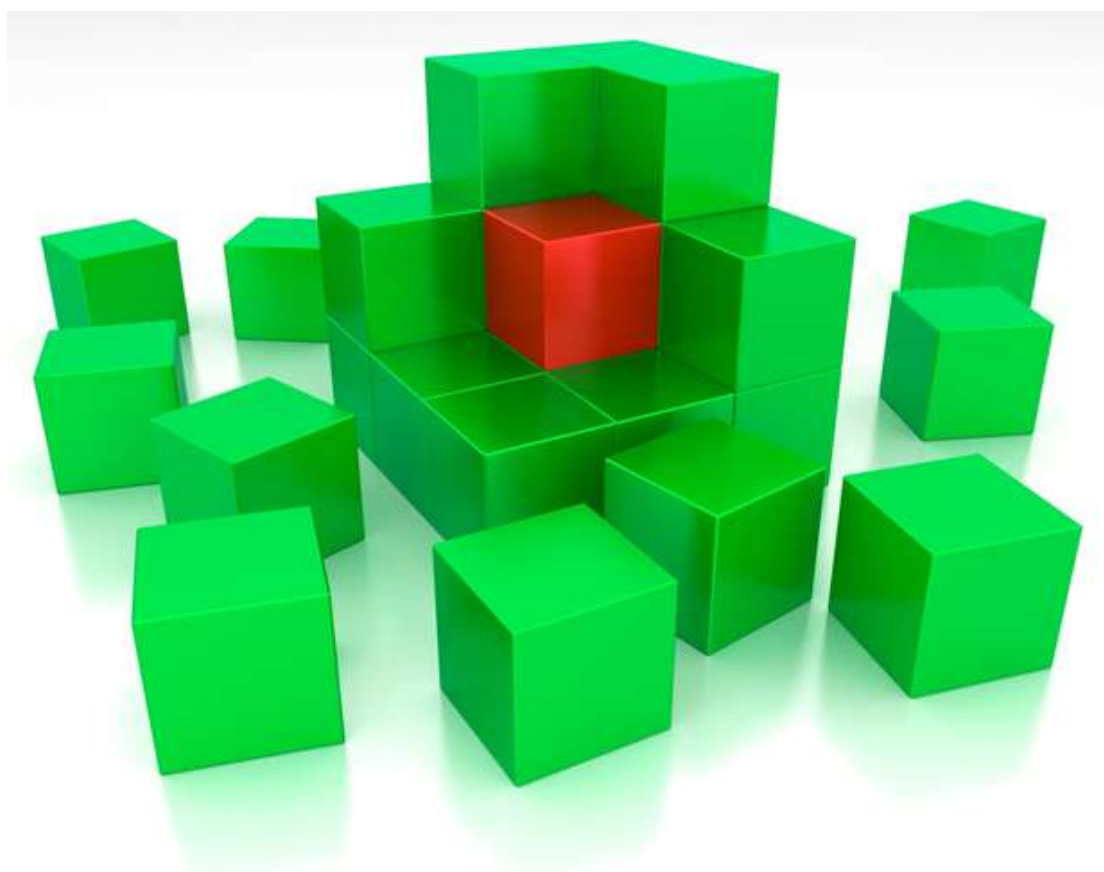




Sector Specific Inventory & Institutional Strengthening for PPP Mainstreaming

Karnataka Public Works Department

Pre-Feasibility Report on Development of Residential Accommodation for Legislators cum Hotel at Belgaum on PPP



Submitted By
Deloitte Touche Tohmatsu India Private Limited

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ACRONYMS

BOOT	Build Own Operate Transfer
BOT	Build Operate Transfer
BUA	Built Up Area
BUDA	Belgaum Urban Development Authority
DBFOT	Design Build Finance Operate and Transfer
PWD	Public Works Department
FDI	Foreign Direct Investment
GoI	Government of India
GoK	Government of Karnataka
IDD	Infrastructure Development Department
MIS	Management Information System
PPP	Public Private Partnership
UDD	Urban Development Department
ULB	Urban Local Body
EOI	Expression of Interest
RFQ	Request for Qualification
RFP	Request for Proposal
FAR	Floor Area Ratio
FSI	Floor Space Index
KSHB	Karnataka State Housing Board
CDP	City Development Plan

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1 Executive Summary

- 1.1 Karnataka has emerged as a key State with knowledge-based industries such as IT, biotechnology and engineering. It is the science capital of India with more than 100 Research and Development (R&D) centres, and a preferred destination for multinational corporations with more than 650 such companies. Such all-round developments trigger the need for well-developed social, physical and industrial infrastructure, part of which can be built through Public Private Partnership (PPP).
- 1.2 Since PPP concept is relatively new and the implementing officers require necessary insight, orientation and assistance, Industrial Development Department (IDD), Government of Karnataka is keen to strengthen the project development process in the Public Works, Ports & IWT Department for implementing infrastructure projects through PPP. IDD has therefore engaged Deloitte Touche Tohmatsu India Pvt. Ltd. to provide consultancy services in this regard.
- 1.3 Among the wider ambit of services, the engagement intends to arrive at sector-wise inventory, undertake pre-feasibility studies and develop a procurement plan for selection of Transaction Advisor (TA) / Technical Consultant for projects to be taken up for bidding. The information on projects that are generated out of this process shall be initially marketed through workshops before they are bid-out with the assistance of respective Transaction Advisors.
- 1.4 A second secretariat building “Suvarna Soudha” is being constructed at Halaga-Bastavad village adjacent to NH-4 in the outskirts of Belgaum. In this context, it is understood that a 27 acres land parcel has also been acquired by PWD Department, Government of Karnataka (GoK) south of “Suvarna Soudha” which is being considered for offering to a developer under a suitable PPP framework for building accommodation for legislators cum hotel combined with other associated commercial development.
- 1.5 Belgaum city is the district headquarters of Belgaum district and lies at a distance of 502 km from Bangalore. Belgaum city corporation area has a geographical spread of 98.04 sqkm while the Local Planning Area is 182 sqkm. As per Census 2011, Belgaum city has population of 488,292 its urban/metropolitan population is 610,189.
- 1.6 The planning and development of city is governed by Belgaum Urban Development Authority (BUDA) Zonal Regulations 1993. A Draft City Development Plan laying a Master Plan zoning/planning horizon till 2021 has also been prepared by BUDA and is under consideration for approval by the Government. Owing to historical reasons, Belgaum has been a base for Indian army and Defense units, with around 20-25% of the land area falling under Belgaum Cantonment Board which has separate applicable building regulations and development control norms.
- 1.7 Over the years, Belgaum city has grown as an industrial and an education center. Rich deposits of bauxite are prevalent in Belgaum district, and have led to the establishment of the Indian Aluminum Company Ltd. (presently HINDALCO). Belgaum, also is a strong industrial hub for Machine Shops catering to Automotive Manufacturing, especially in Crank-shaft machining. The geographical location of the city is advantageous since it is

situated right in between Bangalore and Mumbai/Pune and supports the major automotive and aerospace companies. Belgaum city also has been a prime education center with presence of large number of engineering colleges/educational institutes.

1.8 In general, three options for development 27 acres of land parcel on PPP have been considered for evaluation.

- **Scenario 1:** Lease a proportionate land parcel out of the 27 acres to a hotel developer/operator for development of 450 room 3 Star category hotel
- **Scenario 2:** Lease a proportionate land parcel out of the 27 acres to a developer for development of 450 room 3 Star category hotel and other associated commercial real estate development
- **Scenario 3:** Lease a proportionate land parcel out of the 27 acres to a developer for development of 450 room 3 Star category hotel and commercial centre. In addition also lease some of the land holding of PWD falling within city limits for development of commercial complex as a combined package to increase the overall project viability.

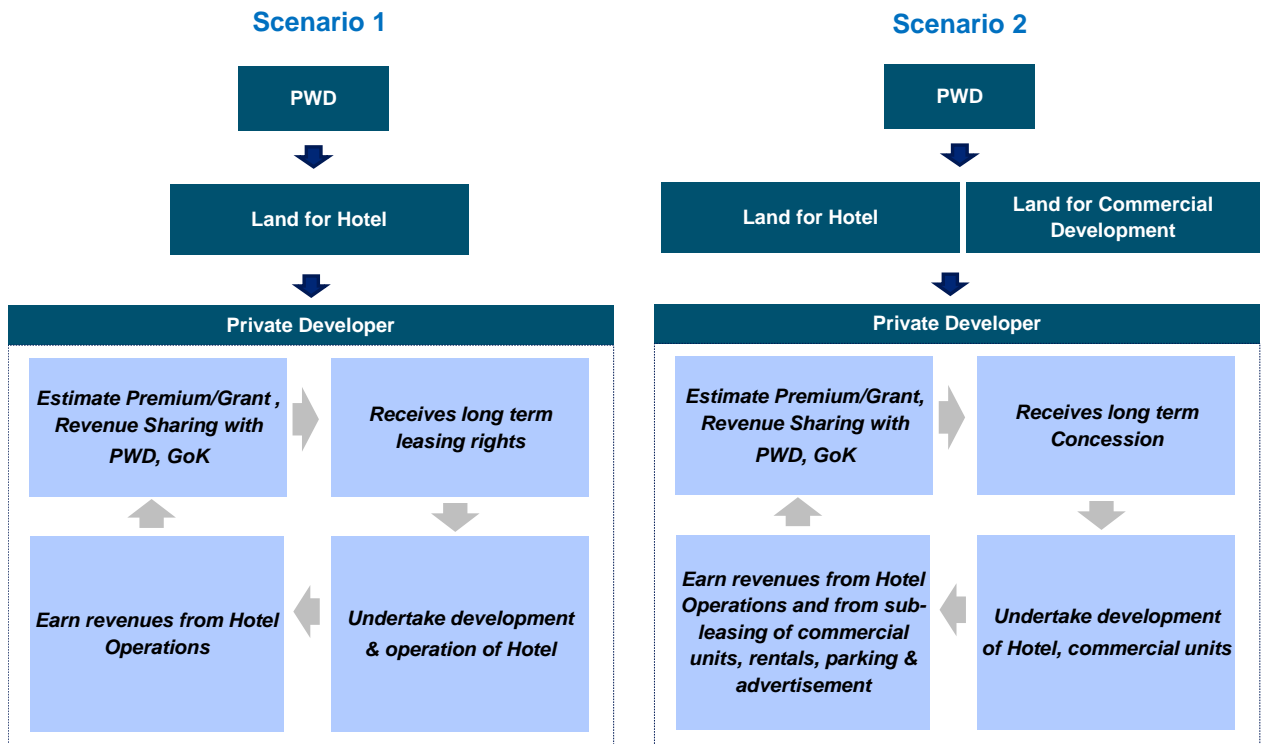
In case of **Scenario 3**, out of the **three land parcels** identified by PWD within the city limits two falls under cantonment area with land use restrictions and stringent development control norms. This would make commercial development on the land parcel not a viable option and thus we have evaluated financial feasibility for **Scenario 1 & 2** only.

1.9 Financial feasibility analysis for both the Scenarios have been carried out based on assumptions derived from the preliminary market assessment. Other than the development cost assumptions, feasibility analysis has been based on the lease rental assumption of INR 10.5 lakhs per acre (with revision @ 15% every 3 years) and one time premium of INR 1 Cr. The results of the financial analyses in the base case scenario are summarized in table below.

Indicator	Scenario 1	Scenario 2
Project IRR (Post Tax)	14.56	16.77
Equity IRR	15.50	18.93
Average Debt service coverage ratio	1.13	1.39

1.10 Based on above analysis, it is observed that the Equity IRR for Scenarios 2 improves vis-à-vis Scenario 1 as it considers real estate development in addition to hotel development and operation. Therefore, Scenario 2 has been recommended considering improved Equity IRR and considering that the combined Development of Hotel & Commercial Complex will provide maximum utility for a city which is growing outwards and has land availability constraints within the city limits. Both these scenarios don't require any budgetary support from the Government and can also be opted for bidding on revenue share basis.

