Company, Sets Aside $2 bn

IOC is taking an unusual route to vertical integration: acquiring a foreign exploration & production (E&P) major. IOC plans to buy majority stake in a company with a market cap of $0.5-2bn. Possible targets include Cairn Energy, Premier Oil, Tulow Oil and Nikko Resources.

The company's board plans to seek an in-principle approval to proceed with its acquisition plans in the exploration sector. Thereafter, the proposal will be sent for government approval. The idea is to look at medium-size exploration companies operating in and around India. The acquisition of an E&P company will help IOC tap oil from other regions as well. Given that IOC commands around 60% of the retail market and owns almost 50% of the country's total refining capacity of 115m tonnes, it is imperative for IOC to have some equity in oil.

Unlike OVL, which is a 100% ONGC subsidiary and its arm for overseas acquisitions, IOC plans to acquire an existing company with a majority stake. At a later stage, this could develop as IOC's arm to acquire stakes in other overseas E&P ventures. The proposed acquisition will require huge investments, which will be met partly through internal accruals and partly from the market.

IOC, which has been making inroads in the exploration sector by either participating in the bidding rounds under the New Exploration Licensing Policy or by farming in some E&P projects within India, is now looking for a larger role.

KRL, NRL Sketch Brand Image for Retail Foray

The two oil refiners, Kochi Refineries (KRL) and Numaligarh Refineries (NRL), have chalked out plans to enter downstream marketing by establishing their retail brands. The Assam-based Numaligarh Refineries (NRL) is the more aggressive of the two, with plans for about 96 outlets this year, mostly in north India. The Kerala-based KRL has drawn up a business plan for 200-300 pumps and is planning to apply to the ministry of petroleum for permission.

As per company sources, work has already begun on building the NRL brand and visual identity, which will have a flavour of the north-east. The retail outlets will broadly be built in the region where products from the refinery flow. However, NRL, which is a BPCL group company, will use tankage and other facilities from BPCL.

ONGC Videsh to Offer Angola Pie to OIL, IOC

ONGC Videsh (OVL), which recently acquired a 50% stake in deepwater block 18 in Angola, may consider divesting a part of its equity to fellow petroleum public enterprises IOC and OIL at a later stage. The proposal to include IOC and OIL as equity partners was first mooted when OVL approached the government to bid for the deepwater block.

Reliance Info Adds Auction Facility

Reliance Infocomm is offering the country's first mobile auction bidding services through R World, its mobile data application suite. It has tied up with Baazee.com, an on-line e-commerce site to provide mobile bidding. The process just requires Reliance IndiaMobile (RIM) subscribers to select 'auction' through R World menu. Customers need not register with Baazee for bidding on mobiles as no login information is necessary with the authentication being effected by Reliance Infocomm on behalf of the user. The application prompts a user to select a particular item, view details like the current price, start bid price, start bid time and end bid time along with the bid increment and bid value, before actually bidding for the item. With a few clicks, users can place a bid.

The user can also go to the 'My Bids' option and view the details of the bids submitted. A user can bid again, if outbid by another. At the end of the bid cycle, details about the winners will be passed on to Baazee, who in turn will forward it to the seller and ensure the closure of the sale arising from the bid.

MTNL to Add 800,000 Cell Lines in Delhi, Mumbai

The state-owned Mahanagar Telephone Nigam Ltd (MTNL) is expanding its cellular mobile network in Delhi and Mumbai. It plans to add an additional capacity of eight hundred thousand lines in the two cities. The company operates GSM services under the brand name Dolphin and Trump. Dolphin is its post paid service, while Trump is prepaid service.

Currently, it has two lakh subscribers in Mumbai and about 180,000 subscribers in Delhi. It has already exhausted all the capacity for prepaid cards. About 30% of the total additional capacity would be available by July end. By October the company plans to add 60% of the total additional capacity and by January 2005 the network of total additional capacity will be in place.

Currently, MTNL's has capacity of about 450,000 lines. MTNL plans to allocate between 80% and 90% of the additional capacity to prepaid. Under existing system only 50% of the total capacity was allocated for prepaid services.

Two Mn Addition in Cell Numbers in March

The mobile industry added more than 1.9 mn subscribers last month, with over 1.5 mn joining the GSM mobile bandwagon and over 400,000 hopping onto CDMA mobile phones. This is slightly higher than the additions in the past 3-4 months.Overall, 360 mn people are today hooked onto mobile phones, with GSM subscriber base shooting up to 260 mn, according to Cellular Operators Association of India (COAI) and the CDMA subscriber base increasing to over 7.15 mn, according to the Association of Basic Operators (ABTO). GSM saw a growth of 106% in 03-04 compared with a 97% growth registered in 02-03. For GSM operators, average subscriber additions during the year is 1.1m per month although in the past four to five months additions have been at the rate of 1.4m per month.

