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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 499

New Delhi,

29 December 2017

NOTIFICATION

In exercise of the powers conferred under Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Deendayal Port Trust (DPT) [formerly known as Kandla Port Trust (KPT)] for fixation of lease rental for allotment of land for industrial and its ancillary purposes within Smart Industrial Port City (SIPC) at Kandla (location – 2) as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/66/2017-KPT

Deendayal Port Trust

- - -

Applicant

QUORUM

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

ORDER

(Passed on this 12th day of October 2017)

This case relates to a proposal received from the Deendayal Port Trust (DPT) [formerly known as Kandla Port Trust (KPT)] for fixation of lease rental for allotment of land for industrial and its ancillary purposes within Smart Industrial Port City (SIPC) at Kandla (location – 2) following the Land Policy Guidelines, 2014.

2.1. The DPT under cover of its letter dated 25 July 2017 has filed its proposal for fixation of lease rental for allotment of land for industrial and its ancillary purposes within Smart Industrial Port City (SIPC) at Kandla (location – 2).

2.2. In response to our request vide our letter dated 04 August 2017, the DPT vide its email dated 17 August 2017 has furnished list of users / prospective lessees to be consulted with contact details.

3. The main highlights of the DPT proposal dated 25 July 2017 are given below:

- (i). DPT is developing SIPC in two green field sites, one at Gandhidham and second at Kandla. The 845.02 acres of plot (site 2, Kandla) has been identified for developing fully serviced plots to be used for Industrial purposes.
- (ii). DPT had appointed Land Valuer M/s.Rakesh Narula & Co. who have carried out detailed study with adherence to the Land Policy Guidelines for arriving prevailing market price for the identified land which shall, in turn is proposed to be developed and allotted to the investors for setting up industrial and/ or related ancillary units.
- (iii). The land valuer has calculated market rate of land on "as is where is basis" for SIPC Kandla (location 2) of ₹900 per sq.m. [The Annex-I attached to the proposal as valuer's report gives the methodology for valuation of land followed by the approved valuer, which is explained in the immediate subsequent paragraphs.]
- (iv). Approved valuer has considered the existing TAMP approved rates and Transactions recorded in the sub registrar office for similar property in vicinity of the DPT.

(a). **Existing TAMP approved rate for Land at DPT:**

The subject land parcel admeasuring about 850 acres is abutting on the KK road. However, the said land parcel is proposed to be sub divided into different sizes plots for various proposed end various proposed end uses. These individual plots will not have the advantage of abutting on the main KK Road. As such these plots can be more appropriately classified as similar to C2 category and hence the same has been considered by the valuer as basis for the valuation purpose. [C2 category – other plots]

As per rates approved by TAMP, the base rate of this category is ₹1500 per Sq. Mt. on 01.01.2014, which has been escalated by simple rate of 2% per year for 3 years to arrive at ₹1590 per Sq. Mt. as on 01.01.2017. However, the present use of this land is for salt manufacturing purpose which is leased at much lower rates. Additional expenditure has to be incurred towards the grading of the said land to enable it to be used for any other

commercial usages. This expenditure is estimated to be about ₹500 per Sq. Mt. which needs to be deducted from the present TAMP approved rate to arrive at the base rate at which this land can be leased for Industrial purpose. Hence, the arrived rate for the said land parcel as per this methodology = Existing TAMP approved rate for C2 Category - Cost of grading [₹1590 per Sq. Mt. – ₹500 per Sq. Mt. = ₹1090 -per sq. Mt.]

Moreover, this derived rate should be competitive as compared to the other land parcels available in the vicinity of DPT. The nearest appropriate comparable location is the GIDC at Mithirohar and Padana villages. This comparison is worked out in the following methodology.

(b). **Transactions as per Sub Registrar Office:**

Approved valuer has studied the transactions of the Industrial land parcels at village Mithirohar and Padana villages during the last three years. The land rates for the transactions in the previous years were suitably escalated as per the Cost Inflation Index published by the CBDT (Central Board of Direct Taxes) under the Ministry of Finance.

The industrial land at Mithirohar village is located in close proximity to the subject land parcel as compared to the industrial land at Padana village. Hence, a weightage of 50% to the average land rates at Mithirohar and a weightage of 50% to the average land rate at Padana are applied. The location of the proposed SIPC -2 land is better due to its vicinity to the Jetty and hence a 10% premium towards the same is loaded.

(c) The Land Cost taken as per the Valuation Report is given below following the description given above:

(i). **Transactions for Industrial Plots at Mithirohar village:**

Sr. No.	Date	Address	Land rate / sq. mtrs.	Escalation factor	Land rate / sq. mtr.
(i).	20.01.2015	Plot no.4, R.S. No.355/2	913.69	1.09	995.93
(ii).	29.01.2014	Plot no.6, R.S. No.517	910.29	1.19	1083.25
(iii).	04.02.2013	Plot no.4, R.S. No.136	465.51	1.32	614.47
(iv).	05.02.2014	Plot no.5, R.S. No.517	910.50	1.19	1083.49
(v).	04.09.2015	Plot no.344	1911.11	1.04	1987.56
(vi).	29.01.2014	Plot no.8	910.23	1.19	1083.18
Average Land Rate in ₹ per sq. mtr.					1141.31

