



India Infrastructure Update



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POWER

Power Sector Reforms Yield Results

With the reforms process gaining momentum in the power sector, Indian utility companies have come into focus once again. The process, which was initiated around 10 months ago, is now giving encouraging results as the performance of state electricity boards (SEBs) shows an improvement after a long period of time. A re-rating of utility companies is on the cards.

Traditionally, utility companies face very high technical and commercial (AT&C) losses on account of large-scale theft, both in urban as well as rural areas. Supply of electricity to unmetered consumers/faulty meters and inefficiency in billings and collections have been the key reasons for losses in industrial areas. Faulty policy of cross-subsidisation due to tariff distortions between industry, domestic and agricultural consumers is another matter of concern. Also, the delay in payment of subsidy by state governments has resulted in lack of investment in transmission and distribution. Though AT&C losses have declined, they still remain high. On an average, AT&C losses have declined for 15 states to the extent of 200 basis points. Tariffs for agricultural consumers increased by a CAGR of 36% in F2000-02 compared to 3% CAGR in F1995-00. This is the most crucial area and some more action should be visible. It is a matter of time before SEBs are forced to move towards increasing agriculture tariffs, which lead to shrinking of the differential between revenues and costs. In F2003, 48.1% of units generated were metered compared with 46.7% in F2002.

Goa Govt to Corporatise SEB's

The Goa state government is planning to initiate corporatisation of its state electricity department. It has assigned the task to prepare a comprehensive report on the issue to SBI Caps following reservations raised over the corporatisation issue in some quarters, particularly the department employees.

SC Defers DPC Hearing by Two Weeks

The Supreme Court has deferred the hearing on the issue of restarting the Dabhol Power Corporation (DPC) asking the parties to come out with the modalities about fixing interim tariff for sale of electricity by DPC to Maharashtra State Electricity Board (MSEB).

The order to this effect was passed by a Bench comprising Justice Y K Sabharwal and Justice AR Lakshmanan after hearing the counsel for the concerned parties. Earlier, the court had asked two key shareholders in DPC — GE subsidiary Capital India Power Mauritius and Bechtel subsidiary Energy Enterprise — to tell the Court about their response to the Plant going back into operation. DPC, in its petition, had objected to MSEB's decision to approach MERC on fixation of interim tariff saying the apex court had passed a consent order that none of the parties would approach either the Maharashtra Electricity Regulatory Commission (MERC) or the Tribunal on their dispute over the Power Purchase Agreement.

HPCL is the Highest Bidder for 100 Lankan Oil Pumps

Hindustan Petroleum Corporation Ltd (HPCL) is set to acquire 100 retail outlets of Sri Lanka's Ceylon Petroleum Corporation for \$100 mn. HPCL has offered \$23 million more for the pumps than its domestic rival Bharat Petroleum Corporation (BPCL), which put in a bid of \$77 million. As per HPCL officials, there has been no communication yet from the Lankan government about the deal. If it comes through, 66% of the island nation's oil product sales will be controlled by Indian firms. Indian Oil Corporation (IOC), which has already taken over 100 retail outlets on the invitation of the Sri Lankan government, currently has a 20% market share. IOC is now setting up an additional 150 franchisee outlets through its subsidiary, Lanka IOC Ltd. Industry sources familiar with the development said the Reliance group and the IOC-owned IBP Ltd both bid \$40 mn, while the ONGC-controlled Mangalore Refinery and Petrochemicals Ltd bid \$45 mn for the 100 pumps. Among the international bidders, Petronas and China Petroleum bid \$40 mn and \$45 mn, respectively. Caltex and Shell had earlier withdrawn from the fray. The Lankan government's privatization drive entails selling off 200 of the country's 350 retail petroleum outlets to foreign companies, leaving the rest for state-owned Ceylon Petroleum Corporation. Sri Lanka sources two million tonnes of crude internally for its refineries.

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Centre Sanctions Nine Hydel Power Projects for Maharashtra

The Union Government has sanctioned nine hydel power projects for Maharashtra, which will contribute 1780 mw to the state's capacity by 2012. A total of 162 hydel power projects have been approved throughout the country with capacity addition of 50,000 mw by 2012. Pre-feasibility reports of these projects are ready and participation of private players has been invited. An amount of Rs 400 bn has been allocated for the APDRP for the next four years, out of which, Rs 200 bn will be in the form of grants and the balance in the form of incentives for states that reduce their transmission and distribution (T&D) losses.

Maharashtra has already received Rs 1.34 bn as incentive for reducing T&D loss out of Rs 8 bn given as incentives to Maharashtra, Gujrat, Haryana and Rajasthan. This year another 10 states will receive incentives worth Rs 2.5 bn for reducing T&D loss valued at Rs 5 bn.

