



सत्यमेव जयते

NITI Aayog

National Institution for Transforming India

INCREDIBLE ISLANDS OF INDIA

DEVELOPMENT OF ECO-TOURISM PROJECTS IN ANDAMAN & NICOBAR ISLANDS

PRELIMINARY INFORMATION MEMORANDUM (PIM)
AUGUST 2018



Transaction
Advisor:



Expanding Horizons. Enriching Lives.

Technical
Consultant:

// ROSS & SMITH ISLAND //



{ Disclaimer }

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***Foreword by CEO
– NITI Aayog***

“The global tourism scenario is changing rapidly. Given the unfolding scenario and opportunities, I have no doubt in my mind that tourism in the country can be one of the biggest drivers of growth and a major employment generator.

I also believe that the private sector can play a pivotal role in tourism related projects and in creating a range of new experience for the travelers.”

The global tourism scenario is changing rapidly. Given the unfolding scenario and opportunities, I have no doubt in my mind that tourism in the country can be one of the biggest drivers of growth and a major employment generator. I also believe that the private sector can play a pivotal role in tourism related projects and in creating a range of new experience for the travellers.

India has a total of 1,382 off-shore identified islands consisting of 1,093 shapes (Islands) and 289 points (Rocks/ Rocky Islets). The development potential of these islands and maritime resources has been accorded high priority. The Government has constituted Island Development Agency (IDA) an apex body, under the chairmanship of Hon'ble Home Minister, in June 2017, while has mandated NITI Aayog to steer-head the Holistic Development of Islands program. Under the program, the Government is committed to take forward the holistic development of Andaman & Nicobar and Lakshadweep Islands. In this regard, 11 anchor tourism projects (6 in Andaman & Nicobar and 5 in Lakshadweep) and several other infrastructure projects, inter-alia, desalination plants, digital connectivity, green-energy, have been identified for implementation in Phase -1 with private-sector participation. Furthermore, for enhanced connectivity, Diglipur airport shall be made operational for civilian aircrafts by December 2018. Agatti airport is being expanded and Greenfield airport at Minicoy has been given in-principle clearance, while for better sea connectivity within the Islands Ro-Ro Ferry projects shall be implemented. As this Preliminary Information Memorandum shall reveal, the identified anchor tourism projects in Andaman & Nicobar and Lakshadweep present a unique investment opportunity. All the project sites have been identified after undertaking detailed studies, the Government shall offer upfront support for obtaining requisite clearances & approvals; and ensure suitable risk sharing mechanism through the project structuring. The UT Administration has already initiated the process with provision for implementing captive utility facilities to ensure self-sustenance and rights for undertaking various tourist activities to tap incremental sources of revenue.

I would like to thank and acknowledge the continuous support provided by the Lt. Governor of Andaman & Nicobar, Admiral D.K Joshi and Administrator of Lakshadweep Island, Shri Farooq Khan towards the preparation of these projects.

NITI Aayog, Ministry of Home Affairs and the UT Administrations, along with other agencies of Government of India shall fully endeavour for successful development of these projects. I am therefore pleased to invite you all to have an insight into the proposed contours of the project and assess them as investment opportunities.



Amitabh Kant
(August 4th, 2018)



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MESSAGE

The re-constitution of Islands Development Agency in 2017 is an indicator of the intent, vision and focus of the Government towards holistic development of our islands territories. The identification of hitherto suppressed and under-exploited engines of growth, i.e. our island territories and focussing on them will not only benefit the islanders but will also contribute significantly to our overall economic profile. The A & N Administration is the beneficiary of NITI Aayog's professional support in furthering these initiatives.

The focus on holistic development will foster growth of tourism in the region, invigorate the economic potential of the islands and provide remunerable job opportunities to the inhabitants. Eco-tourism activities sensitive to the ecology, bio-diversity and the strategic locations of the islands are being promoted through this initiative. The government is supporting not only tourism-based initiatives through single window-clearances and information system, but other integrated aspects related to physical and digital connectivity are also being addressed. The A & N Administration is working in tandem with NITI Aayog on these initiatives and is committed to supporting the projects vigorously to ensure their timely commissioning.

The projects are expected to usher the islands into a new era. By matching the considerations of economic growth with sensitivity towards history and heritage, ecology, flora and fauna of the islands, I am hopeful that a new model and benchmark will be set, which can further be emulated and adopted.

(Admiral D K Joshi)

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// INTRODUCTION //

India's Maritime Advantage

India, with a coastline of 7,516 km and 14,500 km of navigable and potentially navigable inland waterways, enjoys a large maritime footprint.

