

**Growth City
at
Malappuram, Kerala**

Request for Proposal
(Project Information Memorandum)

INKEL-KSIDC Projects Ltd (INKID)

April 2011

Volume III

PROJECT INFORMATION MEMORANDUM

The “Project Information Memorandum (PIM)” document is being issued by INKEL-KSIDC Projects Ltd (INKID) as a part of the Request for Proposal (RFP) document and provides information about the proposed Growth City at 182 acres of land earmarked for the Project at Malappuram, Kerala.

The PIM document is being issued with an objective to provide requisite information to the interested participants about the Project & Project Site. Applicants are expected to assess the Project independently and submit their applications in accordance to the RFP document.

This PIM must be read in conjunction with the Volume I of the RFP document being provided to applicants separately.

Table of Contents

1. Introduction.....	4
2. Project Background	5
2.1 Kerala at a Glance	5
2.2 Social Profile of the State.....	5
2.3 Service Sectors Driving the State’s Economy.....	6
3. Malappuram Profile	8
3.1 Demographics.....	8
3.2 Economy	9
3.3 Foreign Remittance – The Differentiator	9
4. Project Site Features.....	11
4.1 Location.....	11
4.2 Connectivity.....	12
4.3 Analytical View on Project Location.....	13
5. Proposed Project Concept.....	15
5.1 Concept of Growth City	15
5.2 Proposed Facilities	16
5.2.1 Support Infrastructure	16
5.2.2 External Site Development.....	17
5.2.3 Development Norms and Regulations	17
6. Proposed Project Structure.....	18

1. Introduction

INKEL, a public-private enterprise, with Government of Kerala's equity participation of 26% and 74% private participation, was formed in 2007 to promote infrastructure development in the State. The primary role of INKEL is to conceptualize, develop, and operate projects across sectors including Industrial parks/estates and physical infrastructure amongst others.

INKEL-KSIDC Projects Ltd (INKID), is a company promoted by Infrastructures Kerala Ltd (INKEL) and Kerala State Industrial Development Corporation Limited (KSIDC) for development of various projects in Kerala.

INKID has decided to develop 182 acres of land at Malappuram, Kerala, as Growth City. This PIM provides the site information; proposed development envisaged and proposed project structure

Applicants are advised to make an independent assessment of the project at their end, make site visits and carry out necessary investigations and due diligence and check the adequacy of the information given in the IM.

2. Project Background

2.1 Kerala at a Glance

Kerala is one of the country's most prominent tourism destination and industries such as handloom, cashew, coir and handicrafts. The Gross State Domestic Product (GSDP) crossed USD 40 billion in 2008 after witnessing a compound annual growth rate (CAGR) of 13.5% between 1999-00 and 2007-08. Kerala has higher per capita income of USD 1,040 in 2007-08, as compared to all-India average of US\$ 850.

The State economy is dominated by secondary and tertiary sector. For instance, the small scale manufacturing sector contributes 40% to industrial production and 35% to exports. The State accounts for 95% of the total coir and coir products produced in India. The tertiary sector is the largest contributor to Kerala's economy and grew at a rate of 12.5% in 2007-08. The sector is primarily driven by education, health care, tourism, trade, real estate, transport and communications.

2.2 Social Profile of the State

Kerala has a population of 32 million (Census 2001) which approximately constitutes to 3.44% of India's population. Growth rate is amongst the lowest in India at 9.42% (decadal) as compares to national growth rate at 21.34%. However, the average density in the State is 819 persons per sq km which is roughly thrice the national average.

Kerala's Human Development Indices, primary level education, health care and elimination of poverty are among the best in India. According to a 2005-2006 national survey, Kerala has one of the highest literacy rates at 90.92% among Indian states and life expectancy of 73 years, was among the highest in India in 2001. Similarly, Kerala's rural poverty rate fell from 69% in 1971 to 19% in 1994.

2.3 Service Sectors Driving the State's Economy

With its strategic location, world wide connectivity, rich resources, highly skilled manpower, extremely low operating costs, developed infrastructure, proactive government policies with pro enterprise incentives and an excellent quality of life, Kerala has already become one of the best investment destinations of the world. Today, Kerala is one of the leading commercial and trading centre in India. The state offers unparalleled attractions as a base for doing business to cater to the booming global markets. Recent national and international economic developments point to a new era of growth and opportunity for companies operating in Kerala.