The government is also planning to set up two thermal power stations of 250 mw each at Parali and Paras at the cost of Rs 20 bn for which budgetary allocations have been made. Power station at Uran will be expanded and negotiations are on to restart the Dabhol power project.

MSEB has also said that the Rs 1.30 bn APDRP for Pune would be completed in the next 12 months through turn key projects to be completed by Siemens, L&T, S M Electricals and Allied Electricals, with whom agreements have been signed. The APDRP is being implemented in 11 districts and eight cities at the cost of Rs 12 bn, with 25% of the amount being given as grant and 25% as loan by the union government, while remaining 50% would be raised as loan from Power Finance Corporation and Rural Electrification Corporation.

Draft Tariff Policy

The Central Electricity Regulatory Commission (CERC) has recently circulated the draft tariff policy — applicable from April 1, 2004 to March 31 2009. As per Mr A K Basu, chairman CERC and the chief architect of the policy: the government has drafted this policy with the objective of increasing efficiency and competition. Upholding the spirit of the Electricity Act, CERC has urged the Centre to issue guidelines for tariff based projects which would ensure competition and efficiency. However, since it would be some time before such guidelines are formalised and projects actually crystallise, CERC has, in the new policy, prepared a launching pad for the new regime. Basically the policy requires power developers to offer tariffs on a normative basis as opposed to the existing cost-plus approach.

Under the current policy, a power developer takes into account the expenditure incurred on several heads — from operation and maintenance to depreciation, fuel costs and incentives — and adds the permissible return on equity before finalising the policy. However, the new policy lays down normative costs for all these heads, which is based on the size of the plant, also allowing escalation on an annual basis.

Tata Power's Trading Licence Plea Rejected

The Central Electricity Regulatory Authority (CERC) has rejected Tata Power's application for a trading licence on the ground that licences cannot be granted to third parties.

In a recent ruling, the power regulator held that Tata Power could not be granted a licence as the company was yet to be incorporated. Tata Power had approached the regulator for permission to trade stating it was desirous of setting up a special purpose vehicle to be incorporated shortly as a subsidiary for cross-country trading.

A two-member bench comprising chairman A K Basu and member K N Sinha ruled that the licence to trade could not be granted in favour of third parties. It dismissed the application, stating that as the person in whose favour licence is sought is not incorporated and is not in existence, it felt that the application was pre-mature and hence not maintainable.

Permission for trading has been granted to six companies under the old legislation which remain in force for a period of one year following the notification of the new law. The regulator in November announced draft regulations for inter-state trading stipulating six categories of licensees depending on the electricity traded. It also proposed minimum net worth criteria ranging from Rs 200 mn to Rs 250 mn.

New Focus for Energy Research Mooted

The recent International Congress on Renewable Energy for Sustainable Development, highlighted that the government needs to re-assess the areas of research in the field of non-conventional energy resources. It is estimated that the total installed capacity from non-renewable energy sources is about 3,800 mw or 3% of the total capacity. The government is looking to increase this to 10% by the end of the 11th Five-Year Plan. This installed base is much lower than the total estimated potential, of around 1 lakh mw. Of this around 45,00 mw is said to be in wind energy alone. Power derived from non-renewable energy sources is expected to play a key role in solving the power shortage across the country, especially in rural areas. With over 300 days of sunshine in some parts of the country, solar photo-voltaics are seen as a major future source of power. Additionally, with over 250 million tons of sugar cane crushed in 250 factories countrywide, co-generation could also be a key source of electricity.

NHPC to Raise Rs 600 Bn

National Hydro Power Corporation (NHPC), is planning to raise Rs 600 bn in debt over the next nine years to develop hydro projects of around 18,000 mw. It plans to tap both domestic as well as international banks to raise the amount at a coupon of less than 6%. Of the total debt, Rs 10 bn would be raised in the next couple of months to finance two power projects — the 120 mw Sewa II project in Jammu and Kashmir and the 132 mw Teesta low dam project in Sikkim. While Rs 400 bn is to be invested from budgetary support and internal accruals the balance has to be picked up from the market.

GAIL Issue Targeted to Hit Market by Feb 18

Ahead of an early March target set for disinvestment of shares in ONGC, an Inter Ministerial Group on Disinvestment of GAIL favoured timing the public offer of 10% equity in the gas transmission utility by February 23. The public offer of shares is targeted to remain open for five days up to February 27. The high powered group comprising of officials of Law, Finance, Petroleum and Disinvestment Ministries set a January 23 deadline for filing of prospectus with capital markets regulator SEBI. Besides, the group also favoured appointment of a second registrar to manage the issue, a move expected to hasten the process.