(ii). **Transactions for industrial plots at Padana village:**

Sr. No.	Date	Address	Land rate / sq. mtrs.	Escalation factor	Land rate / sq. mtr.
(i).	21.02.2013	Plot no.4, R.S. No.91/3	510.48	1.32	673.84
(ii).	03.03.2014	Plot no.20, R.S. No.117/2	640.57	1.19	762.28
(iii).	13.03.2014	Plot no.2, R.S. No.91/3	510.19	1.19	607.13
(iv).	16.04.2013	Plot no.3, R.S. No.91/3	510.31	1.19	607.27
(v).	26.04.2013	Plot no.41, R.S. No.105/1	511.76	1.19	608.99
(vi).	01.05.2013	Plot no.09, R.S. No.91/3	510.00	1.19	606.90
(vii).	23.07.2015	R.S. No.79/3	640.00	1.04	665.60

Average Land Rate in ₹ per sq. mtr.	647.43
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(iii). **Total value:**

Particulars	Rate in ₹ per Sq. mtr.
Industrial Rate at Mithirohar @ 50% of Average Land rate/Sq.Mt	570.66
Industrial Rate at Padana @ 50% of Average Land rate/Sq.Mt	323.71
Total Avg. rate	894.37
Add: 10% for superior amenities and infrastructure in SIPC	89.44
Total Value	983.81
Less: 25% for subject property being leasehold in nature as against the comparable freehold land parcels	245.95
Total Value	737.86
Say	740

(v). **Adopted rate:**

The rate proposed is the average derived rate by the above mentioned two methodologies of valuation:

Particulars	Rate in ₹ per Sq. Mt.
Existing TAMP approved rate for land at DPT	1,090
Transactions as per sub registrar office	740
Average rate (₹1090 + ₹740/2)	915
Say	900

(vi). **Land Allotment Committee**

As per Clause 16.2 (e) of the Land Policy for Major Ports, 2014, a Land Allotment Committee is to be constituted by the Port Trust Board consisting of Deputy Chairman of the Port, and Heads of Departments of Finance, Estate and Traffic, to finalize the Reserve Price. Accordingly, a Land Allotment Committee consisting of the Deputy Chairman, Traffic Manager, FA & CAO & Chief Engineer (I/c) has been constituted by the port. The minutes of the meeting of the Land Allotment Committee is furnished by the DPT.

(vii). **Summary of estimation of the Land Lease Rate and View of the Land Allotment Committee:**

As per the clause 11 and clause 13 of the Land Policy for Major Ports, 2014, the parameters mentioned for determining the lease rates for land have been considered by the Land Allotment Committee. The various factors that have been discussed and analyzed by the committee are as follows:

(a). **State Government's ready reckoner of land values:**

State Government's ready reckoner of land values in the SIPC Kandla area is not available as of now. Hence, same factor is not possible.

(b). **Highest rate of relevant transactions registered in last three years in the Port's vicinity:**

Yet to start auction process in SPIC Kandla area to the users. Hence, actual relevant transaction in last three transaction in last three years is not available. Hence, same factor is not applicable.

(c). **Highest accepted tender-cum-auction rate of Port land:**

Yet to start auction process in SIPC Kandla area and there is no accepted tender-cum-auction rate available as of now with the Port Trust to

considered as similar transactions in the SPIC area. Hence, same factor is not applicable.

(d). **Rate arrived at by approved valuer:**

₹900 per sq. mtr. as uniform market rate for SPIC area.

(e). **Any other factor considered by the Port:**

There is no relevant factor to consider the uniform market rate of the SIPC Kandla (Location 2) area. Hence, same factor is not applicable.

The LAC considering the aspects of valuation report submitted by M/s.Rakesh Narula & Co., keeping in view the Land Policy Guidelines, 2014 and above factors has recommended the uniform rate of ₹900 per sq. mtr. (being highest of the five factors) as market rate for industrial and its ancillary purposes in SIPC Kandla land (location-2) and recommended to send the proposal of fixing the uniform market rate on "as is where is basis" for industrial and its ancillary purposes in SIPC Kandla (location 2) of ₹900 per sq. mtr. to Board of Kandla Port and further to TAMP for approval.

(viii). **Summary of Board approval and recommendations:**

The Board of Trustees of the port has approved the following:

(a). The uniform rate of ₹900 per sq. mtr. as market rate for Industrial and its ancillary purposes in SIPC Kandla land (location-2).

(b). To send the proposal of fixing the uniform market rate on "as is where is basis" for Industrial and its ancillary purposes in SIPC Kandla (location-2) of ₹900 per sq. mtr. to the TAMP for approval.

(ix). Based on recommendation of LAC and approval of the Board the DPT has sought approval of the following:

The uniform market rate on "as is where is basis" for Industrial and its ancillary purposes in SIPC Kandla land (location-2) of ₹900 per sq. mtr. as per section 49 of MPT Act, 1963.

4. The port has proposed following conditionalities for the proposed rate of ₹900 per sq. mtr. for Industrial and its ancillary purpose in SIPC Kandla land (location 2):

(i). This may be called "The SOR of DPT for allotment of Port land outside the custom bond area of Kandla Port for leasing purpose for Development of Industrial Zone in SIPC".