The country has 1,382 off-shore identified islands consisting of 1,093 shapes (Islands) and 289 Points (Rocks/Rocky Islets) which have largely been unexplored with rich bio-diversity resources.

While trade related maritime infrastructure is being developed and leveraged through Sagarmala and other flagship programmes of the Government of India (GoI), realising the development potential of India's vast island chains and their natural resources and advantages has lagged behind.

For instance, Andaman & Nicobar Islands has a total coastline of nearly 1,962 km, which is about 1/4th of the total coastline of India but development of maritime economy of Andaman & Nicobar is yet to achieve desired results.

Based on its vision of leveraging the potential of these islands and to position them on par with international tourism and trade destinations, GoI has initiated plans to holistically develop these islands.

This holistic development not only aims at leveraging natural and strategic advantages these islands have, but also develop the local economy and provide employment and basic infrastructure services to local population.

GoI has to act as a nodal agency for undertaking development of these islands, GoI has constituted Island Development Agency (IDA) an apex body, under the chairmanship of Hon'ble Home Minister to take forward the holistic development of these islands.

IDA has mandated NITI Aayog to coordinate and provide guidance on developing holistic master plans, identify infrastructure gaps and undertake feasibility of holistic development and support infrastructure in Andaman & Nicobar Islands.

NITI Aayog has further appointed Transaction Advisors for running the transaction process and selection of private developers for some of the identified projects.

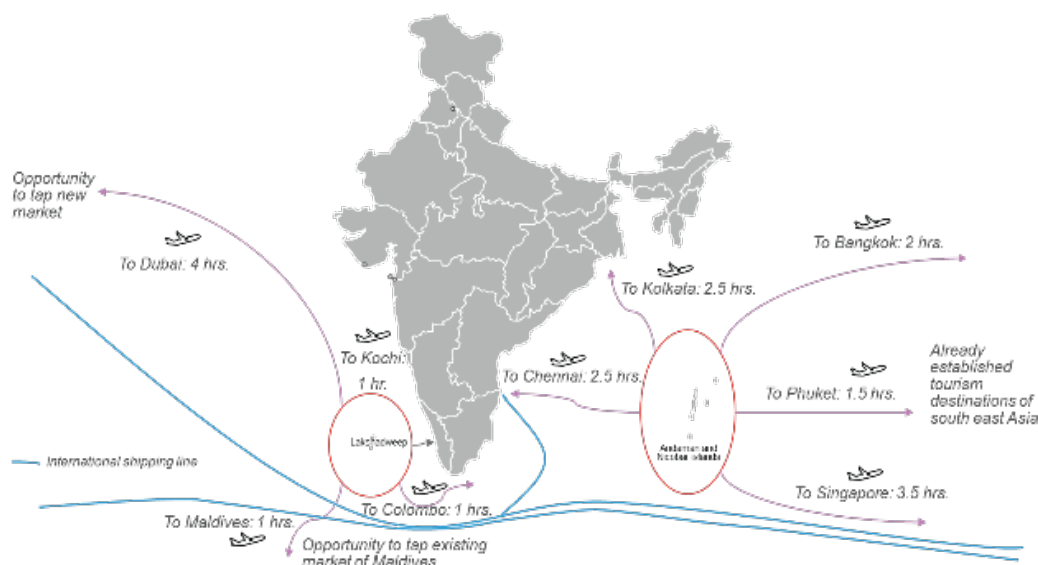


Exhibit 1: Incredible Islands of India Strategic Advantage

The Union Territory Administrations of the Islands will be the Implementing Authority for development of these projects. Nominated body/ies of the UT Administration will act as Project Management Agency/ies providing oversight and development support to these projects.

The Government shall also offer upfront support for obtaining CRZ clearances and most of the other clearances before the start of construction.

The Government has identified islands to be developed on Design, Built, Finance, Operate and Transfer (DBFOT) model while preserving and maintaining the natural ecosystem and rich bio-diversity of the islands. The Ministry of Home Affairs (MoHA) has identified a total of 26 islands as potential opportunity for holistic development.

The Opportunity

NITI Aayog, the premier policy 'think-tank' for GoI has short-listed 10 of these 26 islands which has been categorized into three distinct packages:

Package I (total of 4 islands): Smith Island, Ross Island, Long Island and Avis Island – located in Andaman & Nicobar Islands;

Package II (total 1 island): Little Andaman – located in Andaman & Nicobar Islands;

Package III (total of 5 islands): Minicoy Island, Bangaram, Thinnakara, Cheriya-mand Suheli – located in Lakshadweep Island.