ONGC Public Issue to be Offered in Lots of Ten

In a bid to attract small investors, the government will offer in lots of 10, the shares of the state-owned exploration firm Oil & Natural Gas Corporation for public issue to divest 10% of its equity. The inter-ministerial group (IMG) on ONGC disinvestment, decided to offer the shares in multiples of 10 instead of the normal practice of offering in lots of 100 shares and multiples thereof. Deciding against splitting ONGC shares into smaller denominations, the IMG instead decided to reduce the lot of shares on offer from 100 to 10. The public issue of 142 mn shares of ONGC will hit the market on March two and will be open for bidding under the book building route for seven working days. A draft prospectus for the public issue will be filed with SEBI before the month end and road shows will be held at London, Singapore, Hong Kong, Dubai and a couple of places in the US in the last week of February. Simultaneous roadshows will also be organised in India.

ONGC Launches Biggest Pipeline Project in Asia

ONGC has launched the biggest pipeline project in Asia Pacific by way of laying two sub sea pipelines in Mumbai High offshore field at an estimated cost of \$600 mn. Dubbed the Bombay High-Uran Trunk Pipeline Project, the mammoth pipe upgrades involves laying two 204-km pipelines - one a 30 inch diameter line for oil and the other a 28-inch gas line - to replace the ageing trunk lines at the Mumbai High offshore field in the Arabian Sea.

At present crude oil and natural gas produced from various offshore platforms at Bombay High is transported to Uran Plant through Bombay High to Uran Trunk (BUT) pipeline system. This pipeline system, laid in 1978, is over 25 years old and has completed its designed operating and service life. Recently, there were leaks in the oil trunk pipeline.

ONGC is likely to award the engineering, procurement, installation and construction (EPIC) contract to Hyundai Heavy Industries (HHI) of South Korea and wants the pipelines to be ready by May 10, 2005. The work scope also includes about 50-kms of spur lines to the Uran onshore collection terminal near Mumbai.

Govt Puts Off Gas Price Revision

The government has put off a proposal to hike natural gas prices by Rs 350 per thousand cubic meters until the second half of 2004. The Group of Ministers' recommendation to raise natural gas prices from Rs 2850 to Rs 3200 per thousand cubic meters was to come up for discussion at a recent Cabinet meeting. But with general elections round the corner, no decision was taken.

If the Cabinet were to go by the GoM recommendation, CNG prices in Delhi would have gone up by close to Rs 2 per kg besides also requiring a revision in domestic cooking gas (LPG), power and fertilizer prices. The government had in September 2003 decided to freeze LPG and kerosene prices for a year (beyond the next General Election) despite rising costs of crude oil (raw material). The GoM had also suggested increasing HBJ gas pipeline, which transports gas from western offshore to consumption centres in the north, transportation charges to Rs 1160 per thousand cubic meters per day from Rs 1150 per thousand cubic meters per day.

ABB May Get 70% Stake in Essar Oil

Essar Oil's proposed private placement of foreign currency convertible bonds worth \$271m with ABB Lummus BV could result in the MNC holding about 70% in the Ruias-promoted refinery project, if ABB decides to convert these bonds into equity. ABB can decide on the conversion on or after 45 days from the closing of the issue and up to 30 days prior to the maturity date.

The finance ministry has sought SEBI's view on the EOL proposal as the conversion will result in a stake higher than 15%, the trigger limit for attracting the Takeover Code provision. The ministry will decide on approving the proposal only after factoring in SEBI's view. The proposed FCCB issue is part of Essar Oil's recent financial restructuring package approved by the lending financial institutions' corporate debt restructuring cell. The \$271-m corpus will be used to complete the company's 10.5 million tonnes per annum refinery project, currently under implementation. The refinery is expected to be commissioned in the second half of '05.

ONGC to Take 30% Share in Cairn's Rajasthan Find

ONGC is planning to take a 30% share in British energy firm Cairn Energy's giant oil field in Rajasthan. It claims that it has a right to 30% of any development area resulting from a commercial discovery on the (Cairn) block and it plans to exercise this right. Cairn has announced the discovery of 450 to 1100 mn barrels of good quality light crude oil in the exploration well N-B-1 in Block RJ-ON-90/1 in northern Rajasthan. Preliminary reserve estimates are in the 50 to 200 million barrel range. The discovery is located 60-km north of the previous discovery named Saraswati in the Block RJ-ON-90/1 in Barmer district.

No Hutch, No Idea After 2004: Gartner

According to predictions research firm, Gartner, mobile phone connections will overtake fixed phone subscribers in India in the third quarter of 2004 as cellular penetration doubles from 2.7% (end-2003) to 5.2% by end of 2004. The unified licensing regime will act as a catalyst for consolidation in the Indian telecom industry which will result in not more than four large players: Bharti, Reliance, Tatas and BSNL.