Telecom Union Firms Up Global Proposals

The International Telecommunications Union (ITU) has firmed up its recommendations on spectrum allocation, pricing and interconnection issues for governments and has said that the regulators must ensure greater transparency and accountability in the sector. In its first meeting in India, the oldest body under the United Nations said different countries had adopted different models of relationship between the incumbent and new players and it was the duty of the regulator to ensure transparency and fairness.

Regarding the dispute between state-owned Bharat Sanchar Nigam Ltd (BSNL) and private sector companies on interconnection, ITU officials said that the issue should be sorted out mutually between the affected parties. The Telecom Regulatory Authority of India (TRAI) should, however, step in if the parties could not resolve the issue among themselves. The Government, on its part, should not impose high entry fees on new operators and instead look at growth of the sector. The Government's role should be to foster the sector and look at indirect revenues that come along with higher volumes, suggested the ITU.

Tata Teleservices to Raise $150 Mn Convertible Debt

The board of Tata Teleservices Maharashtra Ltd. has approved the raising up to $150 million by issuing foreign currency convertible bonds in one or more tranches. The proposed issue of securities will be subject to necessary approvals. Such issue and allotment of Securities and /or equity shares may be made in one or more tranches, on such terms and conditions as may be decided and deemed appropriate at the time of issue or allotment.

TRAI to Submit Broadband Report for Govt Approval

Highlighting the need for an enhanced broadband initiative in India, Pradip Baijal, chairman, Telecom Regulatory Authority of India (TRAI) said that the authority would submit its broadband report to the government for necessary approval.

The paper, which has been drafted after extensive consultation with the industry aims at facilitating last mile connectivity. The chairman said that the paper would focus on increasing the Internet penetration in the country by taking care of the cost factor. On the issue of networks, TRAI asserted that the operators needed to play an aggressive role so that the bottlenecks could be taken care of. It also indicated that national roaming should be made mandatory and integrated in the present network structure, but stated that a final decision in this regard will be taken only after due consultation.

Responding to the FICCI secretary general, Dr Amit Mitra's suggestion for increasing the sectoral cap from the present 49% to 74% for FIIs, the TRAI chairman indicated that it can only be done gradually.

BSNL Puts On Hold Cell Expansion in Bengal, Gujarat

Bharat Sanchar Nigam (BSNL) is about to buy some Rs 40 bn of GSM gear for its 11-m line national expansion. But it plans to provide only 7m new mobile connections under the CellOne banner in fiscal 04-05. The BSNL board has also resolved that there will be no cellular expansion in the April-June quarter in Maharashtra, Gujarat, Madhya Pradesh, Chattisgarh and Himachal Pradesh, citing purely technical problems in the rollout in the western states.

However, Maharashtra and Gujarat will catch-up from the second quarter onwards. BSNL expects the CellOne subscriber base in Maharashtra and Gujarat to expand by about 720,000 and 560,000, respectively, in nine months, making these two states the leaders in CellOne's nation-wide growth. Punjab (430,000), UP-east (460,000), Andhra (460,000), Kerala (430,000) and the West Bengal-Kolkata combo (580,000) will also contribute to the projected growth, and help achieve the target for 04-05. At present, CellOne is ranked second behind Bharti in the national GSM sweepstakes, with about 5.3m subscribers and a 20% market share.

Goldman May Advise Hutch on IPO in India

Hong Kong's Hutchison Telecommunications is tipped to appoint Goldman Sachs Group advisors to the upcoming Hutch IPO in India. Parent company, Hutchison Whampoa Ltd (HWL), has just named Goldman Sachs Group Inc advisors for the proposed share sale of Hutchison Telecom International Ltd (HTIL), the brand new holding company of Hutchison's emerging markets telecoms businesses, which will be listed in Hong Kong. HTIL's emerging market cellular holdings include its stake in India-based Hutchison-Essar.

Hutchison Whampoa has said it will not await any further relaxation in India's FDI guidelines to freeze the Hutch IPO date. "The FDI issue need not be the determining one," the HWL spokesperson said. It was being anticipated that Hutchison Whampoa could put on hold its India IPO till a post-election Cabinet decision hiking the FDI threshold in telecom services to 74%. Hutchison Whampoa also confirmed that Hutchison's India IPO will not be under the corporate banner of the newly spun off HTIL, even though HTIL has stakes in Hutchison's mobile affiliates in India. The existing Hutchison shareholdings in the Indian operating companies will remain unchanged.

