



Tourism Infrastructure development through Public Private Partnership in NER

Tourism Sectoral Meet, Gangtok, 28th April, 2007

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IL&FS

(Infrastructure leasing & financial service)



GENESIS

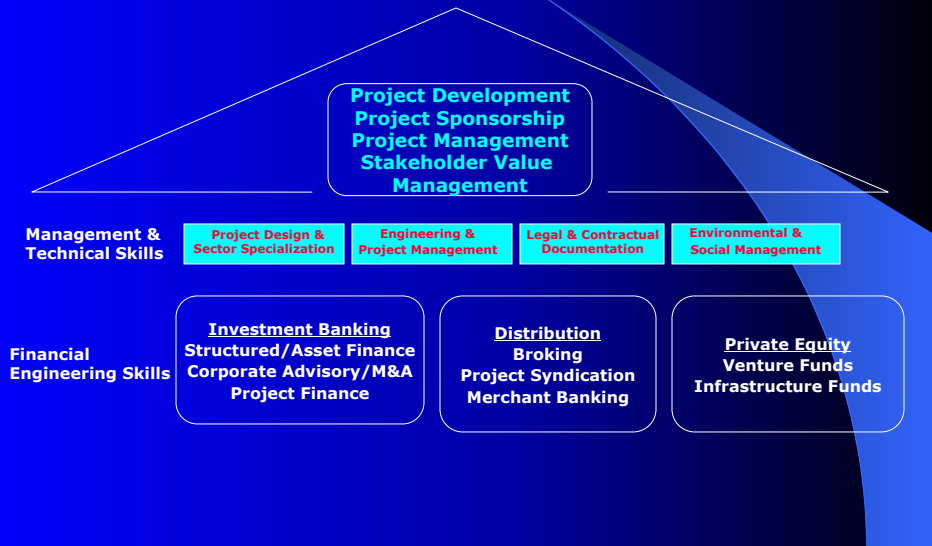
- **Mandate:**
 - Commercialization of infrastructure projects
 - Value added financial services
- **Initial JV format:**
 - Central Bank of India (CBI)
 - Unit Trust of India (UTI)
 - Housing Development Finance Company Limited (HDFC)
- **IL&FS formally commenced business in 1988**

CURRENT SHAREHOLDING

<u>Name</u>	<u>%</u>
<u>Government Shareholding</u>	
- Life Insurance Corporation OF India	26.98
- Central Bank of India	9.18
- State Bank of India	7.68
- Abhu Dhabi Investment Authority	10.23
Sub-total	54.07
<u>Private Shareholding</u>	
- Housing Development Finance Corporation	13.10
- ORIX Corporation, Japan	21.32
- HSBC Group	5.23
- IL&FS Employees Welfare Trust	6.28
Sub-total	45.93
TOTAL	100.00

IL&FS BUSINESS MODEL

Successful Delivery of An Infrastructure Mandate on PPP basis



SECTORAL EXPERTISE

Power	Water	Special Economic Zones
Telecom	Sanitation	Solid Waste Mgt
Ports	Sewerage	Environment
Airports	Urban Infrastructure	Rehabilitation of Assets
Roads & Bridges	Health	E Governance
R&R	Education	Municipal Finance

In each sector, IL&FS has established specific replicable, stand alone, prototypes

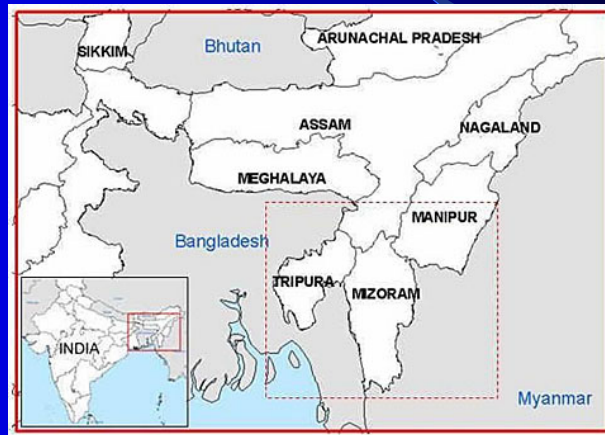
TOURISM, THE SUNRISE SECTOR

- JBIC ranked India as the fifth most attractive investment destinations.
- Conde Nast Traveler, one of the world's most celebrated travel magazines ranked India amongst the top 10 tourist destinations of the world.
- Tourism is third largest net earner of foreign exchange for the country and also one of the sectors employing largest manpower.
- In South-Asia, India has 65.8% of the Regional Tourism Receipts
- Tourism in India could contribute Rs 8,50,000 crores (approx. 1800 million USD) by 2020