Gartner also predicts that the government is likely to support the industry's demand to increase the cap on foreign direct investment from the current level of 49% to 74%. However, the downside is that much of the foreign investment into the country is likely to come from financial institutions, who are more interested in return on investments than the strategic investors.

On the outsourcing front, Gartner predicts that the demand for fixed network services – especially data – will be accelerated by the consistent drive towards IT outsourcing to India by large MNCs. However, the growth will be significantly inhibited by problems of poor quality of service, high prices charged by telecom network operators to outsourcing service providers and perceptions that existing network infrastructure is inadequate.

BSNL Signs Pact with VSNL for Sharing ILD Infrastructure

State-owned Bharat Sanchar Nigam Ltd has signed an agreement with Tatas-controlled Videsh Sanchar Nigam Ltd to use the latter's network for offering its international long distance services. With this agreement, BSNL would not be making any investment for rolling out its own ISD network initially, and instead share the infrastructure of VSNL, in which government has 26% stake. The commercial terms of the deal have not been disclosed. BSNL was given licence to venture into ISD services in 2003 and the Corporation had an option to start the services on its own with effect from April 1, this year when the two year period of preferred carrier to VSNL comes to an end.

Fresh Rider for Foreign Investment In Telecom

The department of telecom (DoT) has added another rider in its proposal to allow 74% foreign investment. In its recommendation to the Cabinet, DoT has made it mandatory for cellular and basic telecom companies to issue fresh equity in case they want to bring in foreign funds beyond the 49% foreign direct investment (FDI) cap. This implies that resident shareholders will not be allowed to sell their existing shares to foreign institutional investors. DoT perceives this rider would ensure that the domestic holding in telecom companies would always be higher than the FDI component, even after the foreign investment limit was raised to 74% from 49% at present. The move would also address the security concerns raised by the home ministry, since the holding of domestic promoters will be higher than that of foreign direct investors.

i-mate Launches Windows Mobile Smartphone in India

Bringing the familiarity of Windows Operating System to mobile phones, Carrier Devices owned i-mate has introduced a Windows Mobile smartphone and pocket PC phone in India targeted at the high end market. The new i-mate Windows Mobile Pocket PC Phone Edition and i-mate smartphone2 would be distributed in India through e-charge (Technology) Private Ltd. While the smartphone is priced at Rs 24,999, the pocket PC comes with a price tag of Rs 38,999. The smartphone offers full personal information management and e-mail functionality through Microsoft Pocket Outlook. A web browser in Microsoft Pocket Internet Explorer, instant message capabilities with MSN messenger and ability to listen to music and play video with Microsoft Windows Media Player 9, all come as a standard in the smartphone model. The i-mate phones would enable a business user to synchronise data with his laptop or Personal Computer.

LG Mobile Software to be Developed in India

Korean consumer electronics major LG plans to step up its focus on mobile phone software development in India. This unit currently is part of LG Soft India, with around 100 engineers and works in conjunction with LG Electronics, Korea and works on both GSM and CDMA technologies. The company is looking at expanding its presence in India. The mobile phone software unit is expected to become one of the focus units for LGSI. According to estimates, this unit alone is expected to have 250 people in a year's time before headcount eventually doubles to 500. The firm may also consider spinning the unit into a separate business entity. This will make the centre one of the largest such facilities globally.

Bharti Group Now Ranks Third Among Listed Service Companies

With a revenue of Rs 12.69 bn in the third quarter of 2003, Bharti now ranks third among listed service companies, behind ICICI Bank and Wipro, thus emerging ahead of Infosys, Tata Power and HDFC. Bharti emerged ninth in terms of market capitalisation on the BSE. Bharti's market cap was Rs 208 bn, while ONGC had a market cap of Rs 119.92 bn.

Bharti has been expanding its operations at a fast pace, thus cornering a quarter of the cellular GSM market. Third quarter revenues have seen a 50% year-on-year growth and a sequential growth of 11%. Its total revenue jumped 74% in the second quarter making Bharti a \$1bn revenue company on an annualised basis.

During the quarter, Bharti added 1m customers, becoming the first GSM private operator to cross the 5m customer mark. The company nearly doubled its customer base to 6 mn at the end of December '03, compared to 3 mn at the end of '02. After posting losses in '02-03, the last three quarters have been profitable, with net profit jumping 73% in Q3.

CDMA Space Gets its First Takeover

HFCL Infotel's Punjab circle is reported to be up for grabs in the latest wave of consolidation in the full-mobility space and the possible buyer could be Tata Teleservices.

Both the Tatas and HFCL circles have indicated that discussions did transpire but neither side is willing to confirm the present status. A key issue likely to influence any buy decision appears to be whether Tata Tele will shoulder HFCL Infotel's over Rs 6 bn of debt.