-

TRAI Limits Number of Tariff Plans

During 2003, about 4000-odd tariff plans had been notified to the TRAI by basic and cellular service providers. As per TRAI, these large numbers give rise to issues involving regulatory and consumer concerns. The Authority has come out with a consultation paper on the issue, suggesting putting a cap on the number of tariff plans being offered by basic and cellular service providers so as to minimise the confusion while at the same time allowing flexibility to the operators.

Hutch Acquires Unified Licence for West Bengal, Sikkim Circles

Hutchison Essar announced the acquisition of a unified access licence for West Bengal and Sikkim. The company will invest some $26m for rolling out its cellular networks in West Bengal and Sikkim. Nokia will be the principal cellular equipment vendor for Hutchison's West Bengal/Sikkim roll-out. Hutchison Essar (South), a subsidiary of Hutchison Essar, was the investment vehicle for buying the West Bengal/Sikkim service licence. Hutchison-Essar is targeting an October '04 launch for its cellular services in West Bengal. It plans to offer mobile coverage in 100 towns and key commercial locations in the state in the first year. Nokia will be supplying both the mobile switching and radio equipment.

The company is planning to open branch offices in all key cities in West Bengal. These would essentially be sales-cum-customer services offices. The West Bengal/Sikkim cellular roll-out will be managed by Hutchison's Kolkata operation, Hutchison Telecom East.Over the next three months, Hutchison Essar will reinforce its manpower pool to support its upcoming cellular roll-out in West Bengal/Sikkim circles. At present, Hutchison's Kolkata affiliate, Hutchison Telecom East, has a 340-member team.

Qualcomm To Create More Jobs

The $3 bn Qualcomm, global pioneers in CDMA technology, is hiring afresh in India. The company is locating a brand new software development centre in Hyderabad and putting in place a 100-member local developer team. Qualcomm, at present, has a business development arm in India that operates as an international division of Qualcomm's California-based business development group headed by Mr Jeff Jacobs, son of Qualcomm founder and CEO, Mr Irwin Jacobs. The upcoming Hyderabad software complex will be involved in writing software that goes into Qualcomm's CDMA chipsets, which run all CDMA handsets worldwide. The company officials are tightlipped on the size of investment in Hyderabad and declined to comment on the launch date or commercials of Qualcomm's upcoming India development centre in Hyderabad.

VSNL to Build Another Submarine Cable

Videsh Sanchar Nigam (VSNL) is planning to invest in yet another under-sea cable (in addition to the SEA-ME-WE-4 cable) sometime in '06-07. During the current year, the company plans to invest Rs 4.78 bn towards maintenance and upgradation of existing submarine cables like SEA-ME-WE-3. VSNL had recently entered into a tie-up with Asia Netcom, a Pan-Asian submarine and terrestrial cable system, to enable its Indian customers to reach major markets in Asia and the US through a single private line. The amount for the new cable is likely to be lower than the $40m invested by VSNL in the SEA-ME-WE-4 cable recently. The estimated cost of the SMW-4 project is about $500m. Bharti TeleVentures is also a part of the SMW-4 cable consortium and has invested a similar amount of $40m in the cable.

Railways to Introduce New Safety Measure

An action plan has been worked out to improve the "work culture" of the Danapur division of East Central Railway (ECR). Apart from monitoring normal traffic operations in the division, the plan is likely to bring discipline and a sense of responsibility among railway officials and employees. Safety and punctuality are the top priority for the division, which is currently running 75 pairs of mail and express and 55 pairs of passenger trains. As a result of strict monitoring of train movements, the overall punctuality of trains has gone up to 89.3 per cent while punctuality of all originating trains in the division has registered about 98 per cent, the DRM said, adding that the division will for the first time introduce a new safety measure on the Patna-Ara section under which loco pilots (drivers) will communicate directly with the Danapur control room. This direct communication facility will avert any possible mishap. It has proved successful during trials and this new foolproof system will be introduced soon on each section of the division to strengthen the safety measures further. A trouble shooting directory has been brought out by the division for the benefit of loco pilots. In case of any trouble in the electric and diesel locomotives, these pilots would be able to themselves rectify minor faults and thereby avoid unnecessary detention of long distance or passengers trains.