Considering the overall intent for facilitating holistic and sustainable development on DBFOT basis where the developer will have the flexibility of designing the project facility; the following Anchor Projects are proposed in Andaman & Nicobar Islands:

- Development of 220 keys luxury resort at Lalaji Bay
- Development of 70 keys luxurious tents for glamping activities at Smith Island
- Development of 50 keys Tents in Aves Island

The islands have rich flora and fauna, serenity of nature, etc. The need for infrastructure intervention is recognized for the development of these islands in order to make them self-sustainable.

This Project Information Memorandum (PIM)

The objective of this document is to provide preliminary information about the Project to various stakeholders, including developers and investors. The document defines the following outputs.

Section 1 elaborates physical, economic and demographic characteristics of Andaman & Nicobar Islands

Section 2 elaborates tourism potential of Andaman & Nicobar Islands

Section 3 provides the project scope to be undertaken for development

Section 4 defines the transaction structure and key concession terms

Section 5 outlines the regulatory framework and assessment of approvals required for project development

Section 6 provides the procurement roadmap intended to be undertaken for procurement of projects for development of islands.

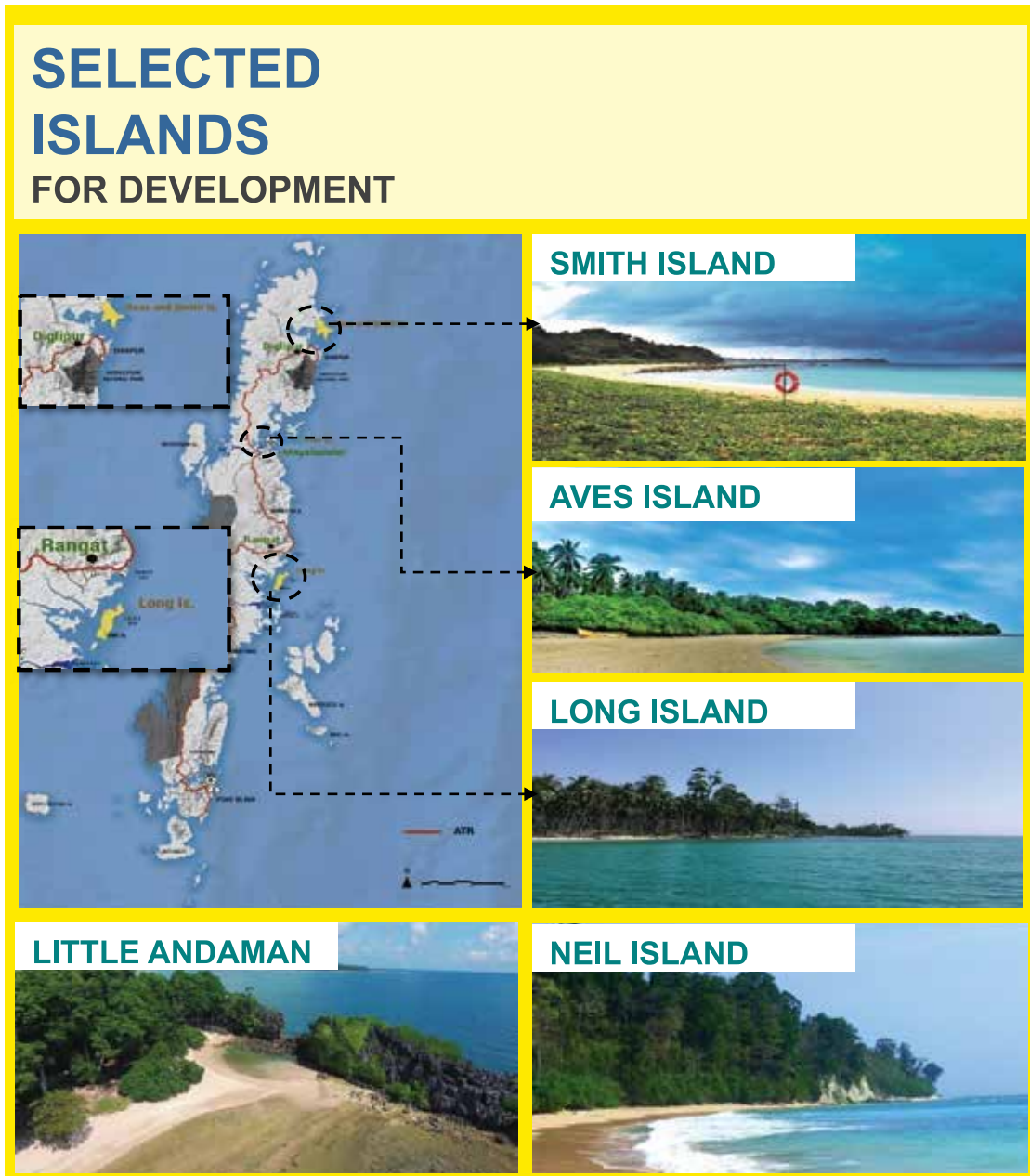


Exhibit 2: Brief overview of the Island Locations

Rationale for Selection of Projects

Andaman & Nicobar Islands are one of the most picturesque and breath-taking tropical islands in India. They are also amongst the most ecologically sensitive regions on earth. Considering the ecological sensitivity of the region, previous developmental activities have been limited, which has resulted in a lag in socio-economic growth of the inhabitants of Andaman & Nicobar Islands. Therefore, while identifying and evaluating the projects for development on such scale, a number of critical factors were taken into consideration.

Location: Andaman archipelago is situated in one of the fastest growing tourism zones in the world. The positioning of this archipelago presents an opportunity to tap the growing tourism market in neighbouring areas.

Tourism as the key economic driver: Due to the ecological sensitivity of the region, Andaman & Nicobar Islands have a very limited scope of industrial development. In such a scenario, tourism represents a sector with high potential for economic development. The natural beauty of Andaman & Nicobar Islands also makes them one of the prime attraction for tourists. Many Indian online forums list Andaman and Nicobar Islands among the top places to visit in India, specifically amongst the best beach destinations. Presently, Port Blair and Havelock Island of Andaman are popular destinations for domestic as well as international tourists.



//ANDAMAN & NICOBAR ISLAND//

Location

Andaman and Nicobar Islands is one of the seven Union Territories of India situated at the juncture of Bay of Bengal and Andaman Sea. It comprises of 572¹ islands (as per recent survey conducted by ANIIDCO, the total number of island is 608) having an area of 8,249 km², in which Andaman group has 325 islands while Nicobar group has 247 islands. Out of these, about 38 isles are inhabited in the whole region.