1.11 Indicative project structure for the land parcel development on mixed land use is indicated in the figure below:



2 Introduction

2.1 Project Background

A second secretariat building “Suvarna Soudha” is being constructed at Halaga-Bastavad village on the outskirts of Belgaum, where annually the State Cabinet would decide to hold one of its Legislature sessions. So far, the State government has held two legislature sessions in Belgaum in 2006 and 2008 - at the KLE Medical College ground. In order to have a permanent location to hold these sessions, the cabinet approved the decision to construct a second secretariat in 2008. The construction contract for “Suvarna Soudha” was given to July 2009 to Pune-based B G Shirke Construction Technology Ltd. Currently, the internal works of this proposed facility is being carried out by the contractors and facility is expected to be ready by May/ early June 2012. In this context, it is understood that a 27 acres land parcel has already been acquired by PWD, alongside the southern end of “Suvarna Soudha” for building accommodation for legislators cum hotel along with associated commercial development. The mandate of this assignment is to determine the pre-feasibility of such project development if undertaken on PPP. .In addition to the above land parcel, there are other several land holdings of PWD located within the city area which can be offered to private developer for increasing the project viability.

2.2 Approach & Methodology, studies, surveys including Data collection, analysis

Our broad approach and methodology for conducting pre-feasibility study is presented in form of the Table below:

S No.	Steps By Step Approach	Broad Methodology	Data/Support Requirements
1	Project Inception	Meetings with key officials of the PWD, BUDA and other stakeholders	
2	Macro overview of Town: Insights on spatial growth/expansion of the town, zoning, demographic profile, tourism, connectivity & linkages, upcoming & planned developments Understanding of the local industry and commercial activities	Secondary Research, review of Master Plan/City Development Plan, Development Control Norms (DCN) of the ULB/Town & Planning Division	Master Plan/CDP, DCN as per Belgaum Urban Development Authority(BUDA)/Local ULB
3	Project Site Analysis: Location and its zonal configuration, land use characteristics, site dimensions & boundaries, connectivity, accessibility, frontage roads, upcoming & planned developments in the vicinity, circle rates of	Site Visits, Press/Document Review, stakeholder interactions and secondary research	Circle Rates, Site maps

S No.	Steps By Step Approach	Broad Methodology	Data/Support Requirements
	land, commercial/ residential space		
4	Market Assessment a) Understanding hospitability sector-types of hotels, tourists & footfalls, peak seasons, room rates, assessment of facility requirements b) Commercial/residential Units- Demand, Trends, Construction Cost, Market rates, Lease types escalations, assessment of facility requirements etc. c) Exploring feasible project development framework/models	Secondary research and interactions with real estate developers, owners of hotels, malls, shops	Support in arranging meetings with the real estate developers, hotel owners
5	Facility Planning and the Base Project Cost Estimation for project scenarios	Based on the market data, broad technical specifications and stakeholder inputs	Inputs on broad technical specifications and rates
6	Development of Base Financial Model : Base project cost, options for revenue generation, assumptions on financial structuring	Discussion with the Stakeholders and market insights	
7	Preliminary assessment of PPP options and Final Recommendation on Project Structuring	Based on financial analysis, sectorial PPP best practices and market insights	

2.3 Study of earlier reports in this sector in the relevant area

No studies related to real estate market or on mixed land use development for Belgaum were available in the public domain. The “Belgaum Master Plan 2021” which has been placed for Government approval was also not available for reference.

3 Sector Profile

3.1 Industry Overview

- 3.1.1 The Indian economy has witnessed robust growth in the last few years and is expected to be one of the fastest growing economies in the coming years. Demand for commercial property is being driven by India's economic growth. As per India Brand Equity Foundation research, Real estate in India contributed about 5 per cent to India's gross domestic product (GDP) in 2010-11.
- 3.1.2 Urbanization and growing household income are some of the major factors that influence demand for residential real estate and growth in the retail sector. As per Dr. Ahluwalia Committee Report 2011 on Urban Infrastructure, India's urban population is expected to reach a figure close to 600 million by 2031. As per Urban Development Policy of Karnataka, urban population of Karnataka will reach 42% by 2025.
- 3.1.3 Karnataka is making significant investments in real estate and industrial infrastructure developments, such as setting up IT parks, industrial clusters and Special Economic Zones (SEZs) through Public Private Partnership (PPPs) projects to provide an impetus to further industrial development. As per the Draft Urban Development Policy of Karnataka 2009, the land requirement for urban use in Karnataka is estimated to be 5,67,285 hectares by the year 2025. According to this estimate, about 1,40,262 hectares of additional land would be required. While meeting land requirements for the purpose of housing, industry and infrastructure, it is thus important to ensure optimum utilization of land available with the state government.

3.2 Regional Profile

- 3.2.1 Belgaum District is well known for its diverse cultural heritage, favourable agro-climatic conditions, industries, educational institutions and tourist spots. The district is bound by Bangalkot district in the east, the districts of Dharwad & Uttar Kannada on the south and states of Maharashtra & Goa on the west. It is well connected by air, road and rail. Belgaum district population is 4,778,439 as per Census 2011 with the area of 13415 sq km. The aforementioned aspects have made Belgaum popular as industrial and tourist destination and have influenced the tourist population inflow into the city.
- 3.2.2 Belgaum city is the district headquarters of Belgaum district and is at a distance of 502 km from Bangalore. It is situated nearly 2,500 ft (762 m) above sea-level. Belgaum



city has a geographical spread of 98.04 sqkm reflecting the character of a small town governed Municipal Corporation which comes under Belgaum Urban Agglomeration. The local planning area covers around 182 sqkm. As per Census 2011, Belgaum city has population of 488,292 its urban/metropolitan population is 610,189.

- 3.2.3 Owing to its location, Belgaum city has acquired the finer points and cultural influences from both its neighboring states. Belgaum is a charming blend of the old and the new and presents a fine union of the old as well as the modern day culture and lifestyles. The city has the blend of the local Kannada culture that creates a rich heritage, which is unique in its manifestation. It is famous for its history and natural beauty and is known as Malendu or Rain Country.
- 3.2.4 Belgaum city is well-connected by road via the National Highway 4 (connecting Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu) and NH-4A (connecting Karnataka and Goa). Belgaum is on the main Indian Railways grid being part of Hubli-Division and is well connected by rail to major destinations such as Bangalore (via Hubli), Mumbai, Pune/Delhi (via Miraj) and Goa. Raichur- Bachi (SH-20) road cuts across Belgaum connects the states of Andhra Pradesh and Maharashtra. The city also has a civilian Airport located at Sambra (about 7-8 km from the city).
- 3.2.5 It is the fourth largest city in the state of Karnataka, after Bangalore, Mysore, Hubli-Dharwad. The district has rich deposits of bauxite which have led to establishment of INDAL (Indian Aluminum Company presently HINDALCO) at Belgaum. Belgaum is also known for its foundry clusters specialized in making machine tools, oil engines, electricity machinery and pump sets for automobile industry. These clusters are located in the Industrial estates of Udyambagh, Honga, Shinnoli and Angol Industrial Area/Estate. The location of the city right in between cities of Bangalore and Mumbai/Pune, the major automotive manufacturing hub, provides a distinct advantage. Belgaum city is also known for the being a prime education center with two medical colleges, two dental colleges, three engineering colleges. It city also houses Vishweshwaraiah Technological University and a Post Graduate campus of Karnataka University and KLE education institutes. The city also has a number of training centres of the Indian Armed Forces, and an air base of the Indian Air Force.
- 3.2.6 Belgaum also has a large number of places of tourist importance in around and which makes a stop-over for the tourists. Some of the prominent tourist places are as listed below:
- **Belgaum Fort:** Belgaum fort takes center stage the old stone fort, built in 12th century ad by the local Ratta rulers, is an important spot, though not much of the original structure
 - **Safa masjid** is one of the two mosques inside the fort and by far is the best of the 25-30 mosques in the city. The minars, domes and Arches point to a typical fusion of Indo-Sarcenic and Deccan styles of the Architecture
 - **Kamala Basthi:** Within the walls of the fort is the late Chalukya style, of which the Kamala Basti with Neminatha idol in black stone should not be missed. The masterpiece here is the "Mukhamantapa" with a well-executed lotus on its ceiling.
 - **Saundatti Fort:** the original capital of Rattas and a celebrated pilgrim centre. The fort here was built in 1734 by Sirasangi Desai. The eight mighty bastions are worth a look. It is at a distance of 70 Kms from Belgaum.

- **Hooli Panchalingeshwar Temple:** Hooli is a place with rich antiquity and is perhaps one of the oldest towns in the district. One of the striking monuments of the place is the huge Panchalingeshwar temple.
- **St. Mary's Church:** Of the churches, the St. Mary's church awes one with its imposing gothic stone structure built in 1869. Light filters through the gorgeous stained glass windows and doors to enhance the fine Biblical drawings on the walls.
- **Vajrapoha Falls:** situated amidst enchanting hilly surroundings of the Jamboti forest is a fine spot. To reach it one has to travel from Jamboti upto a point four km beyond Chapoli and then cross the river (only in December and January) Mahadayi twice (in between is a small hill) finally leading to an elevated flat hillock .The falls are located 60 km from Belgaum town.
- **Naviltirtha:** 10 Kms from Saundatti, a low valley situated in between the 2 hills, in an enchanting place is Naviltirtha.

3.3 Key Issues

- 3.3.1 Over the years the Belgaum city has witnessed lot of commercial activities owing to the development of foundry clusters in the industrial estates/areas which supplies automotive parts to various automobile factories located in Maharashtra. The INDAL aluminum factory located is also located in the north around 7 km from the city center. The city's importance also emanates from the fact that has a large number of educational institutes located within the city limits which make it a destination for many students pursuing higher education from Karnataka as well as from other States. Although tourism is not the primary economic driver for this city, it being located close to various places of tourist places makes it a night halt/stop-over destination for many tourist, plus its proximity of Goa also leads to tourist inflow and as well as crowd from the this state. Thus Belgaum has the potential to emerge as city of choice for future industries.
- 3.3.2 The planning and development of city is governed by Belgaum Urban Development Authority (BUDA) Zonal Regulations 1993. A Draft City Development Plan laying a Master Plan zoning/planning horizon till 2021 has also been prepared by BUDA and is under consideration for approval by the Government. Owing to historical reasons, Belgaum has been a base for Indian army and Defense units, with around 20-25% of the land area falling under Belgaum Cantonment Board which has separate applicable building regulations and development control norms.
- 3.3.3 Based on our site visits and the discussions with the stakeholders, we understand that city has grown organically alongside the main north-south arterial corridor comprising of college road falling directly to Khanapur road or via congress road. The spatial spread of the city has been mostly towards south, north and the western side of this arterial corridor. The development in the eastern fringe has been restricted owing waterlogging. In order to fulfill housing demands of the city population, KSHB have floated several housing schemes at Kanbargi in north and Maratha colony in the west. Some key issues which will have direct impact on the real estate development in and around the city:
- Approval of the "Draft Master Plan 2021" for Belgaum for streamlining planned development activities

- Owing to stringent building regulations and development control norms applicable for zones falling within Cantonment Area, Belgaum has resulted in shortage of land development within the city limits. In effect it has increased the land price disproportionately and also has resulted in congestion on some parts of the city.
- Although, PWD hold several land-parcels within the city limits, however some of these are located within the Cantonment Area, Belgaum which has land-use restrictions and stringent development control norms and would be difficult to be put to commercial use.

4 Project

4.1 Description of the Project

We understand that 27 acres land parcel has been acquired by PWD, alongside the “Suvarna Soudha” which is around 6 km from the city limits and is being constructed on 100 acres land parcel located south of Halaga village lying adjacent to NH-4. The project under consideration originates from the need of providing temporary accommodation for legislators once in a year for about a month when the legislative session would be held in the “Suvarna Soudha” at Belgaum. The project involves development of a “3 Star” rated hotel with 450 room inventory on PPP. The key consideration in operation of such hotel would be that it is made available to the legislators once in a year for about a month and for rest of the year, it can operate on a commercial basis. Based on the applicable FAR/FSI norms of BUDA, we understand that a hotel of such specifications would not require more than 2 to 3 acres of land. Prima-facie the options available for development land parcel of PWD on PPP include:

- **Scenario 1:** Lease a proportionate land parcel out of the 27 acres to a hotel developer/operator for development of 450 room 3 Star category hotel
- **Scenario 2:** Lease a proportionate land parcel out of the 27 acres to a developer for development of 450 room 3 Star category hotel and commercial center
- **Scenario 3:** Lease a proportionate land parcel out of the 27 acres to a developer for development of 450 room 3 Star category hotel and commercial center. In addition also lease some of the land holding of PWD falling within city limits for development of commercial complex as a combined package to increase the overall project viability.

The Consultant’s role would be to conduct site reconnaissance and consider the broad project feasibility under the scenarios mentioned above and arrive at the best project development scenario along with its packaging, market potential, financial viability analysis, requirement of viability gap funding from GoK / revenue share potential and recommending an appropriate PPP structuring etc.