Requires huge investments for creation of the entire value chain in Tourism

Of late, tremendous thrust for creation of tourism infrastructure in the country-there is a buzz in the market

NORTH EAST REGION: OUTLOOK & APPROACH



TOURISM OUTLOOK

- Priority of MoT, DoNER
- Conscience decision of IL&FS to focus on North East Region
- Started interventions in Year 2005 with - Rs.2 Cr created as Project Development Fund with equal contribution from NEC & IL&FS.
- Formed a SPV called North East Tourism Development Company Ltd(NETDCL), JV of IL&FS & TFCI.
- Under IL&FS initiative Taj group has put up budget hotels in Agartala & Guwahati, Sarovar Group in Tezpur under Management Contract.

PREVALENT APPROACH

- Projects are only possible through grants from Ministry of DoNER, MoT GoI, NEC etc.
- Delivery through PSUs/ respective ministry(ies) or department(s)
- PPP is not possible due to market & security concern.
- Limitations of the Prevalent Approach:
 - Time & Cost overrun
 - Operation & Management is always a problem.
 - Unable to leverage private capital & induce multiplier effect

PPP is not only possible, but has already taken roots in NER !!

PPP COULD MAKE THE DIFFERENCE

Key requirement

- Need to create sufficient infrastructure- investment is the key. PPP could provide the critical mass.
- Needs to create suitable investment atmosphere - Tourism needs to be declared as a industry with all incentives.

Networking

- Capacity Building for local stakeholders is the key- tour operators, State Government & entrepreneurs
- Effective Marketing.

IL&FS could play a role of catalyst between the stakeholders

PROJECT DEVELOPMENT FOR PPP



WHAT IS PROJECT DEVELOPMENT

- A two stage process
 - Government-Institution Partnership
 - Concept to Optimal Project definition
 - Leading to a Project technically feasible, financially viable, commercially attractive
 - Private Sector Participation
 - Investment, Construction, Operation & Management

WHY PROJECT DEVELOPMENT

- Infrastructure projects mostly un-bankable at the "concept" stage
- Departmental development often lacks holistic approach
- Rigorous project development enables projects towards
 - Better definition: mitigating technical & financial risks
 - De-bottlenecking: on clearances & approvals
 - Minimizing implementation time
 - Optimal leveraging of public resources
 - Local involvement & capacity building
 - Attracting competing capital

An effective base for seeking investments !

PROJECT DEVELOPMENT - WHAT IT NEEDS

- Project Anchor like State Government/ NEC
- Project Development Agency
- Project Development Fund
 - 2-4% of Project Cost
 - Recoverable on successful closure
- Upfront finalization of legal & contractual documentation

KEY ACTIVITIES-PROJECT DEVELOPMENT

- Project Concept
- Technical & Financial Evaluation → Detailed Feasibility Report
- Environment & Social Assessment
- Statutory & Regulatory Approvals
- Approvals of grants & subsidies, if applicable
- Incorporation of Special Purpose Vehicles (SPVs)

KEY ACTIVITIES-PROJECT DEVELOPMENT

- Development of various contracts & concession documents
- Interaction with Financial Institutions
- Facilitation of financial closure
- Vendor Development
- Bid Documentation & Process Management
- Award of EPC and O&M Contracts
- Handholding during implementation

NEED FOR PROJECT DEVELOPMENT

Infrastructure projects are:

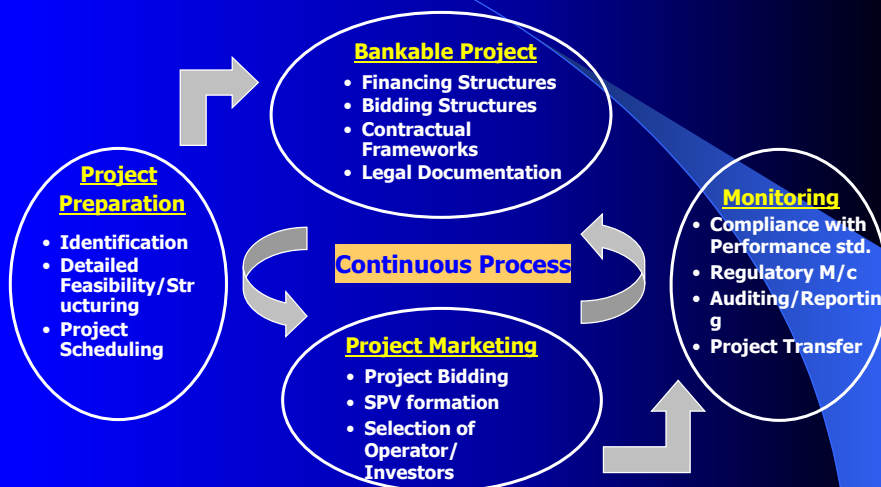
- mostly un-bankable at the "concept" stage
- Requires a holistic approach for development