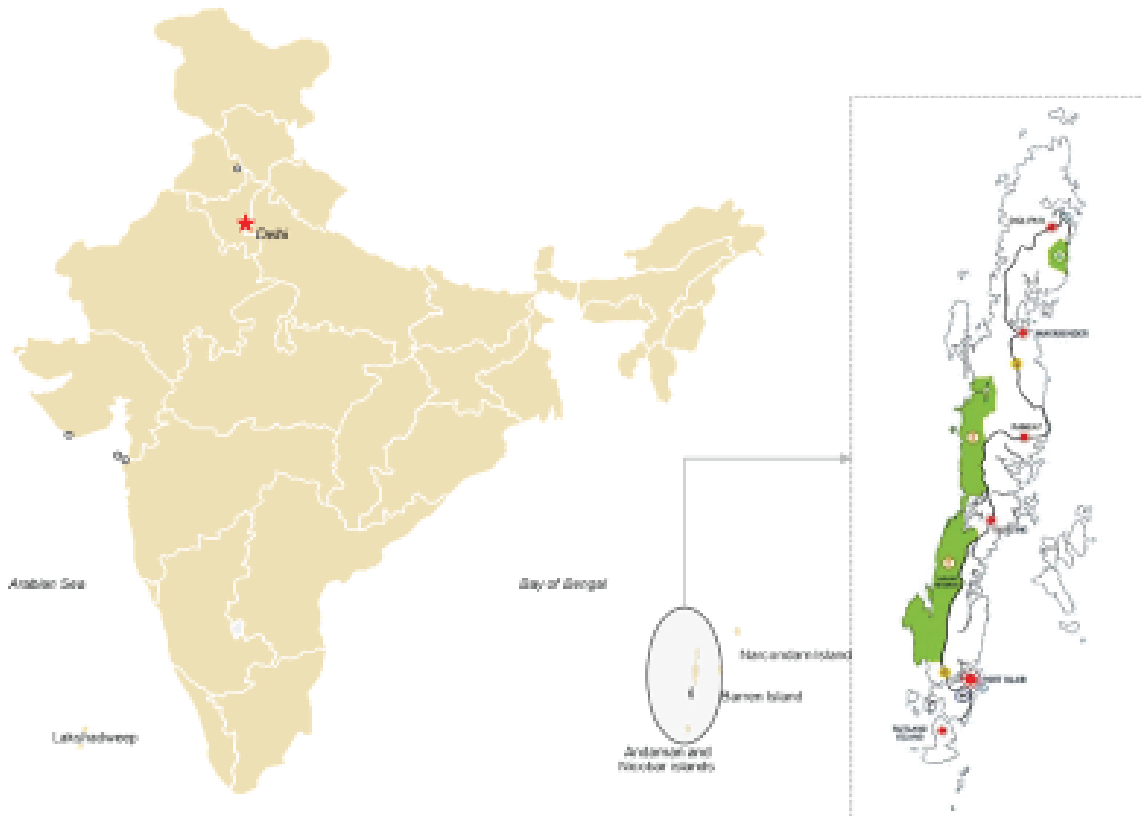


Exhibit 3: Location – Andaman & Nicobar Islands

¹As per <https://www.andamantourism.gov.in/html/andamans.html>

Connectivity

Inter Connectivity

Presently Andaman & Nicobar group of Islands are connected to mainland India via both air and sea routes. Port Blair is located 1,303 km from Kolkata, 1,330 km from Chennai and 2,459 km from Delhi by air. Veer Savarkar International Airport also known as Port Blair Airport is located 2 km south of Port Blair and is the main airport of Andaman and Nicobar Islands. All major domestic airlines such as Air India, Indigo, Go Air, Jet Airways, SpiceJet, Vistara operate regular flights from Kolkata, Chennai, Delhi, Mumbai, Bengaluru, Hyderabad and Ahmedabad to Port Blair.

The Directorate of Shipping Services (DSS) under Andaman and Nicobar Administration operates a total 84 vessels to provide connectivity between Port Blair and Kolkata/ Chennai/ Vizag.



For effective intra-island connectivity, the government is planning to develop Ro-Ro ferry service on PPP mode. In this direction, NITI Aayog is evaluating following requirements of the project:

- Techno-economic feasibility
- Revenue model
- Draft concession agreement

Intra Connectivity

Road transport within Andaman & Nicobar is managed by Directorate of Transport wherein National Highways Authority of India (NHAI) manages construction and maintenance of the highways and Andaman Public Works Department (APWD) constructs and maintains urban and rural roads in the islands under Port Blair Municipal Corporation (PBMC) and other PRI's. Most of the villages with population of more than 500 has been provided with road connectivity.

Inter-Island helicopter service is being provided by Andaman & Nicobar Administration in collaboration with Pawan Hans Helicopter Limited which operates regular helicopter services between islands. Andaman & Nicobar Administrative division is further drafting a seaplane policy to revive seaplane operations under Remote Connectivity Scheme of UDAAN by Gov.