4.2 Description of the Project Site

As a first step towards project development would be identification of the sites which can be targeted for development. In this section, we describe the sites identified by PWD.

4.2.1 27 acres Land Parcel alongside “Suvarna Soudha”

The 27 acre plot is located around 7 km south of Belgaum city adjacent to “Suvarna Soudha” on the eastern side of NH-4 on rolling terrain. The site is located in the vicinity of Halaga-Bastawad village falls outside the Belgaum city limits but under the jurisdiction of Belgaum Urban Development Authority planning area. The corridor along NH-4 outside the city limits till the project site is yet to register any commercial and residential development, however with the inauguration “Suvarna Soudha” this corridor is expected to have significant development in commercial & residential activities. And city is also slowly growing outwards towards south. The primary landuse along the corridor is however agriculture. The subject site is devoid of any

vegetative cover and neither has any built-up structures. A Toyota showroom is situated on the opposite to the site across the NH. The site has increasing elevation towards north-east direction with approximate level difference of 30 m from one end to the other. The site location and actual site photographs are presented alongside.



The actual site photographs for presenting a better perspective of the project site is provided in **Annexure A**.



4.2.2 Land parcels within the City Limits

Three more land parcels located within the city limits have been identified by the departmental representative of PWD in Belgaum. These land parcels are located at the prominent locations would offer substantial commercial value. The idea behind thus can be offered to the private developer as a package along with part/full 27 acres land parcel to increase the overall viability of the project.

Description of Site 1 & 2

The proposed Sites 1&2 are located close to each other in the north fringe of Belgaum city. The site forms a part of the cantonment area. The region is surrounded by large residential colonies with Subahsh Nagar, Shivaji Nagar and Veerbhadra Nagar towards north-east direction and other residential areas towards its west. The region is well connected by roads. The location perspective of the site is presented alongside. The site has a number of tourist locations nearby with the Kottekere Lake towards the east and the Belgaum Fort towards its south. The Belgaum Bus terminal is located nearby, making the site easily approachable. The land use around the area is mostly residential with few budget hotels situated nearby. The “Kasbekar Metgud Hospital” is also located to the east of the



site. Towards the south is a vegetable market. A lot of government quarters are located around the sites and scope of more development is there.

Site 1 is a L-shaped plot measuring around 1.8 acres and located opposite to Keerti Hotel. Around 40 PWD staff quarters are located within the site premises and the entrance to the site is from the western side. The approach road to the west is 10 m wide. As we understand these quarters are presently occupied however can be freed, if PWD decides to give this land for PPP development.



Site 2 is a triangular shaped plot measuring 2.7 acres approximately and it has an entry from the 4-lane divided carriageway Khade Bazar road leading to the fort circle. An old and a new circuit house is located within the plot. The old circuit house has 9 rooms and the new circuit house which was inaugurated in 2009 has 6 rooms. The major challenge for development of these two plots is that it falls within the under Belgaum Cantonment area and any development are required to be approved by the Cantonment Board which essentially would mean obtaining requisite involve clearance from the Ministry of Defence, Government of India. Considering, proposed development would essentially mean a change land use and relaxation on the existing FAR norms of 0.5, implementation of commercial development on PPP on these two land parcels will be a difficult proposition.



The major challenge for development of these two plots is that it falls within the under Belgaum Cantonment area and any development are required to be approved by the Cantonment Board which essentially would mean obtaining requisite involve clearance from the Ministry of Defence, Government of India. Considering, proposed development would essentially mean a change land use and relaxation on the existing FAR norms of 0.5, implementation of commercial development on PPP on these two land parcels will be a difficult proposition.

Description of Site 3

The project site is in Shahapur area located in the southern fringe of the Belgaum city. The plot is polygonal in shape close to being a rectangle measuring 2.64 acres. It is situated offset of 500m



west of Khanapur road. The site is well connected by ancillary roads from all direction. Currently the entrance to the site is from the west with the frontage road being (approx.) 7 m wide, the Kore Galli is located on the north is an intermediate lane road (5.5 m wide). The Shahapur Nath pai circle road lies towards south of the plot is a 7m wide road. The plots houses two PWD irrigation office buildings located

opposite to each other, one of these buildings has been recently constructed and we understand that the administrative section of the PWD irrigation is expected to shift to this new building shortly. There are a few service quarters constructed inside the plot which are used primarily by chowkidars and sweepers. The land area around the site is mostly residential. A shopping complex is located alongside the plot. The shopping complexes are found to be located on the alongside the approach road to Khanapur road. Unlike Site 2 &3, this land parcel falls within the BUDA planning area.

Considering that out of **three land parcels** identified by PWD in the city limits since two of those falls under cantonment area with applicable land use restrictions and strict development control norms. This would make commercial development on the land parcel not so viable and we would evaluate financial feasibility for the first two scenarios only.

4.3 Interaction with Key Stakeholders & Findings

Interactions with the stakeholders formed a critical component of the site visits. The list of key stakeholders consulted during and after the site visit is presented in **Annexure B**. The interactions with these stakeholders were aimed at understanding the city spatial characteristics, broad-level market assessment of real estate and hospitality sector, development control norms, facility planning, realistic cost & revenue assumptions and inputs on project structuring. The important findings from these interactions included:

- The development control regulations of the city are governed by the BUDA Zonal Regulations 1993, however land falling under within Cantonment Area is regulated by Cantonment Board, Belgaum. The Draft Master Plan 2021 for Belgaum is yet to be approved by GoK.
- BUDA has recommended a Green Zone for a radius of around 1 km from “Suvarna Soudha” which if approved by Government would block the possibility of commercial development of 27 acres land parcel.
- The Compensation offered to the land owners at the time of acquisition of land for the “Suvarna Soudha” in 2008-09 was in the range of Rs 13 lakhs per acre. The current market rates are in the tune of Rs. 40-50 lakhs per acre. Considering that land is an income generating asset, the present value revenues earned from development & operation of business establishment on land needs to be properly assessed for assessing the commercial value of the land. Revenue estimates are primarily to be based on market dynamics, industry/market norms and inputs from the stakeholders/developers.
- As per Department of Stamps & Registration, GoK circle rates applicable post June 2011 market value of land in Halaga city limits is in the range of Rs 7.92 lakhs per acres which is however much less than the market rates of Rs 40-50 lakhs as indicated by the stakeholders.

- The Circle Rates- post June 2011 for land and the built-up-area located around Sites **1&2** and **3** is indicated in the Table below:

Site	BUA (Bldgs) Rs/sqft		City Limits (Land) Rs/sqft	
	Mosaic Floor.	Granite Floor	Residential	Commercial
Site 1 &2	1254	1474	445	860
Site 3	1500	1298	518	805

- Again it has been observed that the real estate market rates are however much higher than the indicated circle rates indicated in the Table above. For residential units, the price varies in the range of INR 2000 to 3500 per sft of BUA while for commercial establishments are valued in the range of INR 4000 to 12000 per sqft. of BUA. The commercial properties on College road, Congress road, Kirloskar road & Tilakwadi area would fetch market values as high as INR 10-12,000 per sqft for outright sale and INR 80-1000 per sqft per month as lease rentals.
- The Belgaum city is steadily expanding outwards in the west, north and south direction owing to land availability constraints. The development towards the east is restricted owing to the water logging problems. Considering that Belgaum is the district headquarters and with the availability of a centralized office space in the “Suvarna Soudha”, it is expected to house the various administrative offices in near future. This in fact would result in a chain reaction resulting in shifting of various commercial activities towards this region resulting in fresh demands for commercial spaces and housing for government employees as well as other city population and demand for retail commercial spaces. And considering that land would be comparatively easy to be available and better frontage, the possibilities of developments of successful facility malls seems quite high.
- The city is important place for business class owing to presence of the foundry clusters in the various industrial estates in and around the city limits. The is also quite a significant tourist fall owing the city’s own rich cultural heritage as its proximity to neighbouring places of tourist importance. And hence there is substantial demand for deluxe hotels in the town. Even based discussions with proprietors of Eefa, Adarsha Palace, Sanman hotels revealed that the occupancy rates are in range of 70-80% with major influx of Goa crowd in the weekends. Adarsha hotel is further adding a room inventory of 30 deluxe rooms and has also imitated a project for development of 50 rooms 3 –Star category in the adjacent plot. Considering the above building 3-star category hotel
- The Belgaum city has a witnessed quite a well-organized commercial real estate along the main arterial corridor. There are a large number of few high street commercial complexes on College road, congress road and Khanapur road. There is Nucleus Mall on Kirloskar road, Big Bazar retail on Khanapur road few “More” retail shops spread across the city. Considering, that that city is not new to organized retail, presence of high disposable income group, youth brigade from the city colleges, saturation of the prime lands within city limits organized commercial center in the outskirts of the city would be viable. Besides, we also understand that there are no way side amenities alongside NH-4 for almost a 150 km spread

in the north -south direction thus can offer rest over, lunch hop and shop stations to the highway commuters both on business or person.

4.4 Practices in land parcel development

4.4.1 In this section we have taken stock of the section below tries to highlight various policy recommendations and institutional set-up for organized land development.

Policy & Regulatory Aspects

- While the LA Act, 1894 provides the principal framework for land acquisition in the country, all states have adopted it for application with primarily few procedural amendments to expedite and simplify the land acquisition process. It is interesting to note that in Gujarat a new clause 17A was introduced whereby land vested with the state Government or any state owned corporation, acquired under the LA Act, can be utilized for any public purpose other than the purpose it was originally acquired for with the prior approval of the State Government signifying that the nature of public purpose may change even after vesting.
- In order to promote planned development of new townships in the Gujarat and to encourage Private Sector Investment / Foreign Direct Investment (FDI) in housing and real estate sector, the provisions of the Gujarat Tenancy and Agricultural Lands Laws (Amendment) Act, 1997, have made land conversion easier with no prior sanction required for bonafide industrial use. The Collector is required to be informed within 30 days from date of purchase for issue of certificate. This is however not applicable for urban land, land owned by scheduled tribes, land sale exceeding 10 hectares or exceeding 4 times the area of construction for proposed industrial purpose.

- Rajasthan Township Policy (Above 10 Hectares of Land), 2010, was framed which specifies planned schemes, land development control norms,

Eligibility Criteria for the Developer

S No.	Category Area of Land in Hectares	Minimum net worth in Rupees	Minimum turnover (in last 5 year) in Rupees	Minimum Number of Tech. Staff on payroll (for at-least last one year)	Experience of land development	Time period for completion of the complete project
a	< 40	25 Cr.	200 Cr.	50	5 yrs.	3 yrs.
b	40-80	50 Cr.	300 Cr.	75	6 yrs.	4 yrs.
c	80-200	75 Cr.	500 Cr.	100	7 yrs.	5 yrs.
d	200-400	100 Cr.	750 Cr.	150	8 yrs.	6 yrs.
e	>400	250 Cr.	1000 Cr.	200	10 yrs.	8 yrs.

guidelines for approval / completion of internal

Source: Rajasthan Township Policy (Above 10 Hectares of Land), 2010

development works, eligibility criteria for the developer (presented in the alongside figure)

- Govt. of Gujarat provides many fiscal incentives for attracting investment across sectors
 - ✓ Education Institutes
 - Provision of land as per the AICTE requirements at a token rate of Re.1/- for 30 years

- Funds 50% of the total project cost up to a limit of Rs.10 Crores for engineering institutes and Rs.5 Crores for Polytechnics
- ✓ ITES
 - Stamp Duty waiver for IT park developer and concession for IT – ITES units
 - Exemption from payment of electricity duty for 5 years from commencement of operations
- ✓ Food Processing Industry
 - Interest subsidies to agro-industrial units
 - Air & sea freight subsidies for agro exports

Institutional Set-up

Many states have successfully created land bank through State Agencies by either acquiring land under LA Act 1984 for public purpose or assembling state land holdings available for setting up of where industries / educational institutes/some real estate activities.

- Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) has created a land bank of more than 1 lakh acres, which is allocated land at fixed rates and also auctions after determining floor rates
- HSIIDC has created a land bank of 17000 acres earmarked for industrial belts and infrastructure projects
- Many of the State Housing Boards have been successful in development of mixed land use development in state owned land. One of the successful example is that of West Bengal Housing Board (WBHB)

West Bengal Housing Board (WBHB) is one of the pioneers in forming JVs with private players for housing development. WBHB has formed 8 joint venture companies since 1993; currently 5 such public-private JVs are operational in West Bengal, where in land is extended by WBHB and the private sector investing for construction. One such JV is Bengal Ambuja Housing Development Ltd. This company is an outcome of a joint venture between the West Bengal Housing Board and Gujarat Ambuja Cements Ltd. Company is an infrastructure and housing development company that operates in the eastern part of India. It works in the commercial as well as the residential areas and has completed many projects under this banner.