(ii). The same shall come into force from such date as specified by TAMP.

(iii). It applies to the area located beyond the custom bond area of Kandla Port identified for development of industrial zone in SIPC for a period of 60 years from the date of approval of the Board.

(iv). The prescribed SOR mentioned shall be subject to annual escalation @ 2% per annum on the upfront payment rentals unless and otherwise revised by the applicable laws.

(v). The SOR of lease of land in the Industrial zone of SIPC area shall be revised / reviewed after five years with the approval of Competent Authority in accordance with the applicable Land Policy Guidelines. The revised upfront lease rentals shall

be applicable on fresh leases effective from the date of implementation of the Order passed by the Competent Authority.

5. In accordance with the consultative procedure prescribed, a copy of the proposal of DPT was forwarded to the concerned users / user organisations vide our letter dated 18 August 2017 seeking their comments. The comments received from the users/ user organisations were forwarded to the DPT as feedback information. The DPT has furnished its reply.

6. A joint hearing in this case was held on 26 September 2017 at the DPT premises. The DPT made a brief Power Point presentation of its proposal. At the joint hearing, the DPT and the concerned users/ user organizations have made their submissions.

7.1. It was brought out at the joint hearing that the amended Land Policy Guidelines (LPG), 2014 mandates the Authority to fix lease rent for port land and not market value of land. When enquired whether the proposed rate of ₹900/ sq. mtr. is market value of land or lease rent, the DPT has clarified that, ₹900/ sq. mtr. proposed by the DPT is the market value of land. DPT agreed to propose lease rent at 6% of market value of land as per the LPG 2014. The DPT was allowed two days time for the same.

7.2. At the joint hearing, the Kandla Port Karamachari Sangh (KPKS) sought a day or two to furnish its comments in writing. The KPKS was allowed two days time to furnish its written comments, if any, to TAMP as well as to DPT and the DPT to respond in a day thereafter on the comments of KPKS.

8.1. In response to action point at para 7.1. above, DPT vide its fax dated 27 September 2017 has made following submissions:

- (i). The Board in its meeting held on 06 March 2014 vide para (ii) and (iii) of the Resolution no.196 has approved:
 - (a). To fix lease rentals at 6% of the market value of land, as arrived at according to para 18-C of the Land Policy Guidelines (LPG), 2014 and
 - (b). To charge yearly escalation at the rate of 2%.
- (ii). Accordingly, as per LPG, 2014 revised proposed SOR for allotment of DPT land in area allocated for Industrial Zone in SIPC is proposed at 6% of market value of the land (as per above Board Resolution no.196). The DPT has also proposed some modifications in conditionalities. The lease rent proposed in the SOR after applying 6% on the market value of land as well as modified conditions proposed by DPT are as follows:

- (a). Allotment of land admeasuring a total area of 845.02 acres for the development of Industrial zone in SIPC on the Upfront Lease Payment basis as per the rates indicated below:

Sl. No.	Zone	Market rate as per valuer's report (₹ Per sq.mt)	Annual lease rent (6% of Market Value) (in ₹ per sq. mtr.)
1	Industrial Zone in Smart Industrial Port City in Kandla	900/-	54/-

- (b). Annual Escalation:
The prescribed Scale of Rates mentioned in Section 2.1 above shall be subject to annual escalation @ 2% per annum on the annual lease rentals unless and otherwise revised by the applicable laws.
- (c). Revision in Scale of Rates:
The Scale of Rates for lease of Land in the Industrial zone of SIPC area shall be revised/ reviewed after five years with the approval of Competent Authority in accordance with the applicable Land Policy Guidelines. The

revised lease rentals shall be applicable on fresh leases effective from the date of implementation of the Order passed by the Competent Authority.

- (iii). The DPT has also requested that like Paradip Port Trust, in principle approval of the above proposal may be granted, as PIB meeting is Scheduled on 29 September 2017.

8.2. With regard to the request made by DPT, owing to the paucity of time and considering that DPT requires the approved SOR before PIB Meeting which was scheduled on 29 September 2017 and considering that a joint hearing on the case in reference was already held on 26 September 2017 and as it may take some more time to dispose of the case, the DPT vide our letter dated 28 September 2017 granted adhoc approval to the SOR proposed by DPT for the purpose of the PIB meeting Scheduled on 29 September 2017. The SOR approved on adhoc basis was subject to condition that DPT will abide by the final SOR to be notified by the Authority.

9. In response to action point at para 7.2. above, the KPKS has furnished its comments vide email dated 29 September 2017. Apart from KPKS we have also received comments from GCCI vide email dated 29 September 2017. A copy of the comments received from the above users on the subject proposal were forwarded to DPT for their immediate comments. The DPT has furnished its comments thereon.

10. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website <http://tariffauthority.gov.in>.