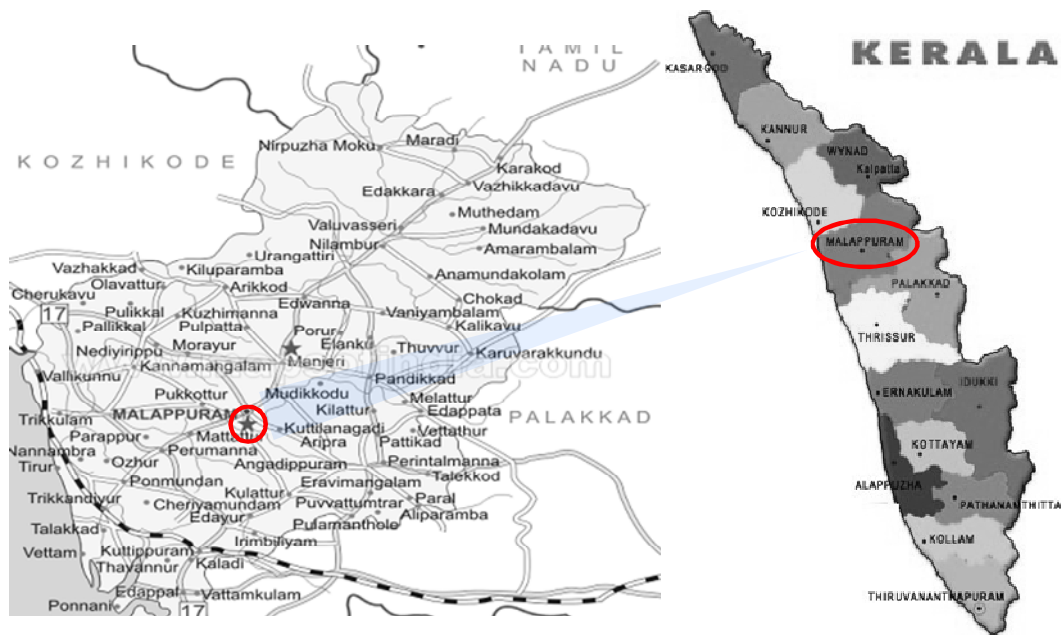
The state has traditionally enjoyed strong advantages in industries such as Rubber, Coir, Spices, Handlooms, Fisheries, Agro Processing, and Tourism. The Healthcare and Education sector have always been of importance in the Kerala's socio-economic milieu. Of late, Kerala has also been witness to emerging growth areas such as IT/ ITES, Construction and Retail. With its highly skilled and competent manpower and natural resources, Kerala has advantages in areas like Electronics hardware and Software, Bio-Technology, Tourism, Agriculture, Food processing, Minerals etc. The important sectors driving the economy of the state are:

- Tourism
- Agriculture (staple food and cereal crop)
- Coconut, tea, coffee, rubber, cashews, and spices—including pepper, cardamom, vanilla, cinnamon, and nutmeg.
- Electronics & Communication
- Information Technology
- Food Processing
- Leather
- Power
- Shipping
- Textiles
- Banking and finance
- Fishing
- Coir, Handlooms, and Handicrafts

Of the various sectors constituting the state's economy, Trade, Hotels and Restaurant (primarily tourism sector) is the largest contributors and accounts for around 22% of the state's economy. Other key contributors include Real Estate and Business Services (~ 9%) and Banking and Financial Services (~ 6%). Construction is also a key contributor to the state's economy accounting for around 14% of the GSDP.

3. Malappuram Profile

Literally "Malappuram" means hilly area. The word Malappuram is the integration of two words - Mala (hill) and Puram (place). As the very name suggests, Malappuram is hilly terraced tract. A large number of streams that passes through these hills reach the beautiful sea coast.



Malappuram District was formed in 1969 by taking backward taluks from Palakkad and Kozhikode districts. Malappuram is bounded on the north by Kozhikode taluk of Kozhikode district and Vythiri taluk of Wynad district, on the east by Gudallur and Oottacamand taluks of Nilgiris district of Tamil Nadu, on the south by Mannarkad and Ottappalam taluks of Palakkad district and Talappilly and Chavakad taluks of Trichur district and on the west by the Arabian sea.