- On similar lines Bihar State Housing Board, is currently exploring options of developing residential accommodation schemes by unlocking the value of commercial land in the city of Patna.

4.4.2 In this section we would try to look at the some of the examples of developing land parcels with mixed land-use in International and Indian scenario. These will provide broad indicators for designing successful facility and PPP options which can be adopted suitably for the project design.

Alexandra Mixed Land Use Development, Egypt

Project Description- Lake Marriout covers an extensive area of about 74 sq km and extends over 60 kilometres parallel to; and only 2-4 kilometres south, of the Mediterranean Sea. The site selected consists of approximately 230 hectares, of which approximately 110 hectares are new developments. The area is bordered by Cairo/Alexandria highway on the south and east, the main basin of Lake Marriout and the new Coastal Highway on the West, and the Moharam Bek/Kabary road on the north. As a result of a public-private partnership, a major commercial center with a large retail establishment (Carrefour) has been constructed by the lake and it has rapidly become Alexandria's most attractive shopping and recreational area.

PPP Structuring: The various project components were developed using different PPP format as indicated in the table below:

Type of Facilities	Type of PPP
Tourism (Hotels & Resorts)	Concession
Residential & Commercial (Business Park including Clinics & civil society organizations, office, public administration, commercial centers , retail establishments & shopping mall)	Outright Sale/lease
Recreational (Cultural centers & Conferences, Theme Parks & Sports Activates, Social Clubs , Restaurants , Cinemas , Cafes, Lake & Water Activates)	Concession
Public Services & Utilities (Car Service Stations, Utility Buildings)	Concession
Associate Infrastructure (Roads, water supply and sanitation)	Management Contract

Almere Urban Entertainment Centre, Amsterdam, Netherlands

Project Description- The project consist of an arcade of 16,000 sqm of architecturally aesthetic buildings consisting of shopping, pop concert hall, disco, hotel, bicycle -park and associated leisure, auditorium, cafe and restaurants. The other key project features include:

- The **Almere Hotel**, which is a 120 room 4-star hotel clad in cedar boarding. The hotel has a raised sleeping block approximately 4,000sqm that is lifted eight metres above street level. Below the ground plain is the car park with a direct connection to the lobby.
- The square is a lively and attractive place across all seasons and registers substantial tourist as well local footfalls

Liberty Corner on PPP, Ireland

Project Description- Liberty Corner is a landmark civic building located in the North East Inner City Regeneration area in the centre of Dublin. The project was commissioned on PPP basis by Dublin City Council and developed by McCabe Builders in 2005. This is a complex of 100,000 sq. ft. with mixed use which includes an arts centre, Ireland's largest dance centre, a crèche, retail and enterprise units, and 65 private apartments. The buildings make up an entire city block and form the new urban edge of Foley Park, James Joyce Street and Foley Street

Examples in Land Parcel Development in Karnataka

Development of retail & accommodation facilities for KSRTC Passengers and General Public and commercial complex on KSRTC Site at Hassan on PPP Basis

- Project consist sting of Construction of:
 1. Retail/ Commercial Block of around 2.4 lakh sq. ft.
 2. Hotel Blocks of around 80,000 sq. ft.
- Type of PPP- **DBFOT**
- **Contracting Authority-** Karnataka State Road Transport Corporation (KSRTC)
- Contract Period- 30 years
- Contract Award Method- Domestic Competitive Bidding
- Bid Criteria- Lowest Grant/highest Premium amount
- Estimated Project Cost- Rs. 91.5 Cr.

Development of KSRTC offices guest house and Commercial Complex on KSRTC site at Mangalore on PPP basis

- Constructon of KSRTC office space of 10,000 sq. ft. and Guest House of 3,000 sq. ft. and vehicle parking area
- Estimated Project cost- Rs. 20.7 Cr
- Type of PPP –DBFOT
- Contracting Agency- KSRTC
- Contract Period- 30 Years
- Project Status- Under Bidding

Examples in Land Parcel Development in Karnataka

Development of 1.60 acres land parcel along Hosur road

- Development of land parcel to Hypermarket, Karnataka Land Army Corporation Ltd (KLAC), Office space, 3 Star Rated Business Hotel
- Land is being developed with an intention to :
 - Office space for KLAC
 - To unlock the value of real estate to provide KLAC with additional revenues
- Estimated cost- Rs. 106.82 Cr.
- PPP Type- DBOT
- Sponsoring Dept.- Karnataka Land Army Corporation Ltd.
- Exec. Agency- KSIIDC
- Current Status- Cleared by SLSWA and recommended for approval by SHLC

Examples on Housing Project

Housing Clusters for Central Paramilitary Forces

The Union Budget 2009-10 announced launch of massive housing programme aimed at creating 100,000 residential accommodations for CPMF. The Ministry of Home affairs (MHA) proposed to develop such housing units in PPP mode so that the construction process is accelerated, around 250-300 sites were identified out of which 5 clusters covering approximately 30 sites namely Assam I, Assam II, Jalandhar, Kadarpur-NCR and Uttarakhand were selected for pilot roll out on DBFOT-Annuity basis. In line, MHA adopted a two stage bidding process was adopted for of the bidder asking for the minimum semi-annuity payments

Delhi Police Housing on PPP

The Delhi Police Housing on PPP project has been recently awarded to Punj Lloyd Infrastructure Ltd (PLIL) in January 2012. The project encompasses other than development of residential quarters the commercial operation of non-residential infrastructure such as schools, healthcare and convenience shopping facilities as per the norms laid down in the Delhi Master Plan, 2021. PLIL is expected to sign a concession agreement with the Delhi Police, which is under the aegis of the Ministry of Home Affairs, for 25 years and will be entitled to semi-annual annuities of INR 62.75 crore, along with construction milestone-linked lumpsum payments of INR 316 Crore.

4.4.3 Organized Retail & Mall Development in India

Considering that one of the potential development considerations on the available land parcel can be an "Organized Retail" in form of mall, a small treatise on the mall development in India is presented in this section.

India has witnessed a high pace of retail development over the last decade years. Spencer Plaza in Chennai and Crossroads in Mumbai are considered to have pioneered the shopping mall and shopping entertainment revolution in India. From three malls in the year 2000, to almost 300 malls by the year 2010, the pace of developments has been rapid. It is estimated that mall development would spread across 60 cities in the country by the end of the decade. While local shopping centers have always existed in India a number of factors such as income growth, tastes, changing demographic profile and socio-economic environment have driven this have driven this transformation of retail in India. The Global Retail Development Index developed by AT Kearney has ranked India first, among the top 30 emerging markets in the

world. The transformation from commercial shopping centers to malls has been particularly the way the mall management takes care of the issues like

- Zoning (tenant mix and placement within mall)
- Positioning
- Promotions and marketing
- Facility management (infrastructure, footfalls, ambience)
- Finance management

The generic business models are adopted by retailers/ developers

Business Model	Key aspects	Benefits for Mall Developer	Benefits for Mall Management
Contract Model	Fixed fee	Fixed cash outflows. Higher inflows if mall is a success	Risk minimization
Revenue sharing model	Percentage of sales	Risk minimization	Share of revenues if mall is a success which leads to higher income
Partial revenue sharing model	Fixed fee + percentage of sales	Risk minimization (fixed fee less than that in the case of contract)	Minimum payment guaranteed and also portion of revenues in case of success

Of the above models, till recently contract model was the norm in India. But the revenue sharing model is increasingly becoming popular with retailers in India due to the present economic situation. However for city like Belgaum, where the concept of mall is only a recent phenomenon, contract model would seem to be more appropriate and feasible.

5 Market Assessment

5.1 Commercial Real Estate Market in Belgaum

5.1.1 Traditionally, the commercial real estate in the Belgaum city has been unorganized in nature, characterized by regional shopping centres and commercial markets with an ad-hoc mix of tenants ranging from small traders, showrooms and offices. In terms of regional spread, Tilakwadi area on Khanapur road has been the heart of all major commercial activities in form of high street retail, shopping complexes located on both sides of road. Over the years this area has become saturated and has resulted in lack of frontage and parking spaces resulting in undue road congestion. The other dimensions to these shopping complexes have been the absence of quality facilities and management. Some of the district shopping centers have also been built by “Belgaum City Corporation” and are also located on the approach road to Shahapur area from Khanapur road east of Tilakwadi area however didn’t seem to be as popular as the ones on Tilakwadi area.

Commercial centers - Tilakwadi



5.1.2 In the last 3-4 years, owing to congestion and lack of available commercial retail space in the Tilakwadi region, the commercial vectors have been slowly shifting to the north of city along both sides of Congress road, Club road and the north Chinnema circle towards JMC College which offer better frontage and look of a modern city. A typical characteristic of the recent commercial activity in Belgaum is the mushrooming presence of mixed use developments. There are numerous shopping complexes in the city which feature a mix of commercial and residential components with a structured maintenance/upkeep facility. Most of these developments are established by local builders and region specific developers. While the lower floors (typically ground plus one-two floors) comprise of retail related shops, the upper floors comprise of residential apartments. However, owing constraint of quality spaces and the limitation of developable land in the city, organized retail malls have been limited except for “Nucleus Mall” on Kirloskar road east of college road, Big Bazar on Khanapur road south of Tilakwadi area, and few Birla “More” retails spread across the city which have been very popular and have attracted lot of footfalls.

Nucleus Mall on Kirloskar Rd.