Sources at Tata Teleservices, confirmed "a due-diligence had been carried out by the company to assess the enterprise valuation of HFCL Infotel's Punjab circle". Parent company Himachal Futuristic Communications Ltd (HFCL) holds 85% in its subsidiary HFCL Infotel, which runs CDMA mobile, wireline and fixed wireless services in Punjab. The balance 15 per cent is held by the public (10 per cent) and banks / corporate bodies (five per cent).

UK Wireless Company Plans to Set Up Centres in India

UK-based Aircom International has announced plans to set up new software development, testing and technical support centres in India, entailing an initial investment of over 5mn euros. Aircom International, which operates in India through its wholly-owned subsidiary Aircom International (India), is also planning to embark on a major recruitment drive, as part of which it will increase its headcount by 300 professionals by the middle of this year. Aircom India is a wireless solutions company and currently has 60 professionals at its office in Noida. The new centres will offer consultancy and support services to South Asian countries including India and will also support specific global operations. They will be located around Delhi. With the establishment of a dedicated support centre, Aircom India will have a new division in the software development group called support group, which will cater to software queries of clients and also provide consultancy support.

Telecom Operators Free to Set Tariffs

The Telecom Regulatory Authority of India (TRAI) has allowed telecom service providers to announce tariffs without the regulator's permission. TRAI has asked operators to do a self check on tariffs so that they are non-predatory, competitive and compliant with the interconnect norms. The operators will, however, have to file their tariffs with TRAI within seven days of implementing them. Until now, tariff forbearance was only for cellular and fixed-line operators. Other operators had to seek the approval of TRAI, 5 days before launching any new tariff plan. The authority is of the view that the current declining tariff environment is an ideal time to switch over from an ex-ante tariff regulation to ex-post tariff regulation. TRAI has also asked cellular operators to allow pre-paid mobile users to receive calls and short messages even if the pre-paid card does not have any talk time.

Telecom Capex Seen at \$4.4 Bn in FY 2004

As per a recent report of investment banking firm Morgan Stanley, domestic telecom operators are expected to shell out \$4.39 bn as capital expenditure during the next financial year. The subscribers, meanwhile, are expected to shell out \$1.69 bn on handsets during the year. During 2004-08, equipment providers could rake in \$19.4 bn, and handset makers \$8.4 bn from the domestic market. 72% of the \$19.4 bn would be spent on wireless equipment. Morgan Stanley believes Bharat Sanchar Nigam will be the biggest investor in the industry followed by Reliance Infocomm, Bharti and the Tata group. Out of the total \$4.39-bn capex pie for fiscal 2004-05, \$460 mn will be spent on wireline infrastructure, \$1.71 billion on global system of mobile communications (GSM)-based wireless infrastructure, and \$1.45 billion will be spent on the code division multiple access (CDMA)-based infrastructure. Another \$770 mn will be spent on broadband equipment during the fiscal.

On the handset front, while subscribers will spend \$901 mn on GSM-based handsets, they will spend \$790 mn on CDMA-based handsets during 2004. Though a relatively small portion goes to the wireline equipment vendors this year, the next few years would see a relatively larger amount accruing to wireline vendors. For the period 2004-08, while the wireline capex is expected to grow at 7.5%, the capex on GSM-based equipment will decline at 5.2% and that on CDMA-based equipment will decline at 7.9%.

TRAI to Seek Spectrum Cap for Full-Mobility Players

The Telecom Regulatory Authority of India (TRAI) is likely to advocate a cap on spectrum allocation per service area (a circle or metro) for full-mobility players in a regime of unified access licences. A possible cap on radio spectrum is being considered as TRAI is about to finalise spectrum transfer norms between mobile players in intra-circle merger situations. Indications are that radio spectrum allocation for mobile players may be capped at 15 Mhz per service area, post-intra-circle mergers. TRAI circles have hinted that the objective would ensure optimal use of spectrum and a level-playing field across all categories of full-mobility players.

Significantly, a cap on spectrum allocation for each service area is being considered when TRAI is set to make a final recommendation to DoT on whether the entire spectrum held by an acquired mobile company in a particular circle/metro can be transferred to the acquiring mobile company, already operating in the same circle/metro. It is well known that the valuations of potential takeover targets in the mobile realm are directly linked to the quantum of spectrum held by them.

If the spectrum held by targeted mobile firms cannot be transferred to the acquiring companies, potential acquirers are likely to lose interest and undermine the case for intra-circle mergers in the full-mobility space. TRAI officials are being cautious on the possibility of a roadmap on spectrum transfer norms in intra-circle merger situations.