Railways Must Improve Share in Freight, Passenger Traffic

Indian Railways (IR) is aiming at not only retaining but also improving its share in freight and passenger traffic in view of its declining share in freight movement and competition in the passenger segment from airlines. Creating infrastructure on railway premises for handling containers or roll-on-roll-off schemes which allowed trains to carry fully loaded trucks and retaining passenger services only in areas of high-density travel are some of the solutions the railways is attempting to implement. The Southern Railways, in particular, boasted of a record load of 23.57 million tonnes in the last financial year. And moved about 65 lakh passengers. They also successfully completed the Thanjavur-Kumbakonam, Vadalur-Cuddalore and Pondicherry- Villupuram gauge conversion works.

Railways to Invite Pvt Cos to Fund R&D Projects

Having involved the private sector in construction, IR plans to rope in private companies to fund research and development (R&D). The Lucknow-based Research Designs and Standards Organisation (RDSO), the premier R&D facility of the Indian Railways, has started identifying private sector companies for chipping in with funds and technical assistance for 14 projects being executed with financial assistance from the Department of Science and Technology under the Ministry of Human Resource Development (HRD). They have already got Rs 2 mn from the HRD Ministry to prepare a detailed synopsis of the 14 projects. In consultation with the Indian Institute of Technology (IIT), Kanpur, they have now started the process of identifying private sector companies.

Indian Railways Records Four Pc Growth

The Indian Railways (IR) has recorded 3 per cent growth in freight load and 6.3 per cent growth in passenger movement, reflecting an overall growth of about 4 per cent and revenue surplus of Rs 9 bn for the year 2003-2004, according to Mr R.K. Singh, Chairman of Railway Board. IR surpassed the internal target of 540 tonnes of freight, registering movement of about 557 tonnes during the year 2003-2004. The passenger traffic growth was 6.3 per cent as opposed to the targetted 3 per cent. For every tonne of increased freight movement, IR had to deploy 11 freight trains, which in turn reflected an increase of Rs 500 mn in revenue. IR managed to save about Rs 17 bn in fiscal 2003-2004 by saving on expenditure and through internal efficiencies. The operating rate was estimated at 92 per cent.

Keeping in mind IR's thrust on passenger safety, a Corporate Safety Strategy was drawn up wherein it was decided to renew about 16,500 km track and, of this, about 9500 km had thus far been completed. Alongside, 1400 bridges out of the targetted 2700 have also been repaired and 300 bridges underwater have been assessed for safety with new systems.

8 MCD Roads Handed Over to PWD

Eight main roadsof Delhi, belonging to the Municipal Corporation of Delhi (MCD) have been handed over to the Public Works Department (PWD). These roads include Bahadur Shah Zafar Marg, Vikas Marg, Mathura Road, Aurobindo Marg, Lala Lajpat Rai Marg, Mehrauli Road, Mehrauli-Badarpur Road and B R Ambedkar Marg. According to news reports, the ministry felt that PWD would be better equipped to maintain these roads. Earlier over about 100 roads had been handed over to the department. The MCD feels that this decision has been taken because the Delhi government is planning to privatise some roads and it would be easier if the project was under one agency.

JCBL Launches Chinese Buses

Chinese luxury buses have hit Indian roads. The Chandigarh-based JCBL Ltd has launched "JCBL Integral Coach KL 6113" buses at Rs 480 mn. The entire kit, except tyres, of the bus is imported from King Long, China, and assembled at JCBL's plant in Chandigarh. The Andhra Pradesh State Road Transport Corporation and the Chennai-based Parveen Travels have purchased two buses each.

The company aims to sell about 150 vehicles of KL 6113 (King Long 6113) model during the year ending March 2005. The company had analysed Indian road conditions and also demand in the domestic market before launching the model. In 2002 March, the Chinese automobile manufacturer King Long and JCBL entered into a partnership to assemble King Long luxury buses in India. It was then announced that about Rs 120 mn would be invested in the project in its first phase. King Long has a turnover of about Rs 20 bn.

Dubai Ports to Set Up Local Arms, May Invest in SEZs

After the announcement of several ports and SEZ projects in the past few years, foreign majors are now docking at Indian shores, sensing a sea of opportunities. Petroleum major Royal Dutch/Shell group is talking to half a dozen foreign firms, which may include Port of Singapore Authority and P&O Ports, for its proposed container terminal at Hazira, Gujarat. Dubai Ports International has sought government approval to set up two wholly owned subsidiaries in India.

