



NICCI e-Newsflash

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Nepal, Heaven on Earth



Tilicho lake from its shore.....

Govt approves three projects worth over Rs 55 billion

The Industrial Promotion Board has approved three projects that have collectively pledged investment worth around Rs 55 billion which include a five star hotel in Kathmandu promoted by MIT Group Holdings and two hydropower projects—Upper Trishuli-1 and Madi Khola. The board headed by the industry minister decides on projects worth more than Rs 2 billion.

MIT Group Holdings is promoted by Shesh Ghale, a non-resident Nepali (NRN) based in Australia. Ghale had announced his plans to build a five-star hotel near Narayanhity Palace Museum in Kathmandu during a function to mark the NRN Day four months ago. The company aims to invest around Aus\$ 75-80 million (Rs 6.64 billion-Rs 7.09billion) in the project that will 'start within a year' and has said the hotel will come into operation by 2017.

Another project getting the board's approval is 216MW Upper Trishuli-I hydro power project being developed by Nepal Water & Energy Development Company (NWEDC) in Rasuwa district for which the company has received the survey licence from the Department of Electricity. The project is worth Rs

46.76 billion. The company has received the survey licence from the Department of Electricity and the board's approval has paved the way for the project to acquire the generation licence. The company has also completed survey work, including environmental impact assessment and detailed engineering study. NWEDC is a joint-venture between Korea South-East Power Company Limited, Daelim Industrial Company Limited and Kyeryong Construction Industrial Company Limited.

As far as the 10MW Madi Khola-1 hydropower project is concerned, it is being developed by the Annapurna Group with Rs 3.8 billion investment. The Kaski-based project has already signed the power purchase agreement with the Nepal Electricity Authority.

The Industry Ministry said those projects were approved in line with the government policy to fast-track project approvals. "These projects will not only bring FDI in Nepal, but will also send a message to the international investors that Nepal has a favourable investment environment," he said. ♦

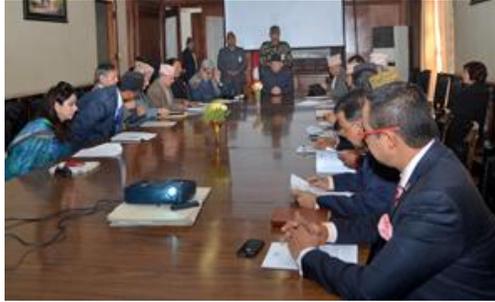
CRO officially launches online service

The Company Registrar Office (CRO) on Thursday officially launched its online service. The new system facilitates registration, dissolution and other administrative work through the internet. According to the CRO, the system enables companies to submit documents required for registration at CRO and forward application for dissolution through the internet. The companies can also check their status online. Companies can now

log on to CRO's website — www.ocr.gov.np — to forward their documents, learn about their status and access other information. However, for the complete registration process, company representatives need to make a one-time visit to the CRO office in Tripureswhor, Kathmandu, or in Lalitpur to pay registration charges and register their official signatures. ♦

NIB to 'fast track' PDAs for four hydel projects

A board meeting of the Investment Board (IB) held under the chairmanship of Prime Minister Baburam Bhattarai on Wednesday took a decision to this effect, enabling IB to fast-track formal negotiations with the developers of 3 projects with collective generation capacity of 3,050 megawatts, namely GMR Energy for 900 MW



Upper Karnali and 600 MW Upper Marsyangdi, Sutlej Jal Vidyut Nigam, Indian state-owned developer for 900 MW Arun III and SN Power, a Norwegian firm for 650 MW Tamakoshi Hydropower Project. The developers of these projects have already given their comments after reviewing the draft PDA template in December.

"The negotiation with the developers will go on fast track once the NIB secretariat forms a team to tailor PDAs for each of the projects," Radesh Pant, chief executive officer of the NIB said. "The government has also formed a three-member coordination committee comprised of Dipendra Bahadur Kshetry, vice chairperson of the National Planning Commission (NPC) and Leela Mani Paudel, chief secretary, and Radhesh Pant to oversee the negotiation of the secretariat with the developers.

According to Pant, the PDA negotiations with each developer will be expedited on the basis of the PDA template developed by the NIB. "NIB has even appointed Lahmeyer International, an engineering firm, to review the four projects," reads a release issued after the meeting. The World Bank has provided assistance to the NIB to hire Lahmeyer International.

"PDA template reflects several changes following a detailed feedback from developers and the international lender community," informed chief executive of the board Radhesh Pant.

"In addition to a team of world class commercial, technical

and legal experts, the board will be working very closely with the Ministry of Energy and Nepal Electricity Authority to bring this PDA to fruition," he said, adding that with the board's endorsement of the negotiating mandate, PDA Negotiation Team will begin project specific negotiations with the developers immediately under the guidance of a PDA Coordination Committee chaired by the vice chair of National Planning Commission Deependra Bahadur

Kshetry.