Shibpur Naval Airport at Diglipur is also being developed for joint use by defence and civilians. The target date for civilian use of the airport is December 2018.



Exhibit 4: Illustration of Proposed Ro-Ro Network

Economic Activities

The economy of Andaman & Nicobar Islands consists of agriculture, trade, commerce, fishing and industry. A total of 48,675 hectares of land is used for agriculture purposes. Paddy, the main food crop, is mostly cultivated in Andaman group of islands, whereas coconut and arecanut are the cash crops of Nicobar group of islands. However, most of the required crops are imported from main land India. In terms of livelihood, about 50% of the population is directly dependent on agriculture and allied activities.

Andaman & Nicobar Islands has a coastal length of about 1,912 km with the Exclusive Economic Zone of 6 lakhs sq. km accounting for 30% of the total EEZ of the country. As per report from Ministry of Home Affairs, the total fish production in Andaman & Nicobar Islands during (till December 2017) was 27524.97 MT with a contribution of 27370.190 MT from Marine sector and 154.78 MT from Inland sector. The per capita income of this UT at constant price was INR 88,183 whereas the All India per capita income was INR 63,460 (during the year 2011-12).



// SMITH ISLAND //



//DEVELOPING ANDAMAN'S TOURISM POTENTIAL //

Tourism in India – A Holistic View

Tourism and hospitality industry is one of the largest and fastest-growing economic sectors in the world. The Asia Pacific region, of which India is a part, recorded 324 million tourist arrivals in 2017. India is one of the preferred countries to visit in Asia Pacific region, primarily driven by its diversified portfolio of offerings, variety of tourism products such as cruises, adventure sports, medical tourism, wellness, sports, MICE, eco-tourism, religious tourism, etc. Tourism in India accounts for 9.6% of the overall GDP & is the 3rd largest foreign exchange earner for the country.