Rail Vikas' Rs 6.50 bn Projects Attract 120 firms

Rail Vikas Nigam Ltd (RVNL) is learnt to have attracted the interest of a whopping 93 consortia, or around 120 firms, for the six construction contracts for its first four projects.

RVNL is a special purpose vehicle created by the Indian Railways to implement a Rs 150 bn railways development programme. The four contracts are worth roughly Rs 6.50 bn and were put up for global tendering last year. Several railway construction companies have submitted bids and the response has been good because it is the first time the Railways have announced big contracts.

The projects, which qualify as priority investments to strengthen the Railways' core business activity, are being funded by the Asian Development Bank (ADB). The four projects are the Tomka-Keonjhar new railway line (96 km), double-tracking of the Pullampet-Gooty route (151 km), adding a third track on the Bhatapara-Urkura line (60 km) and construction of a second bridge on the Mahanadi River (2.1 km).

Railways Plan to Link Kandla, Mundra Ports

The ministry of railways is building a critical link connecting Kandla and Mundra Ports located in Gulf of Kutch with northern and northwest India. The project for Gandhidham-Palanpur gauge conversion, which covers a distance of 313 km, will cost Rs 4.53 bn and is to be implemented with the participation of the government of Gujarat, Kandla Port Trust and Adani Group apart from the Railways. Apart from reducing transit losses during trans-shipment at various locations from metre gauge to broad gauge, the project will reduce the distance between the Kandla Port and Delhi by 140 kms. Projected traffic on the route is 9.68 mn tonnes a year by 2010-11 and 12.75 mn tonnes by the year 2014-15. The main commodities to be handled on this route will be coal, fertilisers, foodgrains and salt. A special purpose vehicle (SPV), christened Kutch Railway Company, has been formed with the Kandla Port Trust, Mundra Port and the government of Gujarat for expeditious completion of the project. The equity component in the SPV is Rs 2 bn with the remaining cost to be funded through debt. The ministry of railways' share is 50%, while the Kandla Port Trust has 26%, the Gujarat government 4% and Mundra Port has a 20% stake.

Railway Budget Leaves Freight, Passenger Fares Unchanged

In the latest railway budget for 2004-05, Rs 200 bn has been earmarked for execution and completion of railway projects in remote and backward areas. Being a vote-on-account, there is no proposal to increase freight and passenger fares. The budget also includes an outlay of Rs 7.17 bn for Railway Vikas Nigam Limited. Projecting a three per cent growth in passenger traffic and 20 million tonnes increase in freight traffic, the budget estimates put the gross traffic receipt at Rs 444.82 bn for 2004-05, an increase of Rs 18.77 bn over the revised estimates of 2003-04.

Huge Outlay on Roads Planned

The government would be spending Rs 1000 bn on all-round development of the road sector during the next few years. The requirement of cement on account of road development alone was 4 mn tonne while that of steel was 300,000 tonne. Besides the National Highway Development Project (NHDP), the government has launched another ambitious project of Rs 400 bn to connect all major cities, uncovered by NHDP by four-lane highways. The project, called Pradhan Mantri Bharat Jodo Pariyojana, involves four-laning of 10,000-kms of road stretches, identified on the basis of traffic density, connectivity of state capitals with NHDP and important centres of tourism and economic activity by 2008. Construction of 622 km of these roads have already been tendered and they would be four-laned in another 30 months. The projects will be implemented on BOT principle. On NHDP, the four/six laning of 2,395-km of the first phase has been completed, while work on 3,368-km stretch was under progress. It is expected that 95% of the 5846-km GQ will be complete by December 2004.

300-mn Global Vehicle Testing Facility Proposed

Ministry for Heavy Industries has placed before the Planning Commission a proposal to set up a \$300 million international testing facility for vehicles. The need for such a facility was discussed between the Government and the automobile industry officials during the auto-trade dialogue at the Auto Expo. It was felt that such a facility was needed because of the rapid growth of the industry and changes in emission norms. The Planning Commission has stated that it would try to speed up the clearance and would also help the Ministry and the industry to raise funds for setting up the facility. Though the Automobile Research Association of India (ARAI) had a facility in Pune, it was inadequate because of a surge in newer models by auto majors. Newer launches and newer emission norms had made it necessary for setting up such a facility.

With over \$15 bn more expected to be pumped into the road sector over the next five years, leading to a far better road network across the country, the automobile segment was set to grow.