3.1 Demographics

According to 2001 census the population of Malappuram district is 36,29,640 i.e. 11.4% of the total population of the state. Of which the urban population accounted for 9.81%. The density of population is 1022 per Sq. Km. as against 819 per Sq.Kms. for the state.

	Malappuram	Kerala
Population	36,29,640	3,18,38,619
Decadal Growth Rate 1991 to 2001	17.22%	9.42%
Sex Ratio (females / 1000 males)	1063	1058
Density (Persons / Sq.km.)	1022	819
Literacy Rate	88.61	90.92

Source: Economic Review 2001, State Planning Board, Govt. of Kerala, Thiruvananthapuram & Census of India 2001

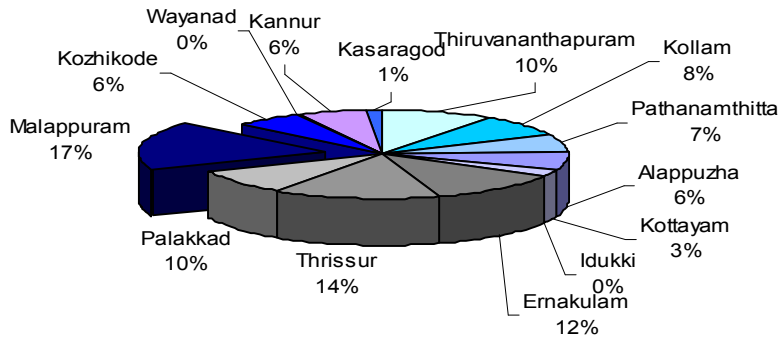
3.2 Economy

The District Domestic Product for Malappuram at current prices was estimated at Rs. 4,87,201 lakhs in 1999-2000. It constitutes about 7.7% of the state income though it houses 11.4% of the State population. The per capita income of the district at current prices is Rs. 13,782, which is the lowest for any district in the state. Agriculture is the largest and the most important sector of district economy of Malappuram, and about 70% of population are depending directly or indirectly on agriculture for their livelihood.

3.3 Foreign Remittance – The Differentiator

From the mid-1970s, the Kerala economy started receiving a significant amount of remittances, which has continued through the 1990s and beyond. An estimate of the total cash remittances received by Kerala households in 1998 comes to the tune of Rs. 3,530 crore. The average remittance was about Rs. 25,000 per emigrant, (Rs.5,500 per household and Rs. 1,105 per capita). The annual remittances received by Kerala households were 2.55 times higher than what the Kerala Government received from the Central Government by way of budget support. It was more than the export earnings from the State's seafood industries (about Rs.1,000 crore) or export earnings from the State's spices industry (Rs.570 crore).

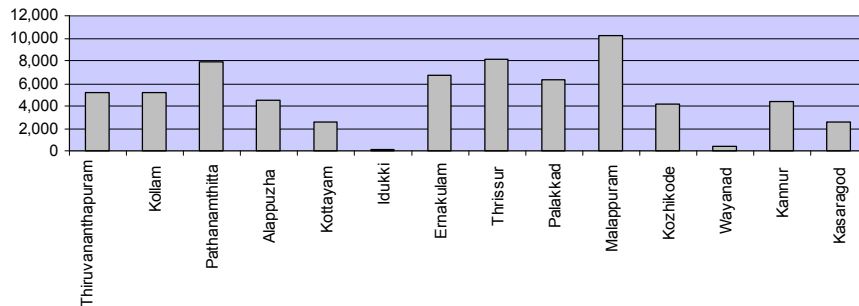
Annual Foreign Remittance- District wise in Kerala



Source: Annual Foreign Remittance to Kerala, 1998

Besides cash, households received several items in kind – clothing, ornaments and jewellery, and electric and electronic gadgets; the estimated total value of goods received in that year comes to about Rs.541 crore. Total remittances thus estimated (cash plus goods) amounts to Rs. 4,071 crore or 10.7% of GDP in 1998. Growth of Foreign remittances is better than growth of NSDP.

Annual Foreign Remittance per Household in Rs



Source: Annual Foreign Remittance per Household for Districts in Kerala, 1998

Malappuram receives maximum portion (17%) of foreign remittance to Kerala. During 1998, total remittance to Malappuram district was Rs 615.60 crore i.e. Rs 10,205 per household. People seeking opportunities in labour markets outside Kerala and remittance-driven growth in consumer demand provide considerable impetus to service sector growth.