Foreign tourist arrivals in India have grown from 7.0 million in 2013 to 10.2 million in 2017, the same is expected to grow at a CAGR of 16% to reach 20.0 million by 2020.

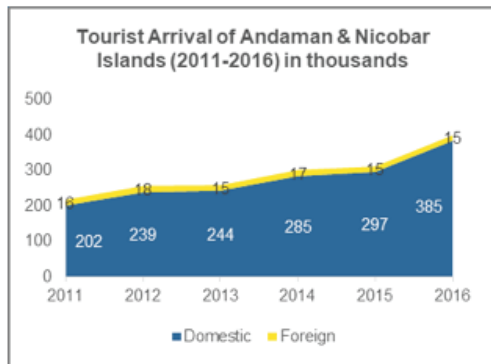
In comparison to other competitive markets, India has been able to attract a vast number of international visitors.

	International Visitor Arrivals 2016	Number of New Rooms 2016	Occupancy	Average Daily Rate (ADR)	Revenue per Available Room (RevPAR)
MALDIVES (Upscale)	1.2 million (YTD November 2016)	1,316 rooms	63.7%	USD 567	USD 361
MAURITIUS (Marketwide)	1.3 million	NIL	75.7%	USD 175	USD 132
SEYCHELLES (Marketwide)	303,177	127 rooms	66.8%	USD 333	USD 222
SRI LANKA (Marketwide)	1.8 million	674 rooms	66.4%	USD 111	USD 73

India was able to attract:
8.8 million tourists in 2016 from worldwide.
If some of these tourists can be diverted to Andaman & Nicobar and Lakshadweep Islands, it will cater to most of the tourism capacity of islands.

Tourism in Andaman and Nicobar

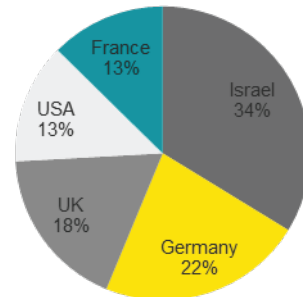
Andaman and Nicobar islands host a variety of tourists who visit the islands for recreation, natural and cultural heritage, health and wellness purposes.



The total tourist arrivals in Andaman & Nicobar Islands have been increasing steadily. It increased from ~218,000 in 2011 to more than ~400,000 visitors in 2016. While arrivals of foreign tourists to the islands have reported a marginal decline, it stabilized at around 15,000 visitors per year during 2015 and 2016. However, as is evident, on an average, ~94% of tourist arrivals in Andaman & Nicobar Islands have been domestic tourists.

In line with the above trend of tourist arrivals, tourism receipts have also increased from 2010 to 2015 by 50%. This trend is expected to continue due to the growing popularity of the region. The region will also benefit from achieving intermodal connectivity between islands and increase in frequency of flights and ships to and from the Indian mainland through efficient transport modes.

Major Originating Countries for Foreign Tourist Arrivals in Andaman in 2016



As can be seen from the chart above, foreign tourists coming to Andaman & Nicobar are primarily from Israel, Germany, UK and other European Nations. The unique appeal of Andaman & Nicobar Islands as a destination comes from the natural beauty of the beaches and forests as well as historical elements from the British era.

The primary inflow of domestic tourists is from the states of West Bengal, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Gujarat and Madhya Pradesh. West Bengal provides a vital transportation link to the capital city of Port Blair. The state also acts as a strategic base for emergency relief response and disaster management activities for the territory.

Positioning Andaman as a destination

The A&N Administration has the vision to develop the Islands as an upmarket Island destination for both domestic and international tourists. Sustainable development of tourism infrastructure will endorse socio-economic development of the islands through employment generation.

As per feasibility study, comparison of tourism growth of Maldives, Cambodia and Thailand indicates that to boost the tourism sector in island regions, the Government has made essential but crucial interventions. Tourism emerged as one of the key economic drivers by way of contribution towards the Gross Value Addition (GVA) of the union territory.

As per feasibility report, the following figure highlights the estimated tourism potential for A&N islands till years 2030.

Since the Islands in India have significant latent potential – rich flora and fauna, serenity of nature, sandy beaches, etc, the need for infrastructure intervention is pertinent for the development of these islands to make them self-sustainable.