Delhi to Get Rail-cum-Bus Service Soon

The government plans to build an integrated rail-cum-bus transit (IRBT) system connecting the National Capital Region (NCR) of Delhi with Gurgaon, Ghaziabad and Sahibabad with an interface with the Delhi Metro Rail. The project, which is estimated to cost Rs 22.39 bn, is to be monitored by a steering committee constituted for this purpose. The project cost includes Rs 6.65 bn for the Shahdara-Sahibabad-Ghaziabad corridor, Rs 6.21 bn for Sahibabad-Tilak Bridge-Minto Bridge corridor and Rs 9.53 bn for Dayabasti-Bijwasan-Gurgaon corridor. The IRBT system will interface with the Delhi Metro at four locations. The feasibility study of the project has been conducted. A draft MoU has been circulated to and approved by all stakeholders except the state government of Uttar Pradesh.

Cabotage Norms for Foreign Cruise Liners Eased

To promote cruise tourism in the country, in the absence of Indian flags sailing in this segment, the shipping ministry has altered the existing cabotage laws to allow foreign flag cruise vessels calling at more than one Indian port to sail without obtaining permits or licences from the director-general shipping. This facility has been granted for a period of five years, by activating Clause 3 of Section 407 of the Merchant Shipping Act. The government has also given the go-ahead for the reduction of vessel-related charges for cruise ships by 50%. The 50% reduction is mandatory, though individual ports can further reduce charges below this under competitive pressures if they so desire. Permission to set up high-standard international cruise terminals at Mumbai, Cochin, New Mangalore and Tuticorin has also been given by the ministry to the respective port trusts. Data with the shipping ministry shows that a total of 12,424 tourists were carried on cruise vessels calling at Mumbai, Cochin, Mormugao, New Mangalore and Tuticorin in '02-03. This reflects a drop from 19,318 tourists in '01-02, and shows a significant drop from 40,287 tourists in '00-01.

This season, there has been some improvement, with double the number of liners including India in their itinerary. Large cruise lines such as Queen Elizabeth II, Silver Shadow Deutschland, Seaborne Spirit, Europa, QE II and Star Princess are reportedly visiting Indian ports during the cruise season that commences in November '03 and ends in April '04.

Land around KoPT to be Developed

The Union shipping ministry is planning to unveil a roadmap to commercially develop some 1500-acres of prime land owned by the Kolkata Port Trust (KoPT). The latest shipping ministry drive is part of its national land policy for major ports, which is close to finalisation. The shipping ministry is expected to come out with a pragmatic and flexible land policy that aims to facilitate optimal development of all land assets owned by KoPT along the Hooghly waterline. In addition to KoPT's land development policy, the Union shipping minister is slated to commission the Rs 8.33-crore virtual jetty at Saugar, that will handle all kinds of cargo round the year. That apart, KoPT is poised to hand out equipment contracts for kicking off the more ambitious transloading operation at Sandheads. KoPT has invited global bids in this light.

Regarding the issue of delinking the Kolkata and Haldia docks, the shipping ministry has decided not to take any hasty decision to grant autonomy to Haldia, as there is a perception in the government that a complete separation of the Haldia and Kolkata ports is unrealistic and will not be in the long-term economic interests of either port, especially since both are inter-dependent. With IOC's Paradip-Haldia crude pipeline now an economic reality, KoPT would have to explore alternative cargo-handling options at Haldia docks, since the crude-handling levels are slated to decline after two years, once the pipeline is commissioned.

JNPT Gives Bidders 1-month Breather

The board of Jawaharlal Nehru Port Trust (JNPT) has decided to give one month's time to all five bidding consortiums, in the fray for building a Rs 10 bn container terminal, to rectify deficiencies, if any, on technical matters. The financial bids submitted in December will, however, remain the same and be opened by first week of March.

Bidding for the third container terminal, which is being constructed by converting the four bulk berths, had seen a lot of lobbying by various bidders. At the initial stage, two prominent bidders - P&O Ports and Hutchison Ports - had been disqualified on grounds of possible monopoly and security reasons, respectively.

The five bidding consortiums are led by Maersk-Concor, PSA Corporation, United Liner Agencies (ULA) of JM Baxi group, CMA-CGM and Evergreen-Marubeni. While ULA's bidding suffered a setback when a consortium partner, CDC of the UK, pulled out at the eleventh hour, the French shipping giant CMA-CGM could not submit the bank guarantees following the last-minute pull out by Seaking Infrastructure.

PSA Corporation-led consortium, armed with legal opinion, approached the JNPT board to claim that Maersk-Concor's bid was inadequate on some technical grounds, and hence it should be disqualified.

The board had sought the attorney general of India's opinion on the ongoing bidding for the proposed third terminal at Nhava Sheva. An earlier meeting on January 13 had to be postponed pending the legal opinion. All bidders are expected to fulfil their technical requirements by February 20. The bids will go for the board's approval after the technical verification. Industry sources claim that the terminal is expected to attract near capacity cargo from day one and is perceived as a hugely successful project.

Meanwhile, JNPT is close to getting a clearance from the finance ministry to undertake the mega channel dredging project. The port has received more than a dozen expressions of interest (EoIs) from project consultants for the contract.