4. Project Site Features

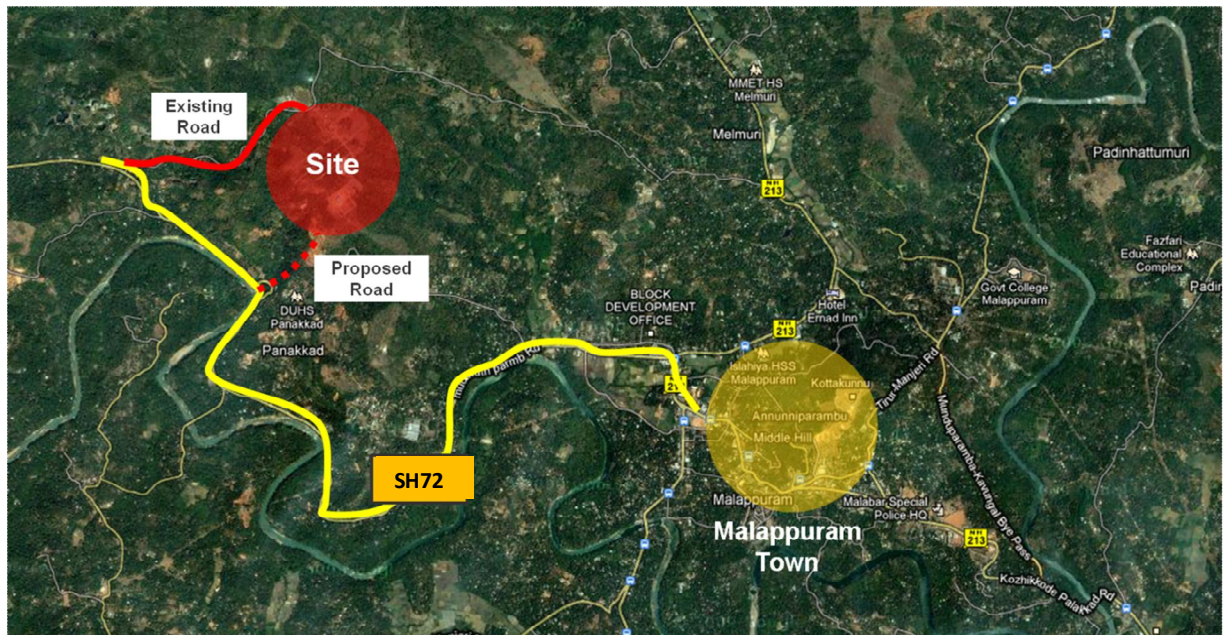
4.1 Location

The site is located at around 5 km from the Malappuram Town. Major cities in vicinity of the site include Kozhikkode (55km), Coimbatore (137 km), Kochi (119 km) and Mysore (175 km)



The project site is located in the Malappuram district's Pannakad village and it is within the current municipal boundary of Malappuram. The State Highway (SH 72), connecting Malappuram and Thirurangadi, passes by the side of the subject site. Malappuram is approximately 25 Kms from the Kozhikkode International Airport and 55 Kms from the city of Kozhikkode.

The Mangalore – Cochin National Highway (NH-17) passes through Thirurangadi town of the district, which is about 20 km from the site. Apart from this, the site is well connected to other parts of the district.



4.2 Connectivity

The subject site is located at the North-West side of the Malappuram District and is at an approximate distance of 8 km from the town centre with current road connections. With the proposed development of new road connection to the site from SH72, this distance would reduce to 3.5 Kms.



The Mangalore – Cochin National Highway (NH-17) passes through Thirurangadi town of the district, which is about 20 km from the site. The Kozhikode – Coimbatore National Highway (NH-213) is only 13.5 Km from the site. Apart from this, the site is well connected to other parts of the district.

Area of the site	243.79 Acre
Location	Panakkad Village, Malappuram Municipality
Nearest Airport	Kozhikode International Airport - 25 Kms
Nearest Railway Station	Parappanangadi Railway Station - 25 Kms
Nearest Port	Mangalore Port - 200 kms.