11. With reference to the totality of the information collected during the processing of the case, the following position emerges:

- (i). The Deendayal Port Trust (DPT) is developing Smart Industrial Port City (SIPC) in two green field sites, one at Gandhidham and second at Kandla as per direction of Government. The port has stated that the Master Plan document of SIPC is approved by the DPT Board. The SIPC Master Plan Document is for two locations viz. Location 1 relating to residential and commercial purposes and Location 2 relating to industrial purposes. The current proposal is for fixation of lease rent for industrial area for SIPC at Location 2 covering 845.02 acres of plot under the amended Land Policy Guidelines, 2014.
- (ii). For the purpose of determining lease rentals for the lands belonging to the Port Trusts, this Authority is mandated to follow the land policy guidelines issued by the Government from time to time. The DPT has stated that the lease rental is to be fixed following the Land Policy Guidelines. Accordingly, the proposal of DPT has been taken up for fixing lease rentals following the amended Land Policy Guidelines of 2014, issued by the Ministry of Shipping (MOS) to all the Major Port Trusts.
- (iii).
 - (a). The amended Land Policy Guidelines, 2014 clearly lays down the procedure and the methodology to be adopted for determining the market value and the latest Scale of Rates of the port lands.
 - (b). As per clause 11.2 (e) of the Land Policy Guidelines, 2014, a Land Allotment Committee (LAC) shall be constituted by the Port Trust Board consisting of Deputy Chairman of the Port, and Heads of Departments of Finance, Estate and Traffic. Accordingly, the DPT has constituted a Land Allotment Committee consisting of the Deputy Chairman, Traffic Manager, FA & CAO & Chief Engineer (I/c). The DPT has furnished a copy of the Report of the LAC.
 - (c). As per Clause 13 (a) read with clause 11.2 (e) of the amended Land Policy Guidelines of 2014, the LAC shall determine the market value of land taking into account highest of the five factors like (i) State Government's ready

reckoner value if available for similar classification/ activities, (ii) Highest rate of actual relevant transactions registered in last three years in the Port's vicinity (the vicinity of the Port is to be decided by the respective Port Trust Boards), with an appropriate annual escalation rate to be approved by the Port Trust Board (iii) Highest accepted tender-cum-auction rate of Port land for similar transactions, updated on the basis of the annual escalation rate approved by the Port Trust Board., (iv) rate arrived at by an approved valuer and (v) any other relevant factors as may be identified by the port.

Further, as per clause 13 (c) read with clause 13 (a) and (b) of the amended Land Policy Guidelines of 2014, the port shall file a proposal to this Authority for fixation of latest SOR of the land based on the market value of land recommended by the LAC which will normally take into account the highest of the five factors for market value of land stipulated in Para 13 (a) of the Land Policy Guidelines of 2014. In case if the LAC is not choosing the highest factor, the guidelines requires the LAC to record the reasons for the same in writing.

(d). Of the five factors prescribed in the Land Policy Guidelines, 2014 for arriving at the market value of the land, the LAC has discussed and analyzed that market value of land is not available for any of the factors except for approved Land Valuer as given below:

- (i). **State Government's ready reckoner of land values:**
State Government's ready reckoner of land values in the SIPC Kandla area is not available as of now. Hence, same factor is not possible.
- (ii). **Highest rate of relevant transactions registered in last three years in the Port's vicinity:**
Yet to start auction process in SIPC Kandla area to the users. Hence, actual relevant transaction in last three transaction in last three years is not available. Hence, same factor is not applicable.
- (iii). **Highest accepted tender-cum-auction rate of Port land:**
Yet to start auction process in SIPC Kandla area and there is no accepted tender-cum-auction rate available as of now with the Port Trust to considered as similar transactions in the SIPC area. Hence, same factor is not applicable.
- (iv). **Rate arrived at by approved valuer:**
DPT has appointed approved Land Valuer who have carried out detailed study with adherence to the Land Policy Guidelines for arriving prevailing market price for the identified land and assessed market value of land at ₹900 per sq. mtr as explained in the earlier paragraphs while bringing out the proposal of the port.
- (v). **Any other factor considered by the Port:**
There is no relevant factor to consider the uniform market rate of the SIPC Kandla (Location 2) area. Hence, same factor is not applicable.

In view of the above position, the LAC has decided to adopt 'Rate arrived at by approved valuer' as stipulated in the Guidelines.

(iv). Based on the above position, the LAC has recommended to fix the market value of the port land at the uniform rate of ₹900 per sq. mtr. for industrial and its ancillary purposes in SIPC Kandla land (location-2) on "as is where is basis". The Board of Trustees of DPT has approved market value of port land as recommended by the

LAC. In the original proposal the port has sought approval of this Authority for the market value of land at ₹900 per sq. mtr.

Clause 13(b) of the guidelines stipulates that Reserve Price in terms of annual lease rent would be arrived, as a percentage of latest market value of land determined based on the five factors in accordance with para 13(a) and that the percentage should not be less than 6% which is to be fixed by the Port Trust Board.

As decided at the joint hearing, the DPT has proposed the Reserve Price in terms of the Annual Lease Rent at ₹54 per sq. mtr applying 6% on the said market value of land. The Port has stated that the DPT Board has approved to fix lease rentals at 6% of the market value of land and yearly escalation at the rate of 2% in its Board meeting held on 6 March 2014 after announcement of the 2014 Land Policy Guidelines. This position furnished by the DPT and substantiated with copy of the Board Resolution furnished by DPT is relied upon.