PDA Negotiation Team will be advised by relevant national and international legal, technical and commercial experts, said Pant, adding that an international team of experts has been appointed to provide input to the Investment Board in its assessment. "Negotiations on large-scale projects like these generally take several months to close."

Pant informed that the board has been conducting thorough financial analysis to assess economic benefits that would accrue to Nepal from the investment necessary to implement these hydro projects, each of which costs more than \$1 billion (around Rs 85 billion).

"We have just appointed a leading engineering firm Lahmeyer International with assistance from World Bank through an open competitive process to review the four projects," he informed. "Their findings as well as our financial analyses will help inform Nepal's negotiating position."

"The board will sign deals that are balanced with terms that protect and benefit all parties," Pant said. Technical analysis will also ensure that these power projects are safe and sustainable.

Of the four projects, Arun 3 has committed to provide Nepal with 21.9 per cent free electricity while Upper Karnali has committed 12 per cent free electricity and 27 per cent free equity, in addition to paying royalties and taxes. ♦

Govt to select firm to conduct metro rail DPR within week

A board meeting of the Investment Board (IB) held under the chairmanship of Prime Minister Baburam Bhattarai on Wednesday has given a go ahead to the NIB secretariat to carry out work on the detailed project report (DPR) of the Kathmandu Metro Railway (KMR). After getting clearance from the BoD, NIB will soon finalize terms of reference with Nepal Metro Private Limited (NMPL) to expedite the DPR preparation work for the metro railway. The Ministry of Physical Planning, Works and Transport Management (MoPPWTM) had conducted the feasibility study of the project by outsourcing some domestic and South Korean firms.

The government plans to select a firm to conduct a detailed project report (DPR) for the proposed Kathmandu Metro Railway Project within a week. The Investment Board (IB)

has been assigned to implement the project.

The Kathmandu Metro is one of the 14 mega projects which the government handed over to the IB on May 27. According to the final feasibility report, the 77-km metro rail is estimated to cost US\$ 3.88 billion (Rs 330 billion), and its construction is expected to take 10 years. As per the report, the metro will have five lines—four lines inside the Ring Road and one line of 27.35 km running around it. "The appointment of a consultant to carry out the DPR has been delayed," said Radhesh Pant, CEO of the IB. "A concrete decision will be made within a week."

The NIB has also got a nod from the BoD to conduct feasibility study of the chemical fertilizer plant. "The NIB has sought financial support from the Ministry of Finance (MoF) to conduct feasibility study for the plant," an official said. ♦

PPP model planned for 600 MW Budhi Gandaki

The Budhi Gandaki Development Committee has been mulling building the 600 MW Budhi Gandaki hydropower project under the public private partnership (PPP) model. The committee said the PPP was one of the best options to complete the national pride project on schedule.



The storage type hydropower project will be built on the Budhi Gandaki River located in Dhading and Gorkha districts in north central Nepal. The project is estimated to cost Rs 100 billion, and its dam will create a lake 11 times larger than Phewa Tal.

Members of the committee said that they were preparing to implement the project under the PPP model to ensure its smooth development and avoid possible problems with land acquisition and resettlement of the local inhabitants. A number of hydropower and other infrastructure projects in the country have been bogged down due to such obstacles of late.

The then energy minister Gokarna Bista, during whose tenure the Budhi Gandaki project was conceived, had also said that domestic financial institutions and locals would be given the first priority to invest in it.

Meanwhile, a committee member said that the project would affect 12 VDCs of Dhading and 11 VDCs of Gorkha, and that the government was planning a compensation package for those affected. The project is expected to displace around 10,000 people.

The compensation package will consist of 50 percent cash and 50 percent stock in the project. "Participation of the locals in the project will help them feel ownership in it and also be part of the compensation package," said the member. "Moreover,

this type of scheme is expected to allow the project to move ahead without unnecessary obstacles from the local people."

The committee has been holding talks with domestic financial institutions to bankroll the project. Among them, the Employees' Provident Fund (EPF), Nepal Telecom, Citizens Investment Trust (CIT) and Rastriya Beema Sansthan have agreed to invest in the project.

Meanwhile, committee member Damber Nepali said that talks were underway to develop the project under the PPP model. "We have the

expertise, experience and local financing which will be used for the successful implementation of this project," he added.

A feasibility study was completed in 1984, but the project has failed to interest potential foreign donors and private power developers. For this reason, the Budhi Gandaki Development Committee has been planning to develop it with local financing.

Meanwhile, the Nepal Electricity Authority (NEA) is holding its first meeting with representatives of Tractwell Engineering of France which has been awarded the contract to prepare a detailed project report (DPR). Tractwell Engineering began work on the DPR at the project site on Feb 1. The government aims to complete the project by 2020.