4.3 Analytical View on Project Location

The strengths and the corresponding opportunities of the project site are listed:

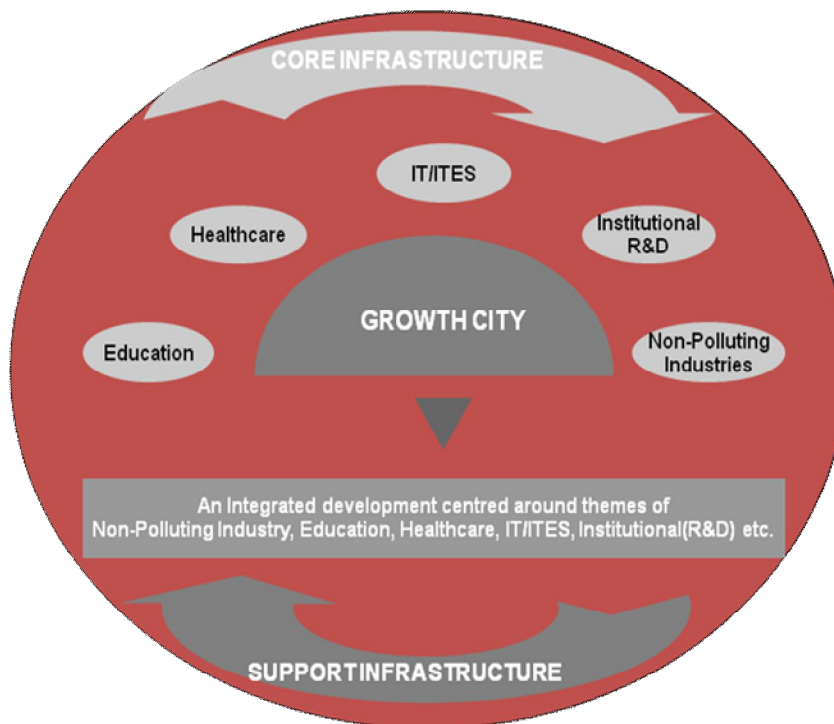
Strengths	Opportunities
Project Site is near major economic hubs like Kochi, Trivandrum and Kozhikode	Opportunity of being a service hub to these economic centres.
Proximity to the Kozhikode International Airport	Accessibility of the site is a major determining factor to the success of any economic activity that is eventually planned here
Flanked by scenic surroundings, rich flora and fauna, and heritage sites.	Leverage natural beauty to attract tourism centric industry, generate employment.
Development should be planned keeping in mind the “ethnicity factor” of the District. This fact is validated through our direct discussions with various possible stakeholders.	NRI / NRK’s, who make a large chunk of possible investors in the project, should be roped in to explore development options they would be most interested in.

Given the above discussion, vital facts of the subject project site is its accessibility, large ethnic population of Malappuram district, high income levels of the people of district due to large scale emigration to gulf countries and the inherent scenic landscape of the state of Kerala in general and site in specific.

5. Proposed Project Concept

5.1 Concept of Growth City

The site would be developed as integrated Growth City over entire 182 acres. The Growth City is envisaged as integrated destination for developing world class Non-polluting Industrial Unit(s)/ IT/ITES/Education/Healthcare or Institutional (R&D) etc, coupled with support facilities like services, residential and commercial.



5.2 Proposed Facilities

The project is envisaged to be developed as a Growth city promoting non-polluting Industrial Unit(s)/Healthcare/Education/IT/ITES/Institutional (R&D) facilities etc in the state of Kerala which would place Malappuram on a global map.

The site falls within the municipal limits of the Malappuram Town. Also, the site is in the radius of 100 – 150 km from three International Airports - Calicut, Kochi and Coimbatore.

Other major highlights include

- Flexible Payment Schedule – spread over 18 months;
- Option of INKID taking equity stake upto 26% in the project SPV;
- INKEL and KSIDC to facilitate in obtaining approvals from various government departments;
- 70% area to be used for core activities and rest 30% can be used for support residential and commercial use.

5.2.1 Support Infrastructure

Apart from the facilities to be provided as core infrastructure, the developer would have to provide support infrastructure such as residential and commercial facilities to cater to the resident population of the site. A maximum of 30% of the total plot area can be used for such support infrastructure.