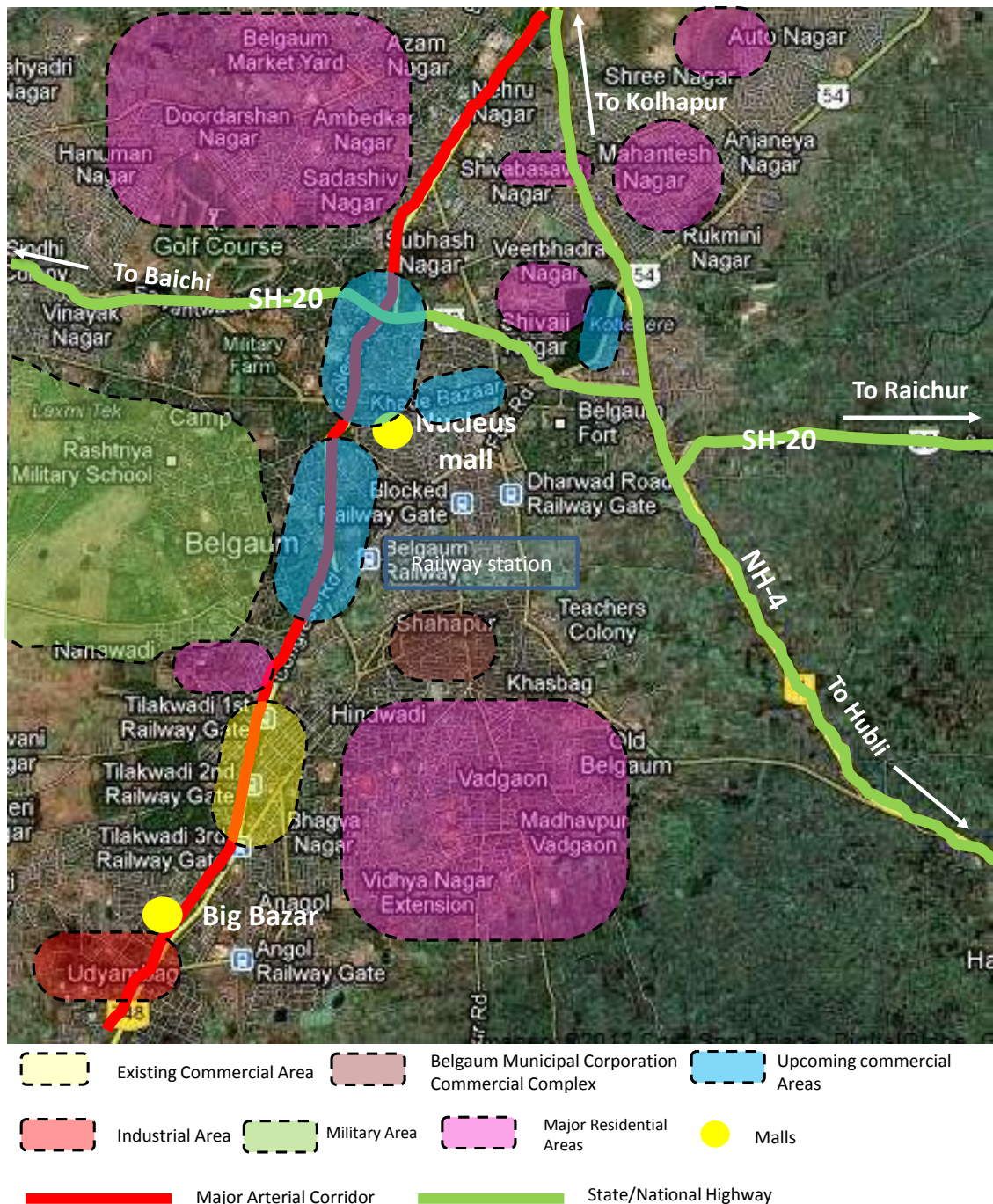
- 5.1.3 From a business perspective, the local economy has opened up for suitors owing to better economic, political and social opportunities in the region because of the presence of industrial activities, educational institutes. A large part of this commercial office/retail space demand is driven by the Telecom, Mobile showrooms, Banking, Financial & Insurance services companies. Banks like ICICI, Axis, Corporation Bank, Kotak Mahindra, HDFC etc. and insurance companies like ICICI, Standard Life, LIC, etc. have opening new branches in Belgaum. Telecom majors like Vodafone, Idea, Airtel, Reliance, Tata and mobile shops like Nokia, Blackberry are targeting the city and have opened retail spaces in Belgaum. Automobile showrooms are looking to establish their regional presence in Belgaum with brands like Toyota, Hyundai, Maruti Suzuki and Tata having already opened the showrooms in the city.
- 5.1.4 The developers of the mix of residential & commercial space follow a mixed model of leasing & outright sales, with initial spaces within the development being transacted on an outright sale model. The outright sale is particularly for the residential space where sale rate in the areas referred above have been in the range of INR 3400-3800 per sqft. The commercial spaces are mostly retained by the developers to take advantage of future lease escalations. With respect to pricing, an average quoted rental for vanilla retail spaces on ground floor in Tilakwadi, college & club road are in range of INR 80-100 per sft where in case of outright sale it would be in the range of INR 10-12,000 per sqft. Similarly, an average quoted rental for anchor spaces of “Big Brands” on the ground floor is in the range of INR 70-80 per sft. The developers also charge INR 5-10 per sft per month as advertising rentals from the building frontage. In addition, Common Area Maintenance or CAM charges taken from tenants are in the range of INR 3-5 per sft per month, and these too are considered acceptable by the tenants. The quoted rentals for retail space on first floor are generally offered at a discount of 5-10% from the ground floor rates. In addition to major commercial hubs, there are various pockets of small to medium scale commercial retails which realized lease rentals in the range of INR 40-50 per sft per month.
- 5.1.5 Our interactions with the Manager “Nucleus Mall” revealed the following which had been presented in the box below.

Nucleus Mall in Belgaum- Main Project Features

A Commercial Mall of 72,000 Sqft (BUA) was developed at Bogarves Circle, on Kirloskar Road by a private developer in plot area measuring 28 Guntas in 2007-08. The land was under freehold ownership. The mall has a number of anchor brands like Reliance retail, Bata, Baskin Robins, Big Cinemas & Levis. In addition, there are many retail shops operating from this mall. Based on our interactions with the Manager- Nucleus Mall, we understand that the project has been quite successful and there is quite a good potential for such malls within and outskirts of the city. Some of the broad commercial indicators for the Nucleus Malls are as follows:

- Big Brands have 12 years leasing period with 3 years lock-in and average rental of INR 40-50/sqft/month as on 2008. The leasing period of Big Cinemas was 19 years with 6 years lock-in. The provision for escalation of lease rental was 15% every 3 years.
- Big Brands have 3 years leasing period with 1 years lock-in and average rental of INR 50-60/sqft/month as on 2008. The provision for escalation of lease rental was 5% every year.
- Most of the Big anchor brands like to be given the bare bone structure with glass partition and flooring so that interiors can be customized according to the needs.
- The Cost of construction was around RS 800-1000 per sqft in 2008
- Maintenance of the common area is done by the Mall association at a charge out rate of INR 7/sqft/month
- Marketing of the mall retail space was done by real estate consultant Jones Lang Lasalle

5.1.6 The commercial real estate mapping for the Belgaum city is provided in the Figure below



5.1.7 The lack of availability of developable land is a constraint for commercial real estate development in the city. As indicated above, there have been gradual shifts in the evolution of commercial activity in the city, wherein the unorganized haphazard development were followed by high street and mixed use developments towards north of Tilakwadi on college & congress road. Under the present circumstances, the positive income-spending outlook and economic buoyancy among the Belgaum residents and presence of large number of colleges have driven the demand for quality organized formats for commercial activity. The saturating supply of contiguous developable land

parcels within prime areas is expected to push the commercial activity to the outskirts of the city reaches.

5.2 Hospitality Market in Belgaum

5.2.1 The hospitality market in the city is dominated by business travelers to the various foundry units in the Industrial estates/ INDAL factory/Renuka Sugars/ Quest and also owing to the fact of Belgaum being the district headquarter. In addition to the business tourist, Belgaum is town a town with rich cultural heritage with tourist places in and around thus is also a tourist stop/halt over place. The city of Goa which is one of the hot tourist destinations is only 120 km from Belgaum and is approachable both by rail and road in 3-4 hours. Besides, a large number of residents come over the weekend to the town for shopping and stay over.

5.2.2 In order to have a perspective on the geographical spread of the Hotels in the Belgaum we have tried to map the existing locations of the hotels and is presented below.



5.2.3 As can be seen from the figure above most of the hotels are both located alongside the college road, club road, Kirloskar road and alongside the main road leading to the Central Bus stand.

5.2.4 In terms of hotel categories, the city is yet to have a formal 3/4 star category hotel located. Eefa Hotel is close to a 3 star rating hotel under Orchid Group on Club road having 59 rooms inventory with 80% being standard rooms, 10% Deluxe and 10% suites and the room tariff is in the range INR 3000-5000 per day excluding tax.

5.2.5 The other premium hotels are Sanman, Aadarsha on the College road and Sankam residency and Krishna Inn mostly having a 50-80 room inventory. The room tariff for premium hotels are mostly in the range INR 1000-3500 per day. The other budget hotels in the same locality generate tariffs in the range of INR 600-1500 per day. The basic room rents for the different hotels in Belgaum are provided in the Table below.

Hotel	Base Rates*	
Hotel Eefa	3000-5000	* excludes tax
Sanman Hotel	1100-3500	
Adarsha Palace Hotel	1000-2500	
Sankam Residency	1000-3500	
Kshema Inn	900-3500	
Sai Sangam International Hotel	700-2000	
Rakshit International Hotel	700-1500	
Ramdev International Hotel	600-1400	
Pai Hotel	500-1000	
Keerthi Hotel	500-1000	
Surya Yatri Niwas	500-1300	
Anupam Hotel	600-900	
Milan Hotel	500-900	
Shiva Hotel	400-900	
Pavan Hotel	400	

5.2.6 Based on interactions with the proprietor of Adarsha hotel we understand that it is further adding a room inventory of 30 deluxe rooms and has also imitated a project for development of 50 rooms 3 –Star category hotel with swimming pool in its adjacent plot. Interactions also indicated that the average occupancy is in the range of 70-80%, with close to full occupancy during weekends. The prime season for tourist is in the months of October to January. The average food & beverages bills per guest are in the range to Rs 300-500 per day.

5.3 Tariff Fixation

5.3.1 For a hotel developer the primary source of revenue would be room tariffs and food & beverages. Considering that the maximum room tariff within the city limits is 3000 for standard rooms, we envisage that 3- star category hotel with value added facilities like swimming pool, bar restaurant, conference halls outside the city fringes can attract a room rent in the range of INR 2500-3000 per day excluding taxes.

5.3.2 For a real estate developer in Belgaum, the primary source of revenue would be in the form of rentals from lease contract with various hotel operators, retail units and anchor brands showrooms, restaurants, foods courts. Considering that the average lease rentals at premium locations within the city limits is in the range of INR 80-100 per sqft, it is envisaged that lease rentals would for different categories in outskirts of the city will be in the range INR 25-35 per sqft. These rates are however for bare bone structure with flooring and glass partition while the interiors, PoPs, wall coloring, internal wiring will be done by the retail tenants.

6 Project Financials

6.1.1 The financial feasibility analysis is carried out on the premise that a portion of 27 acres site adjacent to “Suvarna Soudha” is being developed on a PPP basis in Belgaum. The analysis considers the projected incomes and expenditures to the developer, pertaining to the operation.

6.1.2 The development of the project site can be taken on the basis of the two Scenarios as follows-

- **Scenario 1:** Development and operation of a hotel by a private developer for a lease period of 30 years.
- **Scenario 2:** Development of a hotel and a commercial complex by a developer. For financial viability analysis, it has been assumed that the developer will operate the hotel and sub-lease the commercial complex. A 30 years concession period has been considered.

6.1.3 Listed below are the development control norms as per BUDA Zonal Regulations 1993 for construction of commercial properties-

Metrics	Value
Permissible FAR	2
Maximum Plot coverage	45%
Max No of Floors	1+7
Maximum Height of the Building	27m
Parking	1 per 100 sqft
Height restrictions near Aerodrome	91m

6.1.4 The number of floors in the hotel and the commercial complex is restricted to 4 so as not to block the view of “Suvarna Soudha”, and also keeping in view the land terrain and the height restrictions owing to the location of the aerodrome.

6.1.5 The facility planning and broad analysis framework for the two scenarios are as follows

Scenario 1

On a proposed land area of **3 acres**, following facilities are planned for this scenario in which the private developer develops and operates the premises.

- 450 room Hotel/Service Apartments
- Restaurant with a seating capacity of 100 people
- Conference Room
- Swimming Pool

The analysis for this scenario is done from the point view of the developer who constructs the hotel and operates it.

Scenario 2

A land area of **6 acres** is proposed for this scenario in which a private developer will construct the premises and sublease them to other private parties. The following facilities are planned-

- 3/4 Star Hotel
 - Hotel/Service Apartments (450 Rooms)
 - Restaurant attached to Hotel (100 seating capacity)
 - Conference Room
 - Swimming Pool
- Commercial Complex (100,000 sqft)
 - Retail Stores- Anchor types Top Brands (40%)
 - Retail Stores- Local Brands (35%)
 - Restaurant (5%)
 - Fast Food centers (5%)
 - Car Show Rooms (15%)
- Community Center with landscaping (40,000 sqft)
 - Community Hall (10,000 sft)

The analysis for this scenario is done from the point view of the developer who develops the land parcel and sub-leases it to the end users. In case of Scenario 2, we have tried to look at the financial feasibility of the hotel operator sub-leased a bare-bone physical structure on which it incurs further capital investment. The assumptions and results are presented along with Scenario 2 in the sections below.

6.2 Cost Estimation

6.2.1 The details of the cost as estimated for the project are given below-

Scenario 1

S.No	Cost Heads	Units	Cost (in Rs. Cr.)
1.	Land Development with Infrastructure like water supply, sewerage, roads, landscaping	150 INR/Sqft	1.31
2.	Swimming pool construction	2500 INR/Sqft	0.54
3.	Construction of Hotel/ Restaurant/Conference Hall	2400 INR/Sqft	41.71
4.	Capital items for rooms	2 lakhs/room	9.0
5.	Capital Items for restaurant	Lumpsum	0.5
6.	One time Premium to Government		1
Total Investment required			54.06

Scenario 2

S.No	Cost Heads	Units	Cost(in Rs. Cr.)
1.	Cost of Land Development with Infrastructure	150 INR/Sqft	2.74
2.	Cost of Swimming pool construction	2500 INR/Sqft	0.54

S.No	Cost Heads	Units	Cost(in Rs. Cr.)
3.	Cost of Construction of Hotel	2400 INR/Sqft	41.71
4.	Capital items for rooms	2 lakhs/room	9.0
5.	Capital Items for restaurant	Lumpsum	0.5
6.	Cost of Construction of Commercial Complex	2000 INR/Sqft	20
7.	Cost of Construction of Community Center	2200NR/Sqft	2.2
8.	One Time Premium to government		1
Total Investment Required			77.69

Since the project is to be offered on PPP, the rates mentioned in the Tables above and used for determination of construction costs are the prevailing market rates. However, for establishing the government approved rates, we have looked at the revised cost estimates for “Suvarna Soudha” and the market value guidelines published by Department of Stamps & Registration, GoK. The revised cost for “Suvarna Soudha” is close to INR 5000 per sqft (which includes interior works) and the market values for BUA within Belgaum city limits ranges in between INR 1500-3000 per sqft. Based on our discussions with Assistant Executive Engineers, PWD, Belgaum we understand “Suvarna Soudha” being special project the project costs are on the higher side and cannot be used as a benchmark. For this project 90% of the items used in constructions are those which don’t feature in the KPWD schedule of rates. With regards to the market value guidelines published by Department of Stamps & Registration, GoK we also understand that it doesn’t exactly reflect the market rates and hence it would be fair to assume market rates to estimate the project cost even in case the project is taken up on item rate contract/EPC basis.