- (v). Considering that the market value of land for SIPC area as assessed by the Valuer has been recommended by the LAC and given that the Board of Trustees of DPT has approved the market value of the land for SIPC area as recommended by the LAC and the port has proposed lease rent applying the 6% on the market value of land which has the approval of its Board, this Authority is inclined to prescribe the Reserve Price in terms of the Annual Lease Rent for the lands at 6% of the said market value of land at ₹54 per sq. mtr. the DPT in the schedule of lease rent has proposed market value of land at ₹900/ sq mtr as well as annual lease rent at ₹54 per sq. mtr. This Authority is mandated as per the amended Land Policy Guidelines, 2014 to notify the Reserve Price in terms of Annual Lease rent. This Authority is not mandated to notify, market value of land. That being so, this Authority prescribes the Annual Lease in the SOR. Further, in schedule 2 of the revised SOR proposed by the DPT the title states that the rate is for Allotment of land admeasuring a total area of 845.02 acres for the development of Industrial zone in SIPC on the Upfront Lease Payment basis. Allotment of land on upfront premium basis or annual lease rent falls under the domain of the concerned port trust following the applicable Land Policy Guidelines. Even in the case of PPT for SIP area and at JNPT for SEZ area, the SOR notified by the Authority does not mention that lease rent is on Upfront Lease Payment Basis. That being so, the words "Upfront Lease Payment basis" is deleted from the title under Schedule 2 of the SOR.
- (vi). Some of the users / user organisations / prospective lessees have stated that proposed rate of ₹900/- per. sq. mtr. is very high and also suggested to consider to fix ₹350 per sq. mtr. which is comparable to Mundra RIDC and GIDC rates. From the clarification furnished by the DPT, it appears that the land at SIPC Kandla is not comparable to land available at Mundra to scale down the market value of land at SIPC Kandla. As stated by the DPT, Major Port Trusts including DPT are mandated to follow the Land Policy Guidelines issued by the Ministry of Shipping from time to time for the purpose of determining market value of the lands belonging to the Port Trusts. The DPT has in the instant case followed the Land Policy Guidelines of 2014 for arriving at the proposed lease rent.
- (vii). The DPT has proposed a note that the approved lease rent shall come into force on such date as specified by this Authority. The port has not specified the date of effect of the rate. As brought out earlier, the DPT has, vide its letter dated 27 September 2017, requested in principle approval of the its proposal as done in the case of the Paradip Port Trust for the lease rent for smart city citing that PIB meeting is Scheduled on 29 September 2017. In view of the request made by the DPT, adhoc approval was granted for the proposed rates for the reasons explained earlier subject to condition that DPT will abide by the final SOR to be notified by this Authority. There is no difference between the lease rent approved in the adhoc approval granted vide our letter dated 28 September 2017 and the final lease rental now approved by this Authority except for some minor modification in the conditions.

That being so, lease rent shall be deemed to have come into effect from 28 September 2017 being the date of adhoc approval granted to the DPT at its request. The proposed note is, therefore, modified to state that the SOR is effective from 28 September 2017 being the date of adhoc approval granted to the DPT.

- (viii). Clause 13(c) of the revised Land Policy Guidelines, 2014, mandates this Authority to revise Scale of Rates once in every five years. In this connection, the DPT has proposed a note to the effect that the Scale of Rates for lease of Land in the SIPC area shall be revised/ reviewed after five years with the approval of Competent Authority in accordance with the Policy Guidelines for applicable Land Policy Guidelines. In continuation to the said note, the DPT has also proposed a note stating that the revised lease rentals shall be applicable on fresh leases effective from the date of implementation of the Order passed by the Competent Authority. This note appears to be relevant only when land is allotted on upfront premium basis by the port. There may be instances where the land may be leased by DPT on annual lease basis which may be governed by revision in lease rent as approved by the Competent Authority. The second part of the note is a condition which is for the DPT to prescribe while entering into agreement with the individual lease agreement and it need not form part of the SOR to be approved by this Authority.
- (ix). Clause 13(c) of the revised Land Policy Guidelines, 2014, stipulates for fixing of the rate of annual escalation at not less than 2%. Accordingly, the DPT has proposed a note to the effect that the prescribed Scale of Rates shall be subject to annual escalation @ 2% per annum on the annual lease rentals unless and otherwise revised by the applicable laws. The 2% annual escalation has been approved by the DPT Board. The proposed note is approved.
- (x). The DPT has not proposed a note to the effect that the Scale of Rates shall be subject to the conditions and stipulations prescribed in the amended Land Policy Guidelines for 2014 and subsequent amendments (if any) and other applicable laws and regulations communicated by the Government from time to time. Hence, said note is incorporated in SOR in line with the prescription made in the Rent Schedule of other Major Ports.

12.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Schedule of lease rent for allotment of land by DPT for industrial and its ancillary purposes within Smart Industrial Port City -Location 2 in Kandla as **Annex**.

12.2. Clause 13 (c) of the amended Land Policy Guidelines, 2014 stipulates that the rates will be revised once in every five years by this Authority. Accordingly, a note is prescribed in the Rent Schedule that the reserve price in terms of the annual lease rental is deemed to have come into effect from 28 September 2017 and shall remain in force for a period of five years. The approval accorded shall automatically lapse thereafter unless specifically extended by this Authority.