While one of the two subsidiaries will sign a licence agreement with Cochin Port Trust (CoPT) to develop the Rs 20 Bn international container trans-shipment terminal at Cochin Port, after it emerged as the highest bidder, the other will seek new investment opportunities in other ports and SEZ projects in the country.

Dubai Ports is currently discussing the licence agreement with CoPT and hopes to receive a letter of intent (LoI) from the latter soon. The licence agreement is required to be signed by a wholly owned subsidiary of Dubai Ports within 10 weeks of the date of issue of the LoI.

As far as the CoPT project is concerned, Dubai Ports will operate and manage necessary developments, modifications and augmentation of facilities of the existing Rajiv Gandhi Container Terminal for eight years. It will also develop, construct, operate and manage an international container trans-shipment terminal at Vallarpadam, Puthuvypeen for 30 years. The company has informed the government that the other wholly owned subsidiary will be set up to carry out activities relating to the development, operation, investment and maintenance of ports and SEZ projects.

Sagar Mala Project May Spur Minor Ports' Development

The launch of the Sagar Mala project by the Indian government has kindled hopes for renewal of investment in the minor ports of Kerala as these ports enjoy the advantage of being close to international sea routes. The basic principles framed under the project for the development of minor ports are: interests of consumers, qualitative and quantitative improvement by competition, public-private partnership and promotion and integration of costal shipping and international shipping.

The State government has now identified seven minor ports for development in the first phase with private participation. They are Azhikkal, Beypore, Ponnani, Kodungallur, Alappuzha, Thankassery and Vizhinjam. At present only the ports of Azhikkal, Beypore and Vizhinjam handle cargo while some of the other ports get occasional calls of cruise vessels.

Though the State has 17 intermediate minor ports besides the major port of Kochi, most of these ports had over the years fallen into disuse since they have been unable to catch up on to the improved cargo handling methods. The State government with its financial constraints has not able to make sufficient investments in these ports.

Ports Frown on Waiver of Pilot Fees

Close on the heels of providing a 40% discount to coastal vessels on vessel-related charges, the Indian government is considering waiving the pilotage fee for the coastal vessels to boost traffic. The proposal, however, is not being well received by various ports because the pilotage fee is a major contributor to port trusts' revenues. Its contribution to the revenue is in the 3-5% band for coastal vessels. But in absolute terms, the waiver will mean a loss of up to Rs 200 mn in case of some port trusts. The ministry has sought the opinion of various ports on the feasibility of such a step and the matter will be discussed in the next meeting of chairmen of port trusts.

Pilotage is the fee charged by port trusts for guiding the vessel to the shore. The exemption for pilotage charges was also recommended by Tata Consultancy Service in its report for promoting coastal shipping. According to officials, this step could put pressure on the ports' resources as the port will have to continue incurring expenditure on pilotage to cater to the non-coastal vessels.

Ships Without P&I Cover to be Denied Entry into Ports

Ships calling at government-owned major ports without a valid wreck removal cover from a member of the international group of Protection & Indemnity (P&I) Club may be denied permission to enter their waters as per rules on wreck removal drafted by the ports. As per the draft rules on wreck removal, ports have to ensure that no ship enters their waters without a valid P&I entry certificate from an international group club or fixed premium facility approved earlier. The agents of the ship owner will have to provide the documentation to the port in advance so as to verify the documents.

Wreck removal cover is a third party liability cover provided by a P&I Club. The club covers legal liability and the coverage is almost unlimited.

The domestic laws, however, are not adequate to fix a legal liability on the ship owner for removal of wreck. The International Maritime Organisation (IMO) has finalised a convention on wreck removal and India need to take steps to plug the gaps and bring its legislation in line with this convention.

Chennai, Kochi, Tuticorin Ports to Cut Charges

The Union Ministry of Shipping has issued a directive to the Chennai, Tuticorin and Kochi ports to reduce their vessel-related charges to the level of the Colombo port charges. The move is aimed at bringing in the transhipment business of Indian container cargo otherwise handled by the Colombo port. The Colombo port handles around 2.5 million TEU annually, 70% of which are containers destined for Indian ports. This results in loss of forex, which would have otherwise been earned by Indian ports. Currently, vessel-related charges at the ports in Chennai, Tuticorin and Kochi are in the region of $25,000 per day while the Colombo port charges merely $7000 per day.

