

EXECUTIVE SUMMARY

Betma- Pithampur Industrial Cluster

Consultancy Services for Preparation of Development Plan for Pithampur-Dhar-Mhow
Investment Region of Madhya Pradesh sub-region of DMIC

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1. BETMA-PITHAMPUR INDUSTRIAL CLUSTER

1.1. INTRODUCTION

1. Pithampur-Dhar-Mhow Investment Region is envisaged as one of the investment nodes under Madhya Pradesh sub-region of DMIC. The Investment Region (IR) is delineated around the existing industrial area of Pithampur and covers an area 372.4 sq. km. IR is identified as a centre of manufacturing industry along with support industrial infrastructure. The Development Plan of the IR is under preparation and core vision of the development of IR is

“As a whole, Pithampur-Dhar-Mhow Investment Region is intended to be an integrated modern Investment Region which is clean-green, well connected, and having state-of-the-art support industrial and social infrastructure to create an enjoyable place for work, living, commuting, and leisure.”

2. Error! Reference source not found. provides the main structure of the IR Concept Master Plan and main features of the Concept Plan are summarized in Box 1.

Box 1: Salient Features of Concept Master Plan Investment Region

The Concept Master Plan for IR is based on the concept of **Integrated Investment Region**. The option encourages a closer interaction between manufacturing / other industries and support infrastructure facilities like commercial, residential, social, and physical infrastructure. The structure is envisaged to promote an efficient relationship between work, living, and leisure areas, while promoting necessary green buffers between the industrial and residential areas. In order to achieve an integrated character and immediate proximity between the main functions of the region, parallel disposition of work and living areas is structured through main city road network and green system in a linear form. The structural aspects which constitute the finalised option of Concept Master Plan are:

- Consolidation of manufacturing activities and other industries on southern half of the delineated IR;
- Networking NH-3 and NH-59 for industrial supplies and distribution;
- Keeping PIA and Indore Special Economic Zone (SEZ) as independent entities;
- Disposition of non-manufacturing Areas in northern half of the region, to cater housing, commercial, institutional, and social infrastructure requirements;
- Environmental Zones and green buffers to achieve the related environmental benefits and to utilize these as environmental screens between living and industrial activities;
- Major movement network running west to east providing accessibility to the linear form of IR; and
- Promoting an urban image of a balanced and integrated industrial city for the proposed IR.

3. To support the faster realization of proposed IR on a short and medium basis, number of Early Bird Projects and green-field Integrated Township has been conceived. Betma-Pithampur Industrial Cluster is one of the projects taken up as the first phase of Green-field Integrated Township. As per the objectives of DMIC, the Green-field Integrated Township shall be a Model Future City, planned taking into account the best international practices for development, implementation and management and at the same time integrated with various industry and infrastructure initiatives of the node. In this regard, Betma-Pithampur Industrial Cluster is conceived to achieve above objectives in a short-term period and also pave the way forward for rest of the Green-field Investment Region. The intent of this project is to supply industrial land in an otherwise saturated Pit

1.2. SITE CHARACTERISTICS

4. Pithampur Industrial Area is saturated with regard to availability of developed land. Considering the huge demand of land from existing industries for expansion of their operations and to cater to new entrepreneurs, AKVN Indore has identified about 1046 ha of land for industrial and support uses. The identified land is located very close to SEZ Indore and Pithampur Phase-III. The land is accessible from NH-59 and Mhow-Ghata Billod Road via existing

two-lane Betma-Sagore Road. About 238 Ha of land belongs to Revenue Department. Existing water infrastructure, in the form of main WTP is located in Phase-II, which is about 1 km from the identified land. MPSEB power sub-station is also situated inside the identified land. Refer Figure 1 for the location of the Betma-Pithampur Industrial Cluster.