(T.S. Balasubramanian)
Member (Finance)

SCHEDULE OF RENT FOR ALLOTMENT OF DEENDAYAL PORT TRUST LAND IN THE AREA ALLOCATED FOR INDUSTRIAL AND ITS ANCILLARY PURPOSE IN SIPC KANDLA LAND (LOCATION-2)

1. **Short Title, Commencement and Application:**

- (a). This may be called "The SOR of DPT for allotment of Port land outside the custom bond area of Kandla Port for leasing purpose for Development of Industrial Zone in SIPC".
- (b). The lease rent approved shall be deemed to have come into force from 28 September 2017.

2.1. **Schedule of Rent for Allotment of land admeasuring a total area of 845.02 acres for the development of Industrial zone in SIPC**

Sl. No.	Zone	Annual lease rent (in ₹ per sq. mtr. per annum)
1	Industrial Zone in Smart Industrial Port City in Kandla	54/-

2.2. **Annual Escalation:**

The prescribed Schedule of Rent mentioned in Section 2.1 above shall be subject to annual escalation @ 2% per annum on the annual lease rentals unless and otherwise revised by the applicable laws.

2.3. **Revision in Scale of Rates:**

The Schedule of Rent for lease of Land in the Industrial zone of SIPC area shall be revised/ reviewed after five years from 28 September 2017 with the approval of Competent Authority in accordance with the applicable Land Policy Guidelines.

3. **Terms and Conditions:**

The Scale of Rates shall be subject to the conditions and stipulations prescribed in the Policy Guidelines for Land Management, 2014 and subsequent amendments (if any) and other applicable laws and regulations communicated by the Government from time to time.

SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY.

TAMP/66/2017-KPT : Proposal received from Deendayal Port Trust (DPT) [formerly known as Kandla Port Trust (KPT)] for fixation of lease rental for allotment of land for industrial and its ancillary purposes within Smart Industrial Port City (SIPC) at Kandla (location – 2).

The summary of the comments received from the users/ user organizations and reply furnished by DPT thereon is summarised below:

Sr.No.	Comments of the user organizations	Reply furnished by DPT
1.	Gandhidham Chamber of Commerce and Industry (GCCI)	
(i).	The way DPT is proceeding and targeting the Industrial development is not feasible and viable.	Very vague statement without any supporting – No remark.
(ii).	The proposed land is basically salt land. Hence, investment for development will be double for new industries.	The proposal for the development include the detailed calculations after due considerations of the said facts, and the cost component is arrived at after considering the facts.
(iii).	The cost of construction of infrastructure will be very high as there will be necessity of laying piling for the construction of infrastructure.	The proposals for the development include the detailed calculations after due considerations of the said facts, and the cost component is arrived at after considering the facts. Moreover, depending upon the requirement of individual investor, based on typology / structure of the building, investor shall opt for required foundation design.
(iv).	Already built up godown near the proposed site is facing lot of moisture, seepage from RCC slab.	The moisture and seepage from RCC slab at nearby structure cannot be rated as GENERAL for all the constructions. With the advancement of Technologies and improved Construction technology can definitely help on such issues.
(v).	As a matter of fact, DPT is only service provider and developer for the larger interest of ultimate backup development of Port. Therefore, DPT should not peruse big profits while initiating development projects.	The valuation of the plots are proposed after scientific methodology by Professional valuer.
(vi).	First of all, the proposed area should be developed fully with facilities like drainage, roads, water lines, electricity, etc. with world class facilities. There should not be any water logging in industrial area.	Detailed survey of Topography for the entire area has been carried out, and based on the site conditions, Site grading – which defines the slope of the entire site and surface drainage are designed, hence, after entire site is perfectly levelled as per grading plan, no Water logging shall be seen on site.
(vii).	In today's scenario new upcoming industries facing lots of problem for their day to day operation if, LPG / Chemical line is on. Hence, new development of industries will required double the time.	The assumption of problems should not arise, as no such line passes through the site.
(viii).	DPT should have discussed the proposal with stakeholders and local business community before proposal sent to TAMP.	If there are specific issues, the same may be raised to TAMP.
(ix).	To meet water requirement of industries, exclusive Narmada water pipe line should be provided to cater needs of industries in the proposed area.	The DPT has already applied for water supply to GWSSB.
	If DPT is seriously thinking the development of industry, DPT should follow the example of	

	Gujarat Government in case of the development of NANO Factory at Sanand where Gujarat Government offered land on very soft terms with relaxation in taxes and also loan on soft terms.	
	Unless, above issues are first resolved, the rate fixation exercise is not meaningful. In today's scenario DPT's proposed rate is quite high and GCCI firmly believes rate of ₹ 700 per sq. mtr. will be quite reasonable to start with industrial development which will attract lots of industries. As GCCI understands, the proposed clause of revision in SOR after 5 years should be dropped altogether. GCCI also suggest the land should be given on freehold basis for first 60 years period as nearby land of Gujarat Government is on freehold basis.	
2.	Federation of Kutch Industries Associations (FOKIA)	
(i).	On the onset, FOKIA would like to thank you for inviting comments with regards to proposal from DPT for fixation of lease rental for allotment of land for industrial and its ancillary purposes within SIPC at Kandla (location – 2) as per the Land Policy Guidelines, 2014.	No comments to offer.
(ii).	FOKIA would like to inform that the rates suggested by land valuer and proposed by DPT are in line with market rate and we hope developer from industries will take keen interest for developing the projects at Kandla and ultimate to achieve goal of SIPC at Kandla.	No comments to offer.
3.	G-One Agro Products Ltd. (GAPL)	
(i).	G-One Agro Products Ltd. find the proposed rate of ₹900 per Sq. Mtr. for 60 years of lease is reasonable rate.	No comments to offer.