Rigorous project development enables projects towards

- Better definition: mitigating technical & financial risks
- De-bottlenecking: on clearances & approvals
- Minimizing implementation time
- Optimal leveraging of public resources
- Local involvement & capacity building
- Attracting competing capital

An effective base for successful Public Private Partnerships (PPP) !

PROJECT DEVELOPMENT PROCESS



REPRESENTATIVE INTERVENTIONS

Accommodation Infrastructure: To attract reputed hotel chain.

- BUDGET HOTELS at 14 locations in entire region
 - Agartala Project under construction- Taj group - Ginger
 - Guwahati Project started construction - Taj group- Ginger
 - Tezpur starting construction shortly- Sarovar Group.
 - Shillong- project development of existing Crowborough under advanced stage
 - Aizwal- Under negotiation
 - Kohima & Dimapur - Land under finalization
 - Silchar- Land under finalisation
 - Sikkim- Agreement is in discussion with Sikkim Tourism Dev. Corpn

- FIVE STAR Hotels at 2 locations
 - Gangtok is on finalisation stage
 - Guwahati - land allotment is under discussion

- RESORTS at select locations
 - Bomdila and Tawang under active stage.
 - Land allotted outside Manas Sanctuary
 - Development of Diplai Beel in BTC as International Tourist Destination

REPRESENTATIVE INTERVENTIONS CONT--

Tourism Circuit Development

- Wayside Amenities- Project under development in BTC
- Proposal is initiated for development road & accommodation in BTC.

Air Connectivity for North East

- Hub & Spoke model
- Small planes for better viability & turnaround
- Proposal submitted and under consideration

Ropeway Projects

- Cherrapunji Ropeway- DPR under preparation

PPP PROJECTS UNDER DISCUSSION

- Golf Course cum International standard Tourist Resort over an area of 700 acres (Estimated cost - Rs. 100 crores)
- Development of Tourist Resort in Guwahati in an area of 25 acre (Estimated cost - Rs.50 crores)
- Development of Accommodation Facility in the proximity of sanctuaries under PPP (Estimated cost - Rs.30 crores)
- Around 2 Township projects with substantial tourism component in an area of 250 acre each. (In association with Private Sector).

CASE STUDY- TRIPURA BUDGET HOTEL

- GoT of Tripura was desirous of developing a budget hotel run by a reputed hotel chain.
- IL&FS identified a land parcel measuring around 1 acres in Agartala for the project
- A project concept was created and same was marketed extensively to operators of national repute
- Initial apprehensions of operators mitigated when NEC stepped in with a grant of 90 lakhs
- The land was finally given at a premium to TAJ group for creation of a Budget hotel

Taj group is setting up Budget Hotel under Ginger Brand
 A investment worth around 15 crs is getting operational within next few months

CASE STUDY- GUWAHATI BUDGET HOTEL

GoA has given mandate to IL&FS - Budget hotel at IHM campus.

- IL&FS conducted the following activities
 - Preparation of Feasibility Report to establish viability
 - Preparation of Contractual Documents
 - Implementation Option analysis
 - Clearances
- Project Marketing
 - Marketing the project to reputed hotel chains of the country.
 - Discussion & negotiation
- Selection of Developer & approval from GoA
 - Execution of Lease Agreement.

Taj group signed up for setting up Budget Hotel under Ginger Brand

Land is on lease with revenue sharing arrangement

MoU WITH SIKKIM GOVT

- IL&FS is in the process of signing an MOU with STDC for development of range of tourism projects.
- Projects identified are;
 - Development of High end resorts and Mid range hotel
 - Tourism Convention Center
 - Ropeway projects in important tourism locations
 - Development Air Connectivity etc

Identified Projects would be implemented under PPP with IL&FS offering project development support to STDC

THANK YOU

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