Early Bird Priority Projects (EBPPs) facilitate and support the development of anchor projects by providing interventions in key areas such as connectivity, utilities, etc.



Exhibit 5: Estimated tourism potential for A&N islands till years 2030

Phase 1 – Projects

In line with the holistic development of the geography, some of the identified projects should be fast-tracked for better implementation and expediting regional development. Such expedited projects are classified as follows:

- Anchor Projects – economic multiplier
- Early Bird Priority Projects (EBPPs) – key enabling interventions

Anchor projects are the ones that can act as demand/ economic driver for the upcoming/already existing master-planning projects such as basic infrastructure – transport, power, etc. These projects shall provide the necessary impetus for other allied and independent developments, which can further boost the economy of the region.

These projects focus on improving basic amenities and are typically fast-tracked to act as a foundation for kick-starting anchor as well as other development projects. These projects are majorly capital intensive and are typically undertaken by Government Institutions or line ministries associated with the respective developments.

NITI Aayog, in discussion with the Union Territory (UT) Administration, has finalized five ‘Early Bird Priority Projects’ (EBPPs) in Andaman & Nicobar Islands. These EBPPs include projects across various sectors such as road, aviation, power, urban development and industrial corridor. Such projects shall act as enablers for establishing other key (anchor) projects for activating the region (islands).

Infrastructure Strengthening Projects

To provide the impetus for development of anchor eco-tourism projects, the Authority has identified few infrastructure projects related to connectivity, power, water supply etc. These projects are proposed to be taken on a priority basis so that other development activities, including development of eco-tourism resorts, can be expedited.

Airport at Diglipur

- Presently, only the Port Blair Airport is operational for civilian transport in Andaman & Nicobar
- Diglipur Airport has been envisaged to be made operational for civilian transport in order to boost tourism potential in North Andaman region
- The Air strip at Diglipur is already under regional connectivity scheme of AAI

Berthing Facility at Smith Island

- Presently Ross and Smith Islands can be reached from Aerial Bay Jetty by wooden boats used by fisherman's Aerial Bay Jetty is at a distance of ~8Kms from Diglipur town.
- There is also a regular public ferry service that leaves to Sagardweep village in Smith Island from Aerial Bay.
- In order to boost ferry service, a berthing facility at Smith Islands have been envisaged as one of the Early Bird Priority project

Road and Rail Infrastructure Projects

- To strengthen road connectivity, upgradation of Andaman Trunk Road (ATR) is already under way
- Two bridges over Middle Strait Creek and Humphrey Strait Creek of ATR are also in progress.

Port Infrastructure

- The sea route from Port Blair to Baratang is under development (Projected investment is Rs 50 Cr.)
- Augmentation of DDC by expanding existing in Port Blair (Projected investment is Rs 120 Cr.)
- A ship building and ship repairing facility is envisaged in Andaman & Nicobar Island
- Addition of new ships to transportation fleet for improving the connectivity between main land India and islands have been planned
- It has been proposed to develop private lines for use of speed vessels which are to target high end customers

Telecom Infrastructure Projects

- Laying of submarine optical fibre cable between Chennai and Port Blair and five other islands (Havelock, Little Andaman, Car Nicobar, Kamorta and Campbell (envisaged to be completed by June 2020). Expected investment for the project is Rs 1,102 Cr.

//PROJECT OVERVIEW//

Project Scope

For identification of project sites in the selected islands, a comprehensive detailed analysis of land parcels were carried out to evaluate the feasibility. At the initial stage, analysis of environmental sensitivity, built suitability and tourism suitability was carried out against existing assets and proposed activities. Land parcels which are found suitable based on the above parameters were mapped against land ownership. Subsequently, the land pockets which can be made available as per its ownership details have been earmarked as project sites.

It is requisite for holistic development to assess the proposed development areas with respect to eco-sensitivity and fragility to arrive at sustainable development guidelines and proposals.

After the assessment for identification of projects, the following projects have been identified by taking into consideration the carrying capacity² of the region.

- Island Resort at Lalaji Bay, Long Island
- Tents & Tree house at Smith Island
- Tents at Aves Island

These projects have been envisaged to be developed as self-sustainable which includes development of trunk infrastructures. Further, it is expected that the developer will deploy innovative solutions such as rainwater harvesting³ for reducing the carbon footprint of the projects.