2. A joint hearing in this case was held on 26 September 2017 at the DPT premises. The DPT made a brief Power Point presentation of its proposal. The DPT and the concerned users/ user organizations have made the following submissions at the joint hearing:

Deendayal Port Trust (DPT)

(Deputy Chairman)

- (i). As per direction of Government, port is developing Smart Industrial Port City (SIPC).
- (ii). The Master Plan document of SIPC is ready. SIPC Master Plan Document is for two locations viz. Location 1 relating to residential and commercial purposes and Location 2 relating to industrial purposes. The Master Plan document of SIPC is approved by the DPT Board.
- (iii). The current proposal is for fixation of lease rent for industrial area for SIPC at Location 2 covering 845.02 acres of plot.
- (iv). We have got valuation of SIPC land done by approved valuer.
- (v). Environmental clearance is expected to come. PIB Memo has been submitted to Ministry and PIB meeting is scheduled on 29 September 2017.

- (vi). We are moving fast on this proposal. We request approval of TAMP at the earliest.

Deendayal Port Trust

- (i). Makes a brief power point presentation of its proposal. Hard copy is given.
- (ii). Tentative plot plan is already prepared. DPT will have flexibility to subdivide/ merge plots depending upon market requirement.
- (iii). Of the five methods prescribed in Land Policy Guidelines (LPG), 2014, valuation of land under the first 3 methods and fifth method prescribed in the LPG are not available.
- (iv). The DPT has engaged approved land valuer. The approved land valuer has recommended market value of SIPC land at ₹900/ sq. mtr. for location 2.
- (v). LAC in its meeting held on 09.06.2017 has recommended market value of ₹900/ sq. mtr. as market rate for SIPC Kandla land location 2.
- (vi). The Board has approved uniform market value of land at ₹900/ sq. mtr. for SIPC Kandla land location 2.

Gandhidham Chamber of Commerce and Industry

- (i). The last allotment by Gujarat Industrial Development Corporation (GIDC) is at ₹265/ sq. mtr. GIDC is providing developed land with roads, lights, etc., whereas the proposed land is barren. For developing the land, further expenditure will have to be incurred.
- (ii). Gujarat Government is developing another land and giving it at ₹350/ sq. mtr. which includes development cost also.

Emami Agrotech Pvt. Ltd.

- (i). We agree with the proposal of port.
- (ii). We are proposing to set up edible oil processing industry at SIPC location 2. We shall import material and process edible oil at the SIPC location 2.

Federation of Kutch Industries Association (FOKIA)

- (i). The DPT has proposed lease for 60 years period. We request for 99 years lease so that there is stability for the industries to be developed at SIPC.
- (ii). The land is proposed to be allotted on "as is where is basis". The land should be developed and given by the port.

Kandla Port Karamachari Sangh

- (i). There are lot of tank firms in DPT. Trade has taken land and incurred huge expenditure and developed the land.
- (ii). If new player comes, there will be competition for the existing tank farms.
[DPT Deputy Chairman: The cargo at proposed SIPC will be totally new cargo.]
- (iii). Lease should be for 99 years lease.
- (iv). We will give our written submissions in a day or two.

(v). We have doubt whether at proposed rate there will be takers for the land.

(vi). At Mundra, GIDC is offering land at ₹250/ sq. mtr.

Kandla Port Trust

(Deputy Chairman)

(i). The land will be allotted to those who will avail port services for import/ export of cargo through Deendayal Port.

Emami Agrotech Pvt. Ltd.

(i). The edible oil processing industry proposed to be developed by us at SIPC is for captive purposes and will not impact other tank firms.

[TAMP: Whether proposed rate of ₹900/ sq. mtr. is market value or lease rent.]

[DPT (Sr. Dy. CAO): The proposed rate of ₹900/ sq. mtr. is the market value of land. We will propose lease rent at 6% of market value of land as required under the LPG 2014.]