6.2.2 The lease payment assumptions for both Scenario 1 & 2 is provided below

Period of Lease of Govt. Land to the Developer	30 years
Lease rental to Govt	2 INR / sft/ month
Escalation in Lease rental	15% after every 3rd year
One time premium	INR 1 crore

6.2.3 The tables below presents the assumptions on operating expenses for the project-

Scenario 1

Cost heads	Basis
Civil Maintenance Cost- Hotel & Restaurant	5 INR/ sqft of built up area
Employee Cost- Hotel	35% of gross revenue from room rent

Cost heads	Basis
Operating expenses-Hotel	40% of gross revenue from room rent
Other operating expenses-Restaurant	60% of gross revenue
Insurance regulatory & other charges	1.5% of project cost

Scenario 2

Cost heads	Basis
Civil Maintenance Cost- Hotel & Restaurant, Commercial Complex	5 INR / sft of built up area
Insurance regulatory & other regulatory charges	1.5% of the project cost increased @ 6% per anum
Escalation of O&M cost and insurance & regulatory charges	5.0% per anum

6.2.4 The capital structure assumed for the project under both Scenarios 1 & 2 and the test case from the perspective of the hotel operator in case of Scenario 2 is given below-

Financing assumptions	
Debt to equity Ratio	70:30
Tenure of debt (year)	10
Interest rate	13.00%
Working Capital Loan (Rs. Cr)	5
Tenure of working capital loan (years)	3

6.2.5 The tax assumptions are as follows

- Income tax (including surcharge & cess) is taken at the prevailing rate of 32.45%.

6.2.6 The following are the Depreciation rates assumed for the analysis of the Project financials:

- Schedule rate assumed for calculation of depreciation of buildings as per Company's Act is 1.63% on straight line method.
- Schedule rate as per the IT Act for calculation of depreciation of buildings is 10% on written down value basis

6.3 Tariff/Revenue Stream

6.3.1 The following table presents the revenue assumptions for the project-

Scenario 1

Room Rents (exclusive of taxes)	2800	INR/ per day (2012-13 prices)
Revenue from the Restaurant	30%	Of the Revenue from Room Rent (2012-13)
Miscellaneous Revenue	10%	Of the Revenue from Room Rent (2012-13)
Occupancy (Incremental)	40 to 60	%
Escalation in Revenue	6%	per anum

Scenario 2

Room Rents (exclusive of taxes)	2800	INR/ per day (2012-13 prices)
Revenue from the Restaurant	30%	Of the Revenue from Room Rent (2012-13)
Miscellaneous Revenue	10%	Of the Revenue from Room Rent (2012-13)
Occupancy (Incremental)	40 to 60	%
O&M Charges	7	INR / sft/ month
Lease rental -Anchor Types/Top Brands	30	INR / sft/month
Lease rental- Local Brands	35	INR / sft/month
Lease rental- Restaurant/Food Chains	25	INR / sft/month
Lease Rental Food Courts	25	INR / sft/month
Car Show Rooms	25	INR / sft/month
Community Center	0.5	INR-Lakhs/Day
Advertisement/ Bill Boards	1	INR (Lumpsum)
Parking Charges	20	per vehicle for 4 hours
Escalation of parking fees/Advt. Revenues	5%	per anum

Escalation in Revenue	6%	per anum
Escalation in Lease rental	15%	after every 3rd year

6.4 Viability Assessment

6.4.1 The key financial indicators for the base case which is described in above sections are summarized in table below.

Indicator	Scenario 1	Scenario 2
Project IRR (Post Tax)	14.56	16.77
Equity IRR	15.50	18.93
Average Debt service coverage ratio	1.13	1.39

6.5 Recommended Scenario and Sensitivity Analysis

6.5.1 Based on above analysis, it is observed that the equity IRRs for Scenarios 2 is considerably higher than Scenario 1. **Scenario 2** considers combined Development of Hotel & Commercial Complex and will have maximum utility for the city requirements which is growing outwards and has land availability constraints within the city limits. These scenarios don't require any budgetary support from the Government and also provides for free of cost residential accommodation for the legislators for a month every year. Therefore, **Scenario 2** is recommended for implementation.

6.5.2 Considering that both the project scenarios are viable, the project can also be bid out on revenue share basis. However, considering that revenue estimates can only be done post detailed technical study and market assessment of the project concept, a bid structure with revenue share arrangement may be proposed only after the detailed studies. Besides, revenue share arrangement also would require verification of the account statements submitted by the developer on an annually which is a difficult proposition and hence one time premium quotation is a preferred model.

6.5.3 Considering that the key project viability variables are project cost and revenue envisaged. Sensitivity analysis for **Scenario 1 & 2** has been conducted with respect to these two variables. Results for the same are presented below:

Capital Cost Sensitivity

Scenario	Parameters	% Change in cost				
		-20%	-10%	0%	10%	20%
Scenario 1	Project IRR (Post Tax)	17.31%	15.77%	14.56%	13.50%	12.58%
	Equity IRR	19.77%	17.32%	15.50%	14.00%	12.73%

Scenario	Parameters	% Change in cost				
		-20%	-10%	0%	10%	20%
	Average DSCR	1.42	1.26	1.13	1.03	0.94
Scenario 2	Project IRR (Post Tax)	19.93%	18.20%	16.77%	15.56%	14.50%
	Equity IRR	24.44%	21.33%	18.93%	17.02%	15.44%
	Average DSCR	1.73	1.54	1.39	1.26	1.16

Revenue Sensitivity

Scenario	Parameters	% Change in Revenue				
		-20%	-10%	0%	10%	20%
Scenario 1	Project IRR (Post Tax)	13.33%	13.94%	14.56%	15.24%	15.83%
	Equity IRR	13.70%	14.56%	15.50%	16.61%	17.64%
	Average DSCR	1.05	1.09	1.13	1.17	1.20
Scenario 2	Project IRR (Post Tax)	15.64%	16.19%	16.77%	17.29%	17.82%
	Equity IRR	16.99%	17.90%	18.93%	19.90%	20.99%
	Average DSCR	1.32	1.36	1.39	1.42	1.44

- 6.5.4 It can be observed that the project returns are highly sensitive to revenue. This indicated the importance of fare structure. It also highlights the significance of a detailed demand survey before the scheme can be implemented.
- 6.5.5 Detailed Financial Evaluation Sheets for the Two scenarios (cardinal years) are presented in **Annexure C**

7 Statutory & Legal Framework

7.1 Applicable laws

7.1.1 The Karnataka Municipal Corporation Act, 1976

The Act provides for creation of Municipal Authority in the state of Karnataka. It confers certain powers on Mayor and the deputy Mayor. It specifies the obligatory and specific functions of the corporations. It also provides for strengthening the administrative machinery of the corporations.

The Authority can acquire, any land designated in a Master Plan for specified purpose or for any public purpose either by agreement with the land owners or under the provisions of the Land Acquisition Act, 1894.

7.1.2 Karnataka Urban Development Authorities Act, 1981

Objective of this Act is to establish the Urban Development Authorities in the state of Karnataka for the purpose of providing planned development of major and important urban areas in the State.

Power of Authorities to take Developmental Works

Under this Section, the Authority has the power to undertake works and incur expenditure for development and in execution of that power; the Authority has the power to draw up detailed Schemes for the development of the urban area and also for the framing and execution of development schemes. The Authority may also take up any new or additional development schemes.

Authority to have power to acquire land by agreement

This Section empowers the Authority to enter into agreement with owner of any land or any interest therein, situated within the urban area for the purchase of such land. Further land may also be acquired under the provision of the Land Acquisition Act, 1894.

Power of the Authority to levy of betterment tax

Where, as a consequence of execution of any development scheme, the market value of any land in the area comprised in the scheme which is not required for the execution thereof has, in the opinion of the Authority, increased or will increase, the Authority shall be entitled to levy on the owner of the land or any person having an interest therein a betterment tax in respect of the increase in value of the land resulting from the execution of such scheme.

Karnataka Town and Country Planning Act, 1961

The objective of this Act is to regulate planned growth of land use and development by preventing unequal and chaotic growth of towns and cities in Karnataka. The Act gives power to the state government to declare any area to be a local planning Area through notification and may constitute a planning authority for such area. The Planning Authority so notified shall be responsible for the implementations of Act within such declared local planning areas. Such Authority shall initially be responsible for providing the Master Plan

outlining the development and improvement plan for the entire local planning area. The Planning Authority may formulate one or more town planning scheme in order to implement such Master Plan. The Act confers sufficient power in the hands of Town Planning Authority for the purpose execution of Master Plan. Master Plan shall consist of maps and documents indicating the manner in which the development and improvement of planning area to be carried out and regulated. Section 66 of the Act empowers the Planning Authority to enter an agreement with any person in respect of any matter relating to implementation of town planning scheme. This Section thus, provides scope for seeking private sector participation in implementation of the town planning scheme by making suitable agreement in this regard.

7.2 Legal & Regulatory framework

- 7.2.1 The Belgaum Urban Development Authority is designated as the Planning Authority under the Karnataka Town and Country Planning Act, 1961 for the Belgaum Local Planning Area of 182.00 Sq.Kms which includes Belgaum City Corporation of 94.00 Sq.Kms.
- 7.2.2 The planning functions of BUDA in brief involve the following:
- Preparation of development plan for Belgaum city
 - Preparation of Scheme Plans.
 - Approval of Development Plans for Group Housing and Layouts.
 - Approval of building plans.
 - Other statutory functions under KTCP Act. 1961
- 7.2.3 In addition to the planning functions, the BUDA also performs the following development functions:
- Planning and implementation of schemes to provide for Residential sites, Commercial sites, Industrial sites, Civic Amenity sites, Parks and playgrounds.
 - Construction of Commercial complexes
 - Construction of houses for Economically Weaker Sections, Low Income Group, Middle Income Group, High Income Group
 - Development of major infrastructure facilities
- 7.2.4 The building and development control norms for the BUDA planning area including the Belgaum City Corporation is governed by Zonal Regulations 1993. BUDA has prepared a Master Plan 2021 with proposed land use for the planning horizon and submitted it to the Government for approval.
- 7.2.5 In addition to the BUDA Zonal Regulations 1993, the development of land located in the Belgaum cantonment area is governed by zonal building control norms of Belgaum Cantonment Board. Currently, the FAR/FSI in these zones are restricted to 0.5.
- 7.2.6 It is envisaged that for development of the land parcel the following regulatory clearances would be required
- Plan approval/NOC by BUDA
 - NOC from Halaga & Bastawad Village Panchayat
 - NOC from State Pollution Control Board/MoEF
 - NOC from Airport Authority of India and National Highway Authority of India

8 Indicative Environmental & Social Impacts

8.1 Environmental Impacts & Mitigation

Activity	Possible Environmental Impact	Suggested Mitigation Measure
Pre-construction stage	< Based on site Reconnaissance >	< Based on the findings of the site Reconnaissance >
Construction stage		
Construction activities	<ol style="list-style-type: none"> 1. Deterioration of air quality due to earth work excavation 2. Disturbance to the natural drainage 3. Soil contamination 4. Water contamination 5. Disposal of excess earth 6. Disturbance to other services 7. Safety of road users in the implementation area 8. Noise pollution due to the use of machinery and movement of traffic 	<ol style="list-style-type: none"> 1. Frequent watering of construction sites to suppress dust emission and transport of earth in covered vehicles 2. Any construction activity should restore the natural course of the drainage 3. No spillage of oil/ diesel from the construction equipments 4. Any construction activity should ensure that the water bodies are not contaminated 5. The excess earth should be transported to designated place and shall be used for filling and covers 6. Any shifting of cable / utility lines should be attended with minimum period of disturbance 7. Provision of temporary crossings/bridges wherever necessary to facilitate normal movement 8. Use of less noise generating equipment and avoiding activities during night

Project specific impacts and mitigating measures

Activity	Cause for impact	Mitigating Measure
Hotel and Other Commercial operations	<p>Operation of various collection, and disposal facilities for emission, wastewater and solid waste</p> <p>Routine monitoring of selected parameters.</p> <p>Laboratory facilities</p> <p>Data handling, reporting, Storage and retrieval facilities, feedback to facilitate future planning.</p> <p>Emergency action procedures and disaster management procedures.</p>	<p>Formulation of waste minimization programmes can save energy and raw materials.</p> <p>Recycling of emission and / or waste materials at source i.e. linked to the boilers, water water, sludge treatment</p> <p>Research & Development and Implementation of clean technologies and renewable energy sources</p>

Activity	Cause for impact	Mitigating Measure
	Manpower for environmental management.	
Impact due to Vehicle Exhaust Emissions	A number of tourist vehicles would ply every day to site	Construction of pucca (meta / BT) roads, providing vegetative cover around the site, etc. will reduce the SPM levels and further helps in decrease of exhaust emissions.

