



THE ADB – GOI PPP INITIATIVE
PILOT PPP PROJECTS IN CHALLENGING SECTORS

PROJECT: Development of Integrated Textile Complex
(Garment Park), at Kolhapur

Foreword

The ADB/GOI PPP Initiative is a country-wide initiative across all sectors and led jointly by Department of Economic Affairs (DEA) and ADB under the technical assistance umbrella of activities; "Mainstreaming PPPs In India", ("the Initiative"). This is a pioneering initiative in the field of PPPs with the scale of the Initiative encompassing the entire range of activities necessary for developing PPPs across the country, from capacity building to financing PPP projects. The impact of this Initiative is being widely felt by the 24 PPP cells across the country.

As part of this Initiative ADB and DEA have started to focus on developing PPP projects in challenging sectors such as water, sanitation, health, education etc (where PPPs have not been widely seen, as in other sectors) to create "pilot" projects which can serve as replicable examples across the country. These projects have been originated and are being structured in close collaboration between the relevant PPP cells, local government sponsors, and with direct handholding support from ADB and DEA PPP focal points. Several of these projects are now in advance stages of structuring and some at the Request for Qualification (RfQ) bid stage.

Case Studies are being launched to share knowledge and experiences across the PPP cells in the country.

The Project described in this edition of Case Studies is an innovative Project in Maharashtra State Textile Corporation proposed to develop modern textile park in the state at Nagpur, Kolapur and Solapur in Public Private Partnership. The plot areas available with the MSTC are 56560 Sq Ft, 108834.30 Sq Ft and 116751.17 Sq ft at Nagpur, Kolapur and Solapur respectively. The MSTC proposed to develop textile parks in the above places through private participation for a lease period of 90 years. The criterion for the development was proposed that 50% FSI (Floor Surface Index) is reserved for Garment Park and 50% FSI rights with the developer to build and sold/Leased out. Reserved 50% FSI for Textile parks further bifurcated into 10% and 40%. 10% reserved for Textile excellence centres and 40% for warehousing and manufacturing.

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1. Summary

Maharashtra State Textile Corporation proposed to develop an integrated Textile Complex Garment Park in the state at Kolapur on Public Private Partnership mode. The plot area available with MSTC was 108834.30 Sq Ft at Kolapur. The MSTC proposed to develop the textile parks in the above places through PPP and for a lease period of 90 years. The criterion for development was proposed that 50% FSI (Floor Surface Index) to be reserved for Garment Park and 50% FSI rights with the developer to build and sold/Leased out. The reserved FSI for Textile parks would further be bifurcated into 10% and 40%. 10% reserved for Textile excellence centres and 40% for warehousing and manufacturing. The textile excellence centre would have research & development, Apparel/Fashion/Garment Training Institute, Testing Lab and Convention/Exhibition Centre. For selecting of an institute MSTC invited offers along with the development plans through Request for Proposal (RFP).

2. Sector

Industry

3. Project Initiation

The Project was initiated by Maharashtra State Textile Corporation. Managing Director MSTC had meeting with the State PPP Nodal Officer and further to PPP Expert for assisting in Bid Process Management.

4. Introduction to the Project

The **High Power Committee (HPC) Government of Maharashtra** advised to MSTCL to implement this project according to PWD model. After the discussion with HPC the decision was made that MSTCL Should follow PWD model.

This land to be developed into state of the art Integrated textile Parks by following the objectives:

- Establish a facility to leverage textile advantage of this region.
- Generate employment for the surrounding communities.
- Bring about overall prosperity of the surrounding society.

5. Project Financials

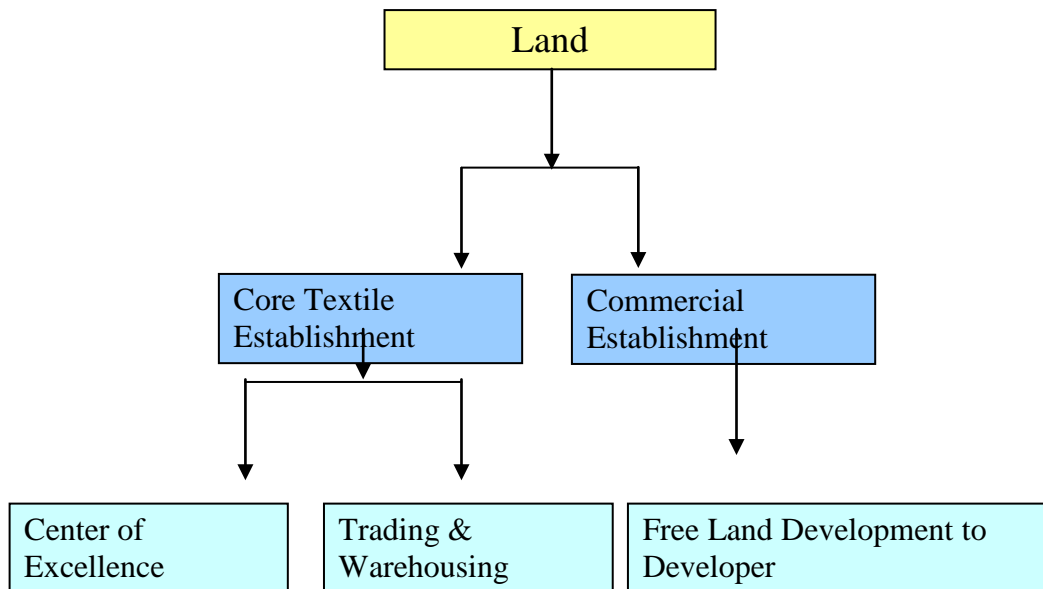
Land Ownership / Tenure	MSTC
Land Area	108051 Sq.m
Area available for Development	73471 Sq. m