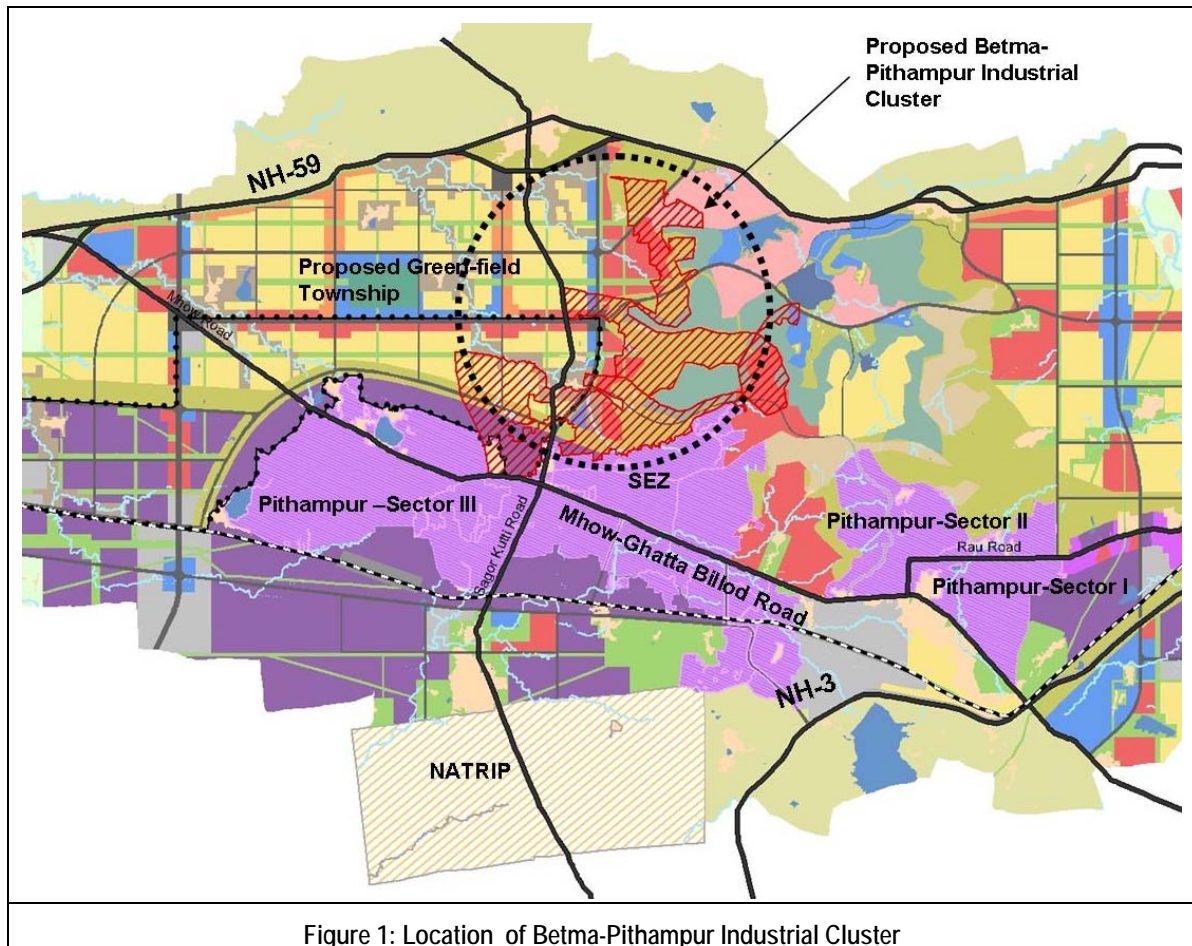


Figure 1: Location of Betma-Pithampur Industrial Cluster

1.3. DEVELOPMENT PROGRAM

5. As Pithampur Industrial Area is saturated with the Industrial activity, the primary intent of the selecting this cluster is to develop new industrial land for upcoming industries. Apart from the industrial land, keeping the broad objectives of DMIC in mind, some portion of the land is also planned to be developed for support uses such as residential, commercial and institutional. Broadly, following program is envisaged for the Cluster.

- Industrial Uses – 80% of the total land i.e. approximately 840 Ha
- Support Uses – 20% of the total land i.e. approximately 206 Ha

1.4. PRELIMINARY PROJECT COST AND FINANCIAL VIABILITY

1.4.1. Preliminary Project Cost

6. Development of the Cluster requires about 6823 Million INR and details are provided below

- Land Acquisition Cost: For the private land, admeasuring 808 Ha, about 1760 Million INR is required

- Land Development Cost: For the basic infrastructure such as roads, power, water supply etc, about 4602 Million INR is required. This has been estimated based on the rate of 4 Million /Ha for industrial land and 6 Million/Ha for other support uses.
- Contingencies & other costs (for all except land) has been taken as 10% and is about 460 Million INR

1.4.2. Preliminary Financial Viability

7. For the purpose of financial viability, following have been considered:

- Cost Escalation: For Land acquisition, cost of infrastructure and revenue proceeds, 25%, 10% and 10% respectively.
- Land Acquisition: Land acquisition is considered to start from 2011-12 and will be taken up in first three years.
- Cost of Infrastructure: For development of infrastructure, it is assumed that, it will be undertaken up from 2012-13 after land acquisition and will continue for next 7 years. It is also assumed that certain share of cost of infrastructure will be borne by Central Government through DMICDC and after the start of revenue streams, same money will be used for infrastructure.
- Revenue Proceeds: it is assumed that only 60% of the total land is available for sale/lease. Remaining land is used for roads and other common infrastructure and thus not available for sale. Revenue rates are taken as Rs. 1000/sq.m for industrial and Rs. 3000/sq.m for other uses. These rates are considered after the study of land rates in Indore. It is further assumed that only 50% of the saleable land will be consumed in first five years and remaining in subsequent five years.
- Debt: it is considered that loan will be taken for land acquisition at 10% interest rate. The moratorium and debt payment periods are assumed as 5years and 10 years respectively.

8. Based on the preliminary analysis, the project generates attractive returns. Table 1 provides the cash flow status of the project. The project generates surplus of about 4555 Million INR after repayment of the entire loan.

Table 1: Cash Flow of the Betma-Pithampur Industrial Cluster

Cash Flow	Total Ph I (2011-16)	Total Ph II (2016-21)	Total PH III (2021-26)
Outflows			
Land Costs	2,796	0	0
Infrastructure Cost	4,061	4,241	0
Loan Repayment + Interest	1,266	1,547	172
Total Costs	8,123	5,788	172
Inflows			
Proceeds of sale of land	6,452	9,503	0
Govt(Centre/State) Support For Infrastructure	875	0	0
Debt	1,809	0	0
Total Inflows	9,136	9,503	0
Surplus	1,013	3,715	-172

9. Based on the preliminary analysis, Government of Madhya is planning to initiate the following activities:

- Transfer of Government land to AKVN Indore
- Land acquisition of private land
- Detailed layout plan of the Cluster