

DELHI STATE INDL. & INFRASTRUCTURE DEV. CORPN. LTD.

Press Release

A news item has come to the notice of DSIIDC that the Anti Corruption Branch has registered an FIR on the issue of redevelopment and maintenance of the industrial areas at Narela and Bawana through concessionaires in an irregular manner and without the approval of the Government.

The DSIIDC being a public sector undertaking of Govt. of NCT of Delhi in complete fairness to the citizens of Delhi, clarify the actual facts and circumstances in the matter as under:-

Narela and Bawana Industrial Areas were developed by DSIIDC to relocate industries working in non-conforming areas. The 'Relocation Scheme' as per directions of Hon'ble Supreme Court of India was taken up by Industries Department, Government of NCT of Delhi during the year 1996 onwards and DSIIDC was appointed Executing Agency for its implementation. Industrial Associations highlighted the pathetic conditions of Narela and Bawana Industrial Areas and it was also seen that the condition of roads and drains etc. was very bad specially in Narela as no major repair / re-development work was taken up in these industrial areas. Industries Department, intended to upgrade the infrastructure in the industrial areas and develop an appropriate frame work for industrial estate management. In order to achieve this objective, the Industries Department sought private sector efficiencies in managing infrastructure assets in the industrial areas.

Accordingly, Infrastructure Development Finance Company Ltd. (IDFC) was appointed as Consultant by Industries Department for infrastructure mapping, gap assessment, to suggest various options to select concessionaires for the project. Out of the various models suggested by IDFC, a model of forming a SPV (Special Purpose Vehicle) with 26% shareholding of DSIIDC was first proposed before the Cabinet and was approved. In this SPV model DSIIDC would have sub-leased the under-developed plots/under-utilized facilities of 30 acres of commercial land in Narela and Bawana Industrial Areas for a period of 30 years.

Meanwhile, Delhi Industrial Development, Operation and Maintenance Act, 2010 (called the DIDOM Act) was passed by the Legislative Assembly of NCT of Delhi on 30th March, 2010. The Act came into force w.e.f. 28th March, 2011. The principal objective of the DIDOM Act is to create and develop a sustainable framework for Industrial Estate Management and to bring uniformity in infrastructural facilities through a single implementing agency i.e., DSIIDC. As per Section 4 of the DIDOM Act, the functions of the Corporation include to establish, operate, maintain and manage industrial estates notified by the Government. These industries were come under jurisdiction of DSIIDC from Industries Department.

The SPV model of giving plots on sub-lease to Concessionaires was formulated earlier as Industries Department, GNCTD did not have adequate budgetary provision. However, DSIIDC had the financial capability to carry out the work under the DIDOM Act, 2010. Further, considering the fact that the cost of the land is likely to increase substantially in coming years, it was considered appropriate to adopt the Payment Method on "Fixed Annuity Basis" rather than creating SPV with 26% holding of DSIIDC (On payment of Rs.50-60 crores approximately) and sub-leasing the authorised facilities / under-developed plots (30 acres of commercial land in Narela & Bawana the value of which according to circle rates is Rs 997.86 cr in 2011 and Rs 1682.52 cr in 2015) to the private partner for the period of the project.

Keeping in view the various developments enumerated above, the Payment Method was reworked and revised. In the revised Payment Method:

- i. The Concessionaire would be responsible for development and maintenance of infrastructure for 15 years.
- ii. The shortfall from the revenue collected from maintenance charges @ Rs. 10/- per square meter per month (applicable only for maintenance period of 13 years) and viability gap on expenditure for maintenance and development of infrastructure (capital cost) would be paid by way of annuity to the Concessionaire.

The revised Payment Method has following salient features / advantages:

- It was finalized after detailed deliberations with various stakeholders including associations of industrial areas.
- The Concessionaires were appointed in a transparent bidding process.
- Being based on 'fixed annuity basis', it is much easier to implement and is lesser prone to possible litigations / legal complications.
- From past experience, the Government had not been able to effectively participate in functioning of JVs as evident from experience of JV with M/s Apollo Enterprise, which was managing the Apollo Hospital.
- The underutilized facilities / underdeveloped plots need not be sub-leased to the private partner and can be utilized by DSIIDC for development and revenue generation in due course.
- There is no business risk of cash equity since equity participation of Rs. 50-60 crores approximately is not there in 'fixed annuity model'. Thus, DSIIDC is free from any risk of equity erosion.
- It is often seen that to get back land (30 acres of commercial land in Narela & Bawana the value of which according to circle rates is Rs 997.86 cr in 2011 and Rs 1682.52 cr in 2015) developed by the Private Partner, after period of contract (30 years in this case), is often difficult and prone to litigation.
- Guidelines issued by Ministry of Finance advise "*the government officials not to become chairperson of the Board, unless the government holds 50% or more equity*". Therefore, DSIIDC found it easier to regulate the project and enforce contractual standards, in case of PPP mode.

Accordingly RFP was floated and concessionaires were selected through an open transparent bidding process. Both the concessionaires completed the work in the Industrial Areas of Narela and Bawana. There has been tremendous improvement in infrastructure facilities in these areas.

The change in payment method from SPV model to Fixed Annuity Basis has been considered and noted by the Cabinet and the Board of Directors of DSIIDC has also approved the project.