3. The summary of the comments made by user / user organizations in response to the action point taken at the joint hearing and the comments furnished by DPT thereon is tabulated below:

Sl. No.	Written submissions	Comments furnished by DPT
1.	Kandla Port Karmachari Sangh (KPKS) and Kandla Vikas Manch (KVM)	
(i).	It is submitted that the Board of Port Trust has considered and approved the following:-	
(a).	The uniform rate of ₹900/- per.sq.mt. as market rate for industrial and its ancillary purposes in SIPC, Kandla Land, (Location 2).	No comments to offer.
(b).	To send the proposal of fixing the Uniform Market Rate on "as is where is basis" for industrial and ancillary purposes in SIPC, Kandla (location 2) of ₹900/- per. sq. mtr. to TAMP for approval.	No comments to offer.
(ii).	While representing the proposal as stake holder, we submit as under :-	
(a).	Around Kandla/Gandhidham complex Port Trust has given sufficient Land about five decades back which were given to Kandla Special Economic Zone and GIDC wherein lot of industries including 100% export oriented have been established and going on for last five decades. Thus, in these areas the land was not allotted on fixed market rate and it was purely to promote the Industries that serve Local market and export market both. Therefore, present proposal of Uniform rate of ₹900/- per square meter for proposed SIPC, Kandla (Location 2) for barren Salt pans that are yet to be developed, may not attract sufficient industries to make the SIPC project successful.	Deendayal Port Trust is mandated to follow the Land Policy Guidelines issued by the Ministry of Shipping from time to time for the purpose of determining allotment of land, lease rentals, lease period for the lands belonging to the Deendayal Port Trust. The proposed market rate of ₹900 per sq. mtr. as is where is basis for SIPC Kandla land is in line with policy. The annual lease rental of the land will be 6% of market rate i.e. ₹54 per sq. mtr. per year with escalation of 2% each year. At present, GIDC land is available at Mundra RIDC at ₹300 w.e.f 01.04.2017 and for Gandhidham area is ₹4650 per sq. mtr. The market rate of SIPC Kandla land is comparable to GIDC Gandhidham area only.
(b).	At present, GIDC land is available at Mundra RIDC at ₹280/- as per Allotment price of GIDC Estates w.e.f. from 01.04.2016 which is well	Deendayal Port Trust is mandated to follow the Land Policy Guidelines issued by the Ministry of Shipping from time to time for the purpose of

	developed with good infrastructure and connectivity. Whereas, the proposed project of SIPC is going to charge upfront ₹900/- per sq. mtr., which not developed, Salt pans that are of marshy land and needs huge investment for giving connectivity and development of the Land. Thus, the proposal may be unviable for many other industries who may like to setup units in SIPC project.	determining allotment of land, lease rentals, lease period for the lands belonging to the Deendayal Port Trust. The proposed market rate of ₹900 per sq. mtr. as is where is basis for SIPC Kandla land is in line with policy. The annual lease rental of the land will be 6% of market rate i.e. ₹54 per sq. mtr. Per year with escalation of 2% each year. At present, GIDC land is available at Mundra RIDC at ₹300 w.e.f 01.04.2017 and for Gandhidham area is ₹4650 per sq. mtr. The market rate of SIPC Kandla land is comparable to GIDC Gandhidham area only.
(c).	The total cash outflow for land related expenditure should not be more than the competing project to the SIPC, Kandla (L2) i.e. Mundra Special Economic Zone. A comparative statement was missing in the presentation by the Consultant of Port Trust.	No comments to offer.
(d).	It is also necessary to note that proposed Land location 2 had submerged upto 3 meters in Super Cyclone of 1998. Therefore, heavy industries proposing to setup industries shall have to consider cost of reclamation, raising the land, piling etc. those cost are not borne by industries in KASEZ. It is further to submit that there will be need for road and rail connectivity to such areas, the question arises who shall bear the cost of such connectivity's.	Keeping in view the flood patterns and submergence details, the grading of land has been designed considering the top level required for the challenges. Even to protect the land additional component of Embankment is also proposed against the threat. Thus proper planning is done for the natural calamities based on past data available.
(e).	It is not only upfront cost for the proposed project but it is definitely relative issue as to whether Central Government / State Government are planning to some concessions for considerable period, so that investor is attracted with total investment on the project and its recovery at the earliest.	No comments to offer.
(f).	If this proposed project is successfully implemented, there will be direct and indirect increase in revenues to the Port Trust due to increase in Export / Import Cargo that are used by prospective captive Industries in the SIPC.	No comments to offer.
(g).	Based on the above, we feel and submit that the upfront cost on the project should be moderated keeping in view nearby competition i.e. Mundra SEZ as well as the other factors which have been listed above.	No comments to offer.
	Submitted for consideration and request to discover realistic moderated cost mechanism for the proposed location, wherein no basic amenities and facilities are available alongwith land being marshy, salt land.	No comments to offer.
	This submission is being submitted in the interest of development of industries and particularly enlargement of the employment opportunities which is main objective of the Central Government.	
2.	Gandhidham Chamber of Commerce (GCC)	
(i).	It seems DPT's consultant has tried to take the base of GIDC rates while ascertaining and	Deendayal Port Trust is mandated to follow the Land Policy Guidelines issued by the Ministry of

	suggesting rates. But we would like to apprise you that GIDC rates are ₹ 256 – ₹ 300 per sq. mtr. with ready infrastructure facility like road etc.	Shipping from time to time for the purpose of determining allotment of land, lease rentals, lease period for the lands belonging to the Deendayal Port Trust. The proposed market rate of ₹900 per sq. mtr. as is where is basis for SIPC Kandla land is in line with policy. The annual lease rental of the land will be 6% of market rate i.e. ₹54 per sq. mtr. Per year with escalation of 2% each year.
(ii).	In view of the above, we suggest to fix ₹ 350 per sq. mtr. for SIPC (location-2) which will positively achieve the objective of SIPC of our Hon'ble Prime Minister.	