Mumbai Waste Management Project to Speed Up

A combination of judicial orders, initiatives by the Maharashtra State Pollution Control Board and changing attitude from the local industries, has raised a glimmer of hope for India's first total integrated waste management facility in Mumbai to get on to the road of economic viability. Put into operation in November 2002, the 200,000 tonne capacity Treatment, Storage, Disposal Facility (TSDF) for hazardous industrial wastes, has just about managed to receive 30,000 tonnes or approximately 1700 tonnes, which is 10-12% of capacity utilisation.

The November 2003 Supreme Court order asking industries to follow the guidelines on hazardous waste management, with responsibility for compliance placed on the local pollution control boards has slightly altered the situation to the advantage of the facility. From the coming monsoon, it expects to see an increase to at least 2000 tonnes/month and improve the operational capability. The outlook of the industries producing hazardous wastes in the city has improved.

AP Gets Rs 200 Mn for Rural Water Projects

The Ministry of Rural Development, Government of India, has released Rs 203.6 mn to Andhra Pradesh as its share in the Prime Minister's programmes for installation of one hundred thousand hand- pumps in water scarce rural areas and revival of one hundred thousand traditional sources of drinking water supply. The amount released forms 90% of the cost of the scheme and the community or panchayats will have to bear the remaining 10%.

Krishna Water Reaches Sahebnagar

Raw Krishna water that traversed by gravity the last stretch of 41 km from Gungal reached Sahebnagar, the terminus balancing reservoir on the city outskirts. This has completed the trial run of the waters from Kodandapur, which involved a three-stage pumping. The raw water will be used to scour the Sahebnagar reservoir before bringing in the treated water. The treated water will reach the city in April , as two pumps will be operated against one during the trial run. While 11.25 mn litres of raw water reached Sahebnagar, 20 to 25 mn litres of treated water is expected to join the distribution system at Santoshnagar crossroads.

World Bank Support For Bangalore Water Supply

The World Bank is supporting the Bangalore Water Supply and Sewerage Board (BWSSB) with a Rs 1 bn crore loan for a project that would provide Cauvery waters to seven city municipal councils (CMC) and one town municipal council (TMC) around Bangalore city. This assistance for the water project is part of the Bank's recently sanctioned $39.5 mn loan to the Indian government and comes with a twenty year maturity period and a five year grace period. The project is expected to provide 100 mld (mn liters per day) of water to 1.5 mn people. Under the project, around 15 lakh connections would be provided to residents of CMCs and the TMC.

Currently, Bangalore's demand for water is 860 mld which is projected to shoot up to 1500 mld by 2010 and 1770 mld by 2020. This water project is expected to cost a total of Rs 6.98 bn. On the funding side, Rs 780 mn would come from the state government while Rs 1.20 bn would from CMCs and TMC. The Karnataka Urban Infrastructure and Development Finance Corporation will extend Rs 450 mn towards the water supply project, which is expected to be completed in twelve months from the date of commencement of work.

Pilot Waste Management Project Takes Off

The pilot project for a litter-free city has begun in select areas identified under the four zones of the Coimbatore Corporation. With door-to-door collection of waste and segregation at source as a vital component, the Corporation and the Project Siruthuli are implementing the project, which is an initiative by corporate bodies, voluntary bodies and members of the public to revive tanks in Coimbatore as an effort towards recharging ground water. Initially, the door-to-door collection will be carried out in an area each under the four zones.

Depending on its success in these areas and public patronage, it would be gradually extended to the rest of the city.

While the Project Siruthuli would focus on educating the masses on segregation of biodegradable and non-biodegradable waste at source and also on proper storage for easy disposal every day, the Corporation will monitor the programme and provide logistical support such as pushcarts. The civic body has already ordered for 250 pushcarts. Each cart, costing Rs. 5115, can hold four bins — two for biodegradable, one for non-biodegradable and the other for biomedical waste. So far, 143 bins have been obtained and the rest will be provided shortly.

J. Sagar Associates, Advocates & Solicitors

84-E, C-6 Lane,
Sainik Farms,
New Delhi 110 062
India
T: 91 (11) 26518714/15/16
F: 91 (11) 26518717/26560980
E-mail: newdelhi@jsalaw.com

F-3, Ligoury Court,
#7 Palm Grove Road
Victoria Layout, Bangalore 560 047
India
T: 91 (80) 5511787/1789/2270/2276
F: 91 (80) 5511788
E-mail: bangalore@jsalaw.com

Vakils House, 18 Sprott Road
Ballard Estate
Mumbai 400 001
India
T: 91 (22) 56561500
F: 91 (22) 56561515/16
E-mail: mumbai@jsalaw.com