8.2 Social Impacts & Mitigation

The evaluation of social impacts for development of the proposed site is recommended to be carried out, as per the guidelines of National Resettlement and Rehabilitation Policy 2007, through detailed Social Impact Assessment (SIA) covering following aspects briefed in the table given below:

Aspects to be covered under Social Impact Assessment		
1	Demographic changes	Establishing the number of project affected households/ persons along with their socio-economic profile and occupational distribution, details of land use (agriculture, grazing, plantation, waste land, commercial, residential/ habitation etc.) and ownership of such land parcels to be acquired (public/private), details of structures (permanent / temporary structures) to be acquired/demolished, details of assets and infrastructure through requisite primary surveys and secondary sources for the project influence area.
2	Economic changes	Carrying out detailed analyses for estimating the quantum of associated impacts for project affected households/ persons, loss/ opportunity of employment, income/revenue generating sources, affected land under irrigation and resulting impact on agricultural produce, cost of land acquisition/ demolition of structures etc);
3	Relocation and Rehabilitation	Identifying strategies for minimizing the impacts with respect to displacement of people and the total area to be acquired for the project by devising alternative project plans, identifying other potential sites, utilizing available technological choices and a combination of the same; ensure adequate rehabilitation package, provide a better standard of living; Devising an action plan for resettlement and rehabilitation for the project influence region along with an effective institutional framework for carrying out the requisite tasks in a transparent manner and conducting public hearing.

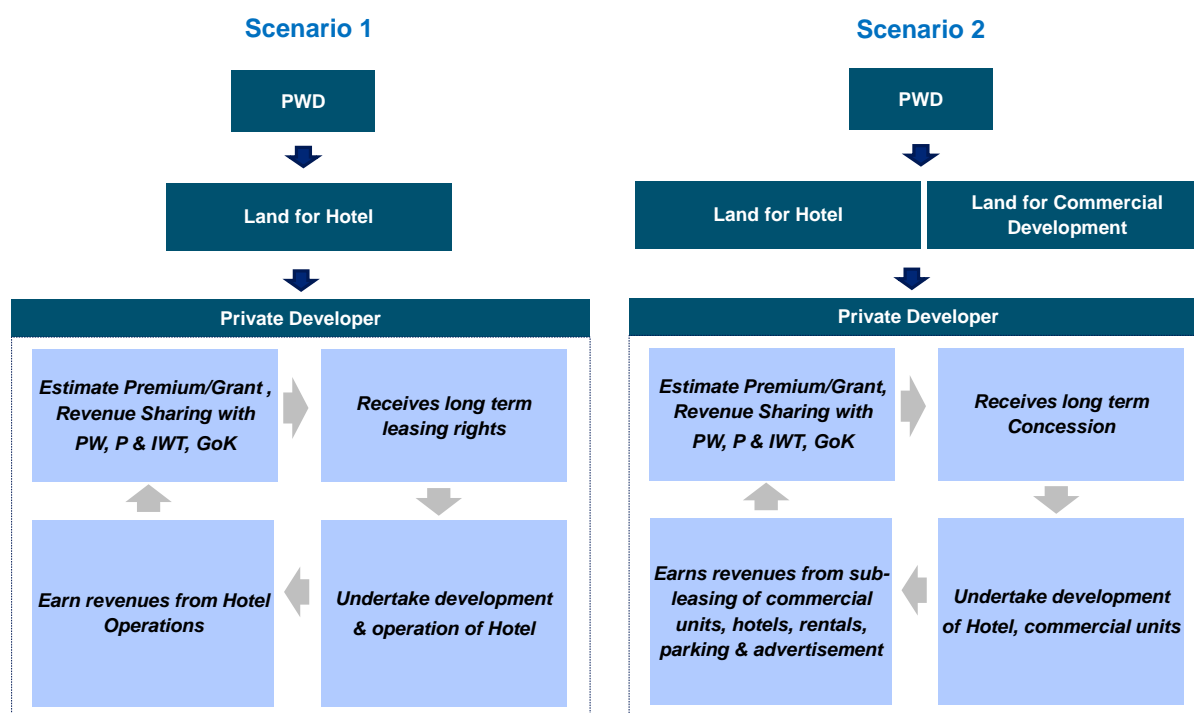
9 Structuring & Project Packaging

9.1 Background

Project structuring and packaging involves distribution of risks and returns efficiently and reduces the total cost of financing. The art of effective project structuring requires balancing the interests of the diverse stakeholders, and optimal capital structuring. This is then converted into contracts that clearly define the roles, responsibilities, and risks allocated to each partner.

9.2 Project Structure & Bidding Framework

9.2.1 Based on the above premise, the indicative project structure for the land parcel development on mixed land use for the two scenarios is indicated in the figure below.



9.2.2 PWD to hand over the site to a Concessionaire on Build, Operate and Transfer (BOT) basis for a 30 years concession period through a transparent two stage bidding process

Scenario 1

- The Concessionaire will develop the Hotel within the estimated completion period not greater than one and half years
- The Concessionaire will operate and maintain the facility during the concession period.
- The Concessionaire will hand back the project facility to the Authority after the end of agreement period on an as- is- where- is basis

Scenario 2

- The Developer will develop the Hotel and commercial complex within the estimated completion period not greater than one and half years
- The Developer would operate the hotel and and sub-lease the commercial complex during the concession period.
- The Developer will hand back the project facility to the Authority after the end of agreement period on an as- is- where- is basis

9.2.3 The project specific risks, degree of impact, indicative mitigates for the project are presented in the Table below:

Risks	Impact	Risk Mitigates	Risk Bearer
1. Pre-completion Risk			
Engineering	Low	Detailed Technical Engineering	Concessionaire
Timing or Delay	Low	Fixed Cost contracts with EPC contractors with Performance Guarantee	Concessionaire
Cost Over-run	Medium		Concessionaire
Regulatory risk (Land availability, Govt. Approvals)	Low	Concession Agreement	PWD
2. Operating Risk – Post Completion Risk			
Revenue	Medium	Proper Market Study and Demand forecasting	Concessionaire
O&M	Low	O&M Contracts with Performance Guarantee	O&M Contractor
Fire, Theft	Medium	Insurance Cover	Private Insurance Company
3. Sponsor Risks			
<ul style="list-style-type: none"> • Credit history • Proposed stake, ability to fund own equity • Ability to <ul style="list-style-type: none"> – arrange third party equity – implement an subsequently operate projects – provide limited recourse 	Low to Medium	Defining suitable Bid Strategy & Concession Agreement <ul style="list-style-type: none"> • Suitable qualification criteria • Track record • Credit references, market feedback • Minimum level of equity stake • Bank guarantees / undertaking for equity contribution • Balance sheet analysis 	PW,P&IWT
4. Political & Legal Risks			
<ul style="list-style-type: none"> • Granting of approvals • Change in law • HR issues, past history 	Low	<ul style="list-style-type: none"> • Political Risk Insurance • Provisions in Concession 	Private – Insurance Company PWD and Concessionaire (Risk Sharing)
5. Financial Risk			
	Low to	Loan Syndication/Sub-Debts	Concessionaire ,

Medium		Financial Institutions	
6. Force Majeure			
<ul style="list-style-type: none"> • Non-political events • Acts of God • Strikes or boycotts affecting supplies and services • Indirect Political events • Strikes: Industry wide, state/country wide public agitation 	Low	<ul style="list-style-type: none"> • Contractual provisions • Termination payments • Insurance cover 	Private – Insurance Company PWD and Concessionaire (Risk Sharing)

10 Way Forward

- 10.1.1 The project as analysed above prima facie seems to be viable to be implemented on PPP basis. The above sections recommend certain detailed studies to be undertaken before taking the project to the next stage, i.e. invitation of tenders.
- 10.1.2 The concerned agencies/authorities should freeze the project design in terms of components, facilities, its PPP structure and the sites that will be made available for the development. However, the exact area required may depend on the bid parameter/business plan submitted by the developer.
- 10.1.3 BUDA has recommended a Green Zone for a radius of around 1 km from “Suvarna Soudha” which if approved by Government would negate the possibility of commercial development of 27 acres land parcel. GoK needs to revisit this provision appropriately to take up the project on PPP.
- 10.1.4 A detailed demand survey and project report should be able to unlock the full potential of the project and also facilitating the bidders in putting across a competitive bid
- 10.1.5 Also, a qualified transaction advisor should be engaged to further develop and market the project and select a suitable concessionaire.
- 10.1.6 An indicative Terms of Reference for selection of the Technical Consultant and Transaction Advisor is provided in **Annexure D** for reference.

10.2 Government Interventions

- 10.2.1 The following policy interventions are required from various government and its agencies in the recommended project structure:
- In principle approval of the concept of allowing land parcel holdings under various Govt. departments to be developed on PPP by GoK
 - Draft Master Plan 2021 for Belgaum has submitted to the Government by BUDA, but it is yet to be approved. Time based approval would facilitate planned development of the city and its outskirts and also facilitate PPPs in mixed use land developments
 - BUDA has recommended a Green Zone for a radius of around 1 km from “Suvarna Soudha” which if approved by Government would negate the possibility of commercial development of 27 acres land parcel
 - Encumbrance free land to be provided to the developer
 - Permissions to erect hoardings (wherever permissible under the new advertisement policy)

Annexures A: Photographs 27 acres land parcel



View of Land parcel



View of Land parcel



View of NH-4 from "Suvarna Soudha"



View of NH-4 towards Belgaum



Land Use beyond service road of NH in the corridor till "Suvarna Soudha"



Toyota Showroom opposite "Suvarna Soudha"

Annexure B: List of Stakeholders Met

Name	Designation
Mr. Burji	Additional Secretary, PWD Dept. Belgaum Circle
Mr. Vinayak G Sugur	Superintending Engineer, PWD Dept. Belgaum Circle
Mr. N.P. Naik	Executive Engineer, PWD Dept. Belgaum Circle
Mr CB Hiremath	Assistant Executive Engineer, Suvarna Soudha, Belgaum Circle
Mr. RS Naik	Executive Engineer, City Corporation Belgaum
Mr. MV Hiremath	Assistant Engineer, City Corporation Belgaum
Mr. Murti	PPP in Charge, PWD Dept. Belgaum Circle
Mr. PN Ravindra	Commissioner, BUDA
Mr. V N Karekar	Town Planner Member, BUDA
Mr. Prakash	Town Planner, BUDA
Mr. Deshpande	Assistant Engineer, BUDA
Mr. CL Kulkarni	Revenue Officer, City Corporation Belgaum
Mr. Vijay Rajak	CEO, Cantonment Board, Belgaum
Mr. Vikas Patil	Manager, Nucleus Mall
Mr. Harish Gulabani	Owner, Adarsh Palace Hotel
Ms Preeti	Manager, Eefa Hotel
Mr. Sachin N Kallimani	Real Estate Developer, Belgaum
Mr. Abhinandan	Real Estate Developer, Belgaum
Mr. Mahesh	Real Estate Developer, Belgaum