Permissible FSI	0.5
Total Available FSI	36735 Sq.M
Land Valuation as assessed by Consultant	30 Crs

Estimated Cash Flow with Profit Sharing with MSTC 5 Years					
Period	Payment to MSTC	Total Investment	Previous Carry Over	Gross Sale Receipts	Net Receipts (Rs in Crs)
A	B	C	D	E	F = E-C-D
1st Year	10	29.71			-29.71
2nd Year	10	49.91	29.71	31.13	-48.49
3rd Year	10	33.28	48.49	34.25	-47.52
4th Year	10	12.38	47.52	37.67	-22.23
5th Year			22.23	41.44	19.21
Total				144.49	

6. PPP Structure

Concept:-



Project Structuring

Case Study: Garment Parks at Kolhapur

- The project was structured as PWD Model and segmented into three major activities which are as follows:

1. Core Textile Establishment (40% of Total FSI) - the developer has to develop for MSTC and then to be sold by developer itself. This content following major activity –

- a. **Apparel/Textile manufacturing units** (20% of total FSI) – the units would be approx. 100 sq. meter and it would be exclusively for manufacturing activity & ancillaries.
- b. **Trading & Ware housing Center** (20% OF Total FSI) - the warehouses would be 50 sq. m. and trading shops 25 sq. m.each.
 - o Developer to prepare development plan, and architectural design for Garment component. It has to obtain approval from expert/ Committee/Govt. organization (PWD) as specified by MSTC

2. Textile Center of Excellence

10 % of the FSI will be reserved for Textile center of excellence to develop basic facilities in textile in those areas such as

- o R & D Department, Apparel / Garment / Textile Training Institute, Testing Laboratory and Conventional / Exhibition Center.

It is proposed to develop these facilities through a reputed institute to whom the land would be leased out on the lease of 30 years with two automatic renewals of 30 years. For the selection of the institute MSTCL would invite offers along with the development plans from the reputed institutes.

3. Free Sale Land

The remaining 50% of area to be developed by developer on his own & he also can choose his development structure. This land FSI shall be given on long lease basis (Lease period of 30 years with two automatic renewals which means lease of 90 years). The Developer, in exchange, will construct the balance portion of Land for government's use free of cost and . The architectural designs for the portion to be retained by the Government would be prepared by PWD and supplied in bid document.

In addition to the free construction, the Developer should give payment to the Government. The bid is finalized on the basis of lump sum payment offered. Performance guarantee would be taken from the Developer. In MSTC'S case there is slight modification PWD structure. As in this case MSTC has only one area in which they segregated area for as

- o Area developed by developer for MSTC's use which is sold by him.
- o Area free for development for developer & sold by him.
- o After all this development he should give some lump sum amount to MSTC.

PROPOSED LAND USED PLAN FOR KOLHAPUR (AS PER 0.5 FSI)

Description	Land Area Allocation	% of Total FSI Allocation	FSI Allocation on (Sq. m.)
Center of Excellence	12,140.61 sq. m.	10	3,673
Manufacturing Units & Warehousing	29,389.99 sq. m.	40	14,694
To be Leased out to The Developer	31,940.61 sq. m	50	18,368
Total	73,471.21 sq. m.	100	36,735

7. Conclusions

1. The bids were opened as per schedule and there were three parties who were asked to do presentation:-

Kolhapur K1/3 - Nagarjuna Construction Co. Ltd.

K2/3 - Sunil Mantri Realty Ltd.

K3/3 - Eskay K'n'it (India) Ltd.

All the three bidders qualified in the technical part and presentation, so their financial bids were opened. The details of the bids are below:-

Name of the Bidder	Kolhapur
Nagarjuna Construction Co. Ltd.	14.25
Sunil Mantri Realty Ltd.	16.25

Eskay K'n'it (India) Ltd.	06.00
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8. Current Status of the Project

Who is the selected bidder? Write that Because of some legal problems envisaged the winning bidder though deposited some installments of initial payments have asked more time to assess the situations.

9. Role of PPP cell

PPP Expert of ADB is one of the members of Project Management Committee constituted for the bidding and later on monitoring and supervising the project activities. PPP expert designed the eligibility and Evaluation criteria and also highlighted the need to have a law firm on board to vet the bidding documents legally. J. Sagar and Associates was appointed who delivered the final Bid Documents.

10. Lesson Learnt

Some local level persons approached the successful bidder and spread some rumour about the ownership issue of the land. Even though all the information was made available and the bid process is successfully over the successful bidder has got some fear that his investment might stuck. There is still an environment where a PPP Project can easily get affected by some misguided reports and can shake the investors' confidence as the investor is not paid by the Authority and has to recover his cost by realizing the revenue potential by himself. More publicity of facts should be done while bidding such projects where land component is a major source of revenue.