Maritime Surveillance Project in Gujarat

A consortium led by state-owned Telecom Consultants India (TCIL) is tipped to bag the strategic turnkey contract for establishing a vessel traffic service system (VTSS), that will undertake coast-to-coast surveillance of all shipping activity in the politically-sensitive Gulf of Kutch in Gujarat.

The government's decision to install a VTSS comes in the backdrop of an upsurge in maritime activity in the Gulf of Kutch region. The proposed surveillance system will cater to all ports located in the Gulf of Kutch, the Coast Guard and the Indian Navy. This maritime surveillance project has been conferred fast-track status by the Union shipping ministry.

Singapore Housing Cos Build Up Position

Singapore-based infrastructure and housing companies are increasingly searching for greener pastures in India. Surbana International Pte Ltd. and SembCorp Engineers and Constructors Pte Ltd. have bagged a few contracts of 'design and build' from the real-estate players in India.

Surbana is a wholly-owned subsidiary of the Singapore government's Housing and Development Board, which has developed shelters for around 85% of Singapore's population. Surbana has bagged four integrated township projects worth close to US \$670 million and is working with the Andhra Pradesh government for developing a township in 400 acres of land near Hyderabad and another 120 acres project at Chennai, which will have about 5000 apartments. It has also tied-up with a Malaysian firm to build two more projects in Hyderabad that will be worth close to \$120 million. It is also exploring direct investment in new developments in Mumbai, Punjab and Kolkata.

L&T, Gammon Shortlisted for MP Special Zone

Larsen & Toubro Ltd (L&T) and Gammon India Ltd are among seven major companies that have been shortlisted for majority private participation in the fast developing special economic zone (SEZ) at Indore. The state government has set up a separate company, SEZ Indore Ltd, with its share of equity participation in terms over 1000 acre of land, cash and other infrastructure contribution by the Madhya Pradesh Audyogik Vikas Kendra Nigam Ltd (MPAVKN), Indore. MPAVKN had invited offers for expression of interest (EoI) from the private sector for majority participation in order to fully develop the SEZ and manage and maintain it.

Apart from L&T and Gammon, the other companies that have qualified are a consortium headed by Zoom Developers, another by Anik group and a third by Wartsila. Punj Lloyd and Tata Housing Development have also qualified. The MPAVKN has appointed Tata Economic Consultancy as the consultants for the process and now the detailed negotiations as well as project proposals will be invited from the shortlisted companies. In the first phase land had been allotted to prospective investors and they had already started functioning. The necessary administrative infrastructure is in place and the government has enacted all the regulations that confer the status of a virtual foreign country on the SEZ. The private partner would require to make an investment of around Rs 2 bn in the project and it would be the responsibility of the partner to manage the affairs of the SEZ.

Great Eastern Hotel to be Sold

The state government of West Bengal has decided to go through the tendering process for outright sale of the heritage Great Eastern Hotel. The government has brought Great Eastern Hotel under the fold of DFID-funded pilot project for restructuring the loss-making state enterprises. The state is now on the look out for an internationally reputed consultant to lend advisory services for the entire privatisation exercise. The state government is also looking for a consultant to be given the mandate for valuation of the assets of the Great Eastern Hotel and advising the government in the complete process of a "transparent generation of purchase offers" for the hotel comprising invitation of expression of interest and their qualification, bidding and contracting phases.

Park Hotel on Expansion Spree

The Park Hotels group is looking for a place at New Mumbai for a five-star deluxe property. It is also looking at expanding and having a property in all major cities. The group could be eyeing an investment of over Rs 1 bn on a five-star property in Mumbai. The group already has properties in the other metros of Delhi, Kolkata and Chennai. The company invested Rs 1.10 bn to create a five-star hotel in Chennai a year back.

It also has its hotels in Bangalore and Vizag. With its five hotels, the Park Group offers over 600 rooms. The group would like to be present around the business centres in India. The smaller destinations of Kochi and Rajasthan is aimed at the leisure traveller. The Delhi-Agra-Jaipur, Goa and Kerala attract the lion's share of foreign tourists into India. Connectivity by air, sea, rail, road and broadband would be paramount in choosing the smaller destinations. For the leisure destinations, the group is open to a four-star category.

State Seeks Central Aid for Drinking Water Project

The State Government of Karnataka has sought Central assistance for its Rs.1.80 bn action plan to provide drinking water to 7175 habitations anticipating difficulty in the coming months. The state has welcomed the centrally sponsored "Swajaladhara" community-based drinking water and sanitation programme and claimed that the people had responded positively by paying their 10% contribution despite the drought situation and urged the Centre to release funds as promised in the scheme guidelines.

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