Annexure C: Project Financial Evaluation Sheets

Scenario 1

P&L Statement (Figures in INR Cr.)	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Total Receipt (Rs Crores)	12.53	39.54	63.50	84.97	113.71	152.17	203.64
Receipts from Room Rent	8.95	28.24	45.36	60.70	81.22	108.70	145.46
Receipts from Restaurant Bills	2.68	8.47	13.61	18.21	24.37	32.61	43.64
Miscellaneous Revenue	0.89	2.82	4.54	6.07	8.12	10.87	14.55
Total Operating Expenses	10.69	36.89	56.90	76.06	101.78	136.19	182.07
Civil Maintenance Cost- Hotel & Restaurant	1.05	1.32	1.77	2.37	3.17	4.25	5.68
Employee Cost- Hotel	2.92	9.23	14.82	19.84	26.55	35.53	47.55
Other operating expenses-Hotel	4.39	13.85	22.24	29.76	39.82	53.29	71.32
Other operating expenses-Restaurant	1.61	5.08	8.16	10.93	14.62	19.57	26.18
Annual Lease payments to the KPWD	0.31	0.36	0.48	0.55	0.73	0.96	1.10
Insurance, Taxes and other regulatory charges	0.41	1.02	1.37	1.83	2.45	3.28	4.39
Other Periodic Expenses		6.02	8.06	10.78	14.43	19.31	25.85
Total non-operating expenses	5.93	3.39	0.94	0.63	0.63	0.63	0.63
Interest Expenses	5.30	2.77	0.31				
Depreciation Expenses	0.63	0.63	0.63	0.63	0.63	0.63	0.63
Total expenses	16.62	40.29	57.84	76.69	102.41	136.82	182.70
PBT (For Accounts)	(4.09)	(0.75)	5.66	8.28	11.31	15.36	20.94
Income Tax	-	-	1.52	2.58	3.69	5.08	6.94
PAT	(4.09)	(0.75)	4.14	5.70	7.62	10.28	14.01

Cash Flow Analysis (Figures in INR Cr.)	Year 0	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Net Cash flow from operations		1.84	2.65	5.07	6.33	8.24	10.91	14.64
Net Cash flow from Investment activities	(54.05)							
Net Cash flow from financing	56.27	(10.75)	(6.55)	(4.09)	-	-	-	-
Proceeds from Equity	16.22							
Loan Taken	42.84							
Principal paid		(5.45)	(3.78)	(3.78)				
Interest during construction (IDC, considering steady drawdown)	(2.78)							
Interest paid		(5.30)	(2.77)	(0.31)	-	-	-	-
Net Increase and Decrease in Cash & Cash Equivalent	2.22	(8.92)	(3.90)	0.98	6.33	8.24	10.91	14.64
Opening Cash balance		2.22	(13.21)	(1.02)	47.58	116.52	208.01	330.04
Closing Cash Balance	2.22	(6.70)	(17.11)	(0.04)	53.91	124.76	218.92	344.68
EBDITA		1.84	2.65	6.59	8.91	11.94	15.98	21.57
Cash Outflow	(54.05)							
Net Cash Flow (Pre-Tax)	(54.05)	1.84	2.65	6.59	8.91	11.94	15.98	21.57
Net Cash Flow (Post-Tax)	(54.05)	1.84	2.65	5.07	6.33	8.24	10.91	14.64
Project IRR (Pre-Tax)	17.25%							
Project IRR (Post-Tax)	14.56%							
Free Cash flow to equity (PAT+Depreciation- principal payment)		(8.92)	(3.90)	0.98	6.33	8.24	10.91	14.64
Equity Outflow	(11.22)	-	-	-	-	-	-	-
Total Cashflow to equity	(11.22)	(8.92)	(3.90)	0.98	6.33	8.24	10.91	14.64
Equity IRR	15.50%							
Average DSCR	1.13							

Scenario 2

P & L Statement (Figures in INR Cr.)	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Total Receipt (Rs Crores)	15.66	46.90	73.26	96.63	129.18	172.69	228.27
Receipts from Room Rent	8.95	28.24	45.36	60.70	81.22	108.70	145.46
Receipts from Restaurant Bills	2.68	8.47	13.61	18.21	24.37	32.61	43.64
Miscellaneous Revenue	0.89	2.82	4.54	6.07	8.12	10.87	14.55
Receipts from Lease Rent	2.46	5.65	7.47	8.59	11.36	15.02	17.27
Receipts from Parking	0.09	0.22	0.29	0.39	0.52	0.69	0.93
Receipt from Adverstisement	0.01	0.01	0.02	0.02	0.03	0.04	0.05
Receipt from Maintenance charges	0.59	1.48	1.99	2.66	3.56	4.76	6.37
Total Operating Expenses	10.55	37.40	57.51	76.70	102.52	137.05	182.87
Employee Cost- Hotel	2.92	9.23	14.82	19.84	26.55	35.53	47.55
Other operating expenses-Hotel	4.39	13.85	22.24	29.76	39.82	53.29	71.32
Other operating expenses-Restaurant	1.61	5.08	8.16	10.93	14.62	19.57	26.18
Civil Maintennace Cost- Real Estate	0.42	1.02	1.30	1.66	2.12	2.71	3.46
Annual Lease paymnets to the KPWD	0.63	0.72	0.95	1.10	1.45	1.92	2.21
Insurance, Taxes and other regulatory charges	0.58	1.47	1.97	2.63	3.53	4.72	6.31
Other Periodic Expenses		6.02	8.06	10.78	14.43	19.31	25.85
Total non-operating expenses	8.00	4.60	1.07	0.63	0.63	0.63	0.63
Interest Expenses	7.37	3.98	0.44				
Depreciation Expenses	0.63	0.63	0.63	0.63	0.63	0.63	0.63
Total expenses	18.55	42.00	58.58	77.33	103.15	137.67	183.50
PBT	(2.89)	4.90	14.68	19.30	26.02	35.01	44.77
Income Tax	-	0.91	4.44	6.16	8.47	11.46	14.67
PAT	(2.89)	3.99	10.23	13.14	17.56	23.56	30.10

Cash Flow Analysis (Figures in INR Cr.)	Year 0	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Net Cash flow from operations		5.11	8.59	11.30	13.77	18.19	24.18	30.73
Net Cash flow from Investment activities	(77.69)							
Net Cash flow from financing	78.83	(14.48)	(9.41)	(5.88)	-	-	-	-
Proceeds from Equity	23.31							
Loan Taken	59.38							
Principal paid		(7.10)	(5.44)	(5.44)				
Interest during construction (IDC, considering steady drawdown)	(3.86)							
Interest paid		(7.37)	(3.98)	(0.44)	-	-	-	-
Net Increase and Decrease in Cash & Cash Equivalent	1.14	(9.37)	(0.82)	5.42	13.77	18.19	24.18	30.73
Opening Cash balance		1.14	(9.58)	17.35	97.57	209.31	355.66	549.55
Closing Cash Balance	1.14	(8.23)	(10.41)	22.77	111.34	227.49	379.84	580.28
EBDITA		5.11	9.50	15.75	19.93	26.65	35.64	45.40
Cash Outflow	(77.69)							
Net Cash Flow (Pre-Tax)	(77.69)	5.11	9.50	15.75	19.93	26.65	35.64	45.40
Net Cash Flow (Post-Tax)	(77.69)	5.11	8.59	11.30	13.77	18.19	24.18	30.73
Project IRR (Pre-Tax)	19.97%							
Project IRR (Post-Tax)	16.77%							
Free Cash flow to equity (PAT+Depreciation- principal payment)		(9.37)	(0.82)	5.42	13.77	18.19	24.18	30.73
Equity Outflow	(18.31)	-	-	-	-	-	-	-
Total Cashflow to equity	(18.31)	(9.37)	(0.82)	5.42	13.77	18.19	24.18	30.73
Equity IRR	18.93%							
Average DSCR	1.39							

Annexure D: TOR for Transaction Advisor and Technical Consultant

Scope of Services- Technical Consultant

The scope of services shall comprise the following, but not limited to:

1. Market surveys and demand assessment

The Consultant shall make an assessment of the market demand for various aspects of the Project facility for a period of 10 (ten) years, 20 (twenty) years and 30 (thirty) years respectively based on analysis of existing market trends and socio-economic influencing factors. The Consultant shall submit a Report on the market demand analysis. The end result of this stage will be identification of the facilities to be proposed for the project.

2. Need for the project

Based on the assessment of the market demand, the Consultant shall conduct a detailed SWOT analysis and provide a broad assessment on the need for the project.

3. Engineering surveys and investigations

- i. Identify the suitable location of the proposed project facility
- ii. Estimate the Land requirement for the Project facility
- iii. Topographic survey, Geotechnical investigations as required to be carried out for project facility design and arriving at the project cost

4. Environment & Social impact assessment

- i. The Consultant shall undertake environment impact assessment of the Project as per provisions of the Applicable Laws on environment protection and identify a package of measures to reduce/eliminate the adverse impact identified during the assessment. An environmental impact assessment report and environmental management plan shall be prepared based on such assessment. The management plan shall include project specific mitigation and monitoring measures for identified impacts as well as management and monitoring plans to address them.
- ii. The Consultant shall also assist the Authority in addressing the comments and suggestions received during the EIA process with a view to getting environmental clearance from the competent authority.
- iii. The Consultant shall also identify the resettlement & rehabilitation requirements of the project site along with package to be offered for the same to the beneficiaries

5. Preliminary designs of project facility and services

The Consultant shall arrive at the preliminary designs of various components of the Project keeping in view the requirements of the Authority and the scope of services described in this TOR. The site layout and preliminary engineering designs shall be supplemented with explanatory drawings, technical specifications, charts, and notes as necessary.

6. Preparation of Preliminary Cost Estimates

The Consultant shall work out indicative BOQ of various components and prepare cost estimates of the Project with a break up of cost for each component separately.

7. Establishing the Financial Viability of the Project

Detailed financial analysis is required to be undertaken by the Consultant. However, the Consultant shall provide the estimated construction costs, operation and maintenance costs,

demand forecast, revenues etc. as part of its financial analysis and appraisal of the Project. The Consultant shall, also provide an assessment of the financial viability of the Project with a view to estimating the likely IRR over an appropriate concession period.

8. Establish and detail a viable PPP mode of implementation.

The Consultant shall identify the service capabilities of the private sector for contribution towards this project and thereafter establish an appropriate PPP mode for implementing the project.

The scope of work indicated above is indicative and not exhaustive. There may be need for flexibility during the assignment as more information about the project emerges and what is feasible and most effective. This can be discussed and mutually agreed during the course of the assignment.

Scope of Services -Transaction Advisor

1. Physical Packaging

- i. Identifying issues that could have commercial and financial implications.
- ii. Assist the Authority Preparation of the project implementation schedule.
- iii. Examine the overall viability of the current way of packaging and suggest mechanisms to strengthen the same.

2. Strategic Packaging

- i. Assist the Authority in conducting risk assessment by: (a) identifying the allocation of risks; (b) proposing changes in the risk allocation that will make the project more attractive to the private sector without significantly increasing the liabilities on the Authority.
- ii. Assist and suggest framework for the bidding package in consideration of a variety of specific factors including: (a) the requirements for a fixed time schedule performance parameters (b) the terms for early termination.
- iii. Define the project concept, establish project parameters and identify issues in developing the project. The obligations of project and those of Authority would be crystallized.

3. Investment Packaging

- i. Assist the Authority in developing financial model for the Project to improve the financial / commercial viability of the project;
- ii. Assist the Authority in estimating the financial impact of various provisions in the project agreement.
- iii. Assist the Authority in optimizing the project structure under various implementation options; and estimate the values of basic bidding criteria, for evaluation of the reasonableness of the financial proposals.
- iv. Assist and guide the Authority in developing the business plan under the selected project structure and a cash flow model to maximise the return to the Authority.

4. Process Packaging

- i. Finalisation of bidding documents.
- ii. Finalise the bidding process, the qualification parameters and the criteria for evaluation of proposals in consultation with Authority.
- iii. Assist the Authority in finalization of the RFP and in consultation with Authority.
- iv. Assistance in addressing bidders' queries
- v. Assistance in evaluation of RFP proposals

5. Delivery System Packaging

- i. Suggest appropriate Dispute Resolution Mechanism within the Agreements.
- ii. Assist the Authority in ensuring obtaining all undertakings, submissions and warranties from the selected bidders.

The scope of work indicated above is indicative and not exhaustive. There may be need for flexibility during the assignment as more information about the project emerges and what is feasible and most effective. This can be discussed and mutually agreed during the course of the assignment.



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