² Carrying capacity indicates the maximum number of people that may visit a tourist destination at the same time, without causing destruction to the physical, economic, socio-cultural environment and an unacceptable decrease in the quality of visitors' satisfaction.
³ Andaman & Nicobar receives adequate rainfall for successive use of rainwater harvesting.

Development Standards

As per feasibility report, the administration shall prescribe detailed standards as development norms as a part of tourism policy. This policy shall be formulated considering the local challenges and standards prescribed by GRIHA, LEED or Green Globe .

Project Details - Long Island

The Long Island is spread over an area of 14 sq. km, the northern and central parts of the island are covered by tropical evergreen forests, while the southern part comprises of forest plantations and agricultural land. The coral reef of Long Island is of the fringing type wherein live corals can be found at a depth of 12m. The mudflats of the vast area are also experienced during low tides.

Connectivity

Long Island is accessed through regular boat service from Port Blair, such services are usually operated three times in a week and are dependent upon the weather conditions. The island consists of narrow concrete roads, connecting Long village with Sigmundera village (also called Middle village). Also, helipads are operational in the islands.

Tourism

Tourist accommodation is mainly concentrated in the south of Island. There are 3 government owned facilities and one privately owned Blue Planet resort & Bed and Breakfast facility. Such facilities have limited capacity (less than 6 rooms each) to operate.

Environmental Sensitivity

The composite sensitivity map was prepared overlapping slope, land cover, surface water, and drainage and hazard maps. The entire island falls in moderate suitable zone which overlaps with agriculture/ settlement areas.



Area along Sigmundera village has a mix of high value and low value tourism owing to the land use mix of settlement and agricultural fields. It has mixed potential for high end agro/niche tourism.

Island Resort at Lalaji Bay, Long Island

Lalaji Bay Beach is one of the most scenic beaches in Andaman. This island offers various opportunities to leverage from the pool of natural resources and the tourism trend.

Tourism Suitability Analysis

The composite suitability map of the island was prepared by overlapping beach quality, land and water features of scenic value and unique, historic and scenic buildings and cultural resources, land cover and slope. The island has settlements concentrated along its southern edge making it the most suitable zone for tourism development. The Long Island village area also caters to high value tourism. The existing abandoned property and dilapidated quarters can be renovated and used as tourist accommodation facilities.

Govt is desirous of developing an Island Resort to tap tourism potential of the island. The key aspects of the project have been discussed herein.

As per the initial studies undertaken to analyse the feasibility of the project, various beach tourism activities and additional infrastructure are required to support the development of the proposed island resort. The UT Administration is also exploring additional parcel of land for use in future eco-tourism projects.

Key Specifics

Overview



ISLAND RESORT AT LALAJI BAY, LONG ISLAND

- No. of Keys: Max. 220 to be developed in Phases
 - (100 in Phase-1)
- Developable Land Area: 35.7 Hectare
- Capex: [INR 392 Crore]
- Construction Period: 3 Years

Proposed Activities

Proposed Adventure Sports	Proposed Commercial Activities	Proposed Additional Captive Utility
<ul style="list-style-type: none"> ✓ Scuba Diving ✓ Snorkelling ✓ Game Fishing ✓ Forest Trails and Treks ✓ Kayaking ✓ Jet Skiing ✓ Water Surfing ✓ Para Sailing ✓ Para Gliding 	<ul style="list-style-type: none"> ✓ Shopping areas for local souvenirs, including sea based souvenirs ✓ Indoor and Outdoor Sports as permitted by Law ✓ Banquet and Conferences 	<ul style="list-style-type: none"> ✓ 0.25 MLD Water Desalination Plant ✓ 2.4 MW solar (PV) power generation facility ✓ Infrastructure for Beach Operation ✓ Floating Jetty Compatible to support sea plane operations

Viability Analysis

In this section, viability of the project is analysed considering PPP model of development. The analysis has been conducted to estimate the initial investments for implementation of the project and to assess whether the project can recover its investment and recurring costs and become profitable in a pre-defined course of time.

Concession Period Assumptions

For the purpose of financial analysis, the concession period for the project has been assumed to be [50] years. The construction is completed in 3 phases spanning over 15 years. Phase I construction is proposed to be completed in the first three years.

Concession Period	Construction Period
[50] Years	3 Years (for Phase 1) Total 15 years for 3 Phases

Project Cost Assumptions

An analysis of indicative breakup of the project cost involved in the development of the project has been stated as follows.

Sl. No.	Particulars	Amount (in INR Cr)
1	Resort construction cost	334
2	Infrastructure cost	32
3	RO plant	4
4	Power facilities	19
5