"During the meeting, the committee will ask the consultant to prepare the DPR in a way to allow the project to be implemented under the PPP model," said a member. The NEA had contracted the French company last year to prepare the DPR for Rs 470.90 million. As per the study, the project is one of the most desirable hydropower projects due to its high potential benefits and proximity to the capital. The reservoir of the Budhi Gandaki will have an area of 50 sq km. ♦

Storage-type hydropower to cost up to Rs 10.6 per KPH

A high-level panel has recommended purchase prices of Rs 10.60 and Rs 7.88 per kilowatt hour (KPH) for electricity generated from storage-type hydropower projects during dry and wet seasons respectively. A taskforce formed at the Ministry of Energy (MoE) has recommended the new rates for Power Purchase Agreements (PPA).

"These PPA rates are recommended on the basis of the minimum price at which Nepal Electricity Authority (NEA) can import power from India under the short-term power market by 2018," reads a report submitted to MoE last week. An official at MoE, who is also a member of the panel, said the new rates were at par with those set for renewable energy sources such as solar and bio-mass.

"No one should be confused about the fact that the newly recommended rates are applicable only for storage-type hydropower projects. They are not meant for run-of-the-river (ROR) type

projects," added the official.

Under the new rate structure, separate PPA rates are set for the wet season -wet season peak hours and wet season off-peak hours. According to the report, the PPA rate for wet season off-peak hours can fall between Rs 2 to Rs 5.73 KPH. "The exact rate for wet season off-peak hours is subject to negotiation," reads the report.

The report states that the dry season refers to a period between December to the end of May while a peak-hour period is any six-hour period fixed by the Load Dispatch Center of NEA.

The government has fixed the PPA for ROR type projects that are below 25 megawatts at Rs 8.40 KPH during dry season and Rs 4.80 KPH in wet season. The PPA for ROR hydro projects between 25 MW to 500 MW is fixed by negotiation with the NEA. ♦



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Land acquired to build integrated check post at BRT

The government has finally acquired land in Biratnagar to build an integrated check post (ICP). The ICP located on the Nepal-India border will house all the regulatory agencies such as immigration, customs, border security and quarantine along with other facilities including currency exchange, internet and cafeteria. There will be a matching complex on the Indian side of the border.

As per an agreement signed with India, it will construct the ICP with its own resources and Nepal will provide the required land. According to the plan, construction will be completed within two years after Nepal makes the land available. The government had started the paperwork to hand over the 126-bigha plot to India. The estimated cost of the proposed ICP is Rs 1.31 billion. Meanwhile, about 50 percent of the construction work has been completed on the other side of the border in India.

The government had acquired another 40 bighas of land to build a road connecting the check post to the national highway. In 2005, Nepal and India had signed an accord to build ICPs on either side of the border at Biratnagar, Birgunj, Bhairahawa and Nepalgunj. India promised to bear the construction costs.

Traders in eastern Nepal have been routing imports from third countries through the roundabout Raxaul border point. "After the ICP is built in Biratnagar, it will not only ease exports and imports but also reduce the costs of trade," said Abinas Bohora of the Morang Merchant Association.

The distance between Biratnagar and the Indian port of Kolkata is 735 km. The ICP will likely be linked with Indian railways which will facilitate trade with third countries, added Bohora. Raxaul is 900 km from Kolkata, and the distance between Raxaul and Biratnagar is 300 km. ♦

73-yr-old biscuit pioneer, Parle-G becomes India's first homegrown Rs 5K crore FMCG brand



When Parle Products launched Parle-G in 1939 during the British rule, the firm considered it a responsibility to sell affordable biscuits to Indians. Today, the same value plank has

helped the glucose biscuit brand become the first Indian FMCG brand to cross the Rs 5,000-crore mark in retail sales in a year.

In 2012, Parle Products sold Rs 5,010 crore worth of its flagship glucose biscuit brand at retail price, besting the entire domestic sales of Dabur or Godrej products and selling three times more than Maggi noodles.

This meant sales of more than 100 crore packets across sizes every month, or 14,600 crore biscuits in the entire year, that is, 121 biscuits each for the 1.2 billion Indians. Mayank Shah, group product manager at Parle Products, said the company's realisation was around 60-65 per cent of the retail sale.

While Parle-G, with less than \$1 billion in annual sales, is nowhere near the world's top-selling brands such as Coca-Cola and Gillette, it has a healthy lead over its closest Indian rivals such as Hindustan Unilever's Wheel and Rohit Surfactants' Ghari Detergent.

VALUE PLANK PAYS OFF

Started by Mohanlal Dayal Chauhan way back in 1929 at Vile-Parle, a Mumbai suburb, Parle Products first launched an orange candy and then other confectionaries before entering the biscuits segment 10 years later.

"Launching Parle-G in 1939 was not just a business decision but also a responsibility to sell affordable biscuits to Indians (during British rule) at a time the market was flooded with costly imports," said Ajay Chauhan, executive director at the Rs 8,000-crore Parle Products and a member of the founder's fourth generation clan. ♦ ET Bureau—MUMBAI

We solicit suggestions/feedback from all members and readers for NICCI e -Newsflash at secretariat@nicci.org

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