5.2.2 External Site Development

INKID will arrange 20 MVA Sub-station and 3MLD water supply during operation phase. During construction phase power connection and water will be arranged. INKID will not charge any extra amount other than what is included in 'Bid' for these External Development Costs. INKID has also applied for an additional access road of 3 km from SH-72. INKID will assist in land acquisition and development of the road.

INKID will facilitate in obtaining approvals from various government departments.

5.2.3 Development Norms and Regulations

All the prevalent Kerala development regulations and laws would be applicable for the said site. As per the Kerala Municipal Building Rules, following are the permitted FSI and ground coverage for different land uses.

Coverage and Floor Area Ratio (F.A.R)				
Sl.No.	Building use / Occupancy	Maximum Permissible Coverage (% of plot area)	Maximum permissible F.A.R without additional fee	Maximum permissible F.A.R with additional fee
(1)	(2)	(3)	(4)	(5)
1	Residential	65	3.00	4
2	Educational	35	2.50	3
3	Medical/Hospital	40	2.00	3
4	Assembly	40	1.50	2.50
5	Office/Business	40	2.00	3
6	Mercantile/Commercial	65	2.50	4
7	Industrial	40	1.50	0
8	Small Industrial	60	2.50	3
9	Storage	60	2.50	3
10	Hazardous I	30	1.00	0

6. Proposed Project Structure

The objective of INKID is to promote world class Growth City at the selected site. Bids are being invited from the interest bidders as per following:

- ▶ The financial proposal of bidders meeting minimum financial eligibility criteria as set forth in the RFP Volume I will be opened
- ▶ The Bidder would be submit a Project Proposal that would include among other details such as
 - Vision for the Project
 - Brief Description of the Project
 - Details of Facilities Proposed – Area, Capacity, level of services etc
 - Management Structure - proposed tie up for specialized services
 - Implementation Schedule - timelines and phasing (Core activities to be operational in five years and entire project including support residential and commercial in seven years)
 - Employment Generation Potential - short term & long term
 - Committed Capital Expenditure for the proposed venture.
 - Taxes/levies to be paid to the Government.
 - Strategies for Environment preservation and upgradation.

The project proposal, proposing polluting industries or Special Economic Zones will not be accepted.

- ▶ The Applicant has to form Project Specific Special Purpose Vehicle (SPV) for execution of the project.
- ▶ INKID or its Nominee(s) will have an option to subscribe equity upto 26% equity stake in SPV at par value, upto two years after commencement of operations. The promoters of the SPV will agree to buy-back the equity of INKID with assured yield of 12% p.a to INKID.

- ▶ The Master Plan would have to be prepared and approved from INKID. In case of any changes, prior approval of INKID is required.
- ▶ Amount can be paid as under:
 - 25% within 30 days of issuance of LOA; The Bid Security deposited by way of Demand Draft will be adjusted with this payment;
 - 15% of within 180 days of issuance of LOA;
 - 20% within 300 days of issuance of LOA;
 - 20% within 420 days of issuance of LOA;
 - 20% within 540 days of issuance of LOA;
- In case of delay in payment from the stipulated date Penal Interest @ 18% p.a from the date of default will be charged. Further, in case the payment is still not made, INKID reserves the rights to revoke the Development Agreement.
- M/s Ernst & Young Private Limited (E&Y), the Consultants to INKID will be paid success fee @ 0.30% of the Total Project Cost Project Cost (excluding land cost).
- ▶ The Development Agreement will be signed on receipt of 25% of the Upfront Lease Premium. The possession of the land parcel will be given to the bidder on signing of the Development Agreement.
- ▶ The Applicant must commence operations as per approved Project Proposal/Detailed Project Report (DPR) within the stipulated time frame after possession of the plot.
- ▶ Lease Agreement will be signed only on receipt of full and final payment. INKID has the right to further extend it as deemed necessary.
- ▶ Bidders are allowed to form a consortium for participating in this bid. However, Consortium of upto 4 members is allowed.
- ▶ Members of the Consortium undertake that they shall collectively hold at least 51% (fifty one per cent) of the subscribed and paid up equity of the SPV at all times until the second anniversary of the commercial operation date of the Project.

- ▶ Right to sub-lease the land is only after prior approval of INKID.
- ▶ Member of the Consortium undertake that consortium members whose proposed equity stake in SPV is 26% or more, will maintain their equity stake atleast upto 26% at all times until the second anniversary of the commercial operations of the Project.