



Gujarat Industrial Development Corporation

GIDC/LND/Policy/2/ 46
Date: 15/12/2010.

CIRCULAR

Sub: Policy for GIDC Developing Estates on Privately Purchased Land in PPP Mode

Background:

There are situations where a group of entrepreneurs in a specific sector want land for development of Sector Specific Cluster/Estate. GIDC plans to promote such clusters in partnership mode. GIDC will develop industrial estates where entrepreneurs of the sector are willing to buy land on their own through private negotiations. The requirement for each such sector specific estate/park would be about 100 to 200 hectares. However, such entrepreneurs, being of small or medium category, look for facilitation from GIDC. Under the policy, through suitable intervention in funding and infrastructure development, GIDC will setup an industrial estate in PPP mode without acquiring land.

An Agenda Item in this regard was submitted in the meeting of Board of Directors of the Corporation held on 8/12/2010. Corporation had considered the Agenda and policies on the subject are approved by the Corporation in its meeting held on 8/12/2010. In the 452nd meeting held on 13/12/2010, Corporation has approved policy circulars.

Salient features of the policy are as below.

1) Formation of SPV Company

- The entrepreneurs of a specific sector should form an association, which should be registered as a legal entity, such as Society/Trust/Company or any other legally recognized entity.
- Such entity should form a joint venture SPV company with GIDC, in which each side will hold 50% share.
- Chairman of such SPV company will be appointed by GIDC. MD/CEO would be appointed by the legal entity of the entrepreneurs.

2) Arrangement of Land

- Land will be arranged by the entity SPV through direct purchase under the relevant State laws. GIDC will not acquire land.
- GIDC will give to the SPV Company up to 40% of the cost of land as loan, at GIDC's prevailing rate of interest. This loan shall be repayable in 20 quarterly

installments, starting from the quarter succeeding the date of first allotment of developed plots within the estate/park by the SPV Company.

- There will be suitable mortgage of the land in favour of GIDC for the loan.
- The remaining cost of land (total cost of land minus the loan given by GIDC) shall be contributed as equity into the SPV Company by both sides, i.e. GIDC and the legal entity formed by the association of entrepreneurs, in equal proportion.
- Land would be held in the name of the SPV Company. The SPV Company would get the land converted into NA, pay the stamp duty and registration charges etc.

3) Development and Marketing of Estate

- GIDC will plan the estate and develop the infrastructure at its cost.
- This expense shall be counted as a loan given by GIDC to the SPV Company.
- Such loan shall be backed by suitable security/mortgage/bank guarantee.
- SPV Company will market the estate and allot developed plots to its members/other entrepreneurs.

4) Recovery by GIDC

- GIDC will recover its equity investment and loan, with interest, through an escrow account to which the proceeds of land allotment would be credited.
- At least 80% of the proceeds of land allotment would go to the escrow account.
- The funds in the escrow account would be utilized first to repay the loan installments (with interest) to GIDC and subsequently the return of equity (with interest).
- A time frame of up to 5 years from the date of first allotment of developed plots by the SPV Company would be considered for GIDC to recover its investment (equity and loan, together with interest) while planning the project.
- The rate of interest would be the rate at which GIDC charges interest on its lease installments.

5) Voting Right

- Suitable provision will be made in the Articles of Association of the SPV Company to the effect that even if the shareholding of GIDC falls below 50% as a result of the redemption of its capital, the voting rights of GIDC shall always be 50% till such time as the entire investment of GIDC (capital and loan), with interest, is returned to it.

6) Exit

- After GIDC has recovered its entire investment (equity and loan), with interest, and all dues, from the SPV Company/project, it shall transfer its share holding in the SPV Company to the legal entity and exit the venture.

7) *O&M of the Estate*

- The O&M of the estate and the day to day expenditure thereon shall be borne by the SPV Company, without any financial liability on GIDC.
- However, GIDC would take up O&M till such time that substantial area (about 80%) has been allotted.
- A separate Fund would be kept for O&M out of the allotment proceeds (about 10% of the Allotment Price).
- After a substantial area of the estate has been allotted, the entrepreneurs within the estate shall form a Society, or any other suitable type of SPV, to take care of the O&M of the estate. Thereafter, GIDC will withdraw from the O&M of the estate.

8) *Branding*

- The name of the estate developed under the scheme shall include the word 'GIDC' in order to give branding to the estate.

The policy will come in to the force with immediate effect.

All offices of the Corporation may take note of the policy and also give it wide publicity.

Sd/-

Vice Chairman and Managing Director

To,

All Officers of the Corporation

The FIA for circulation among its member Associations.

Issued

NAME

General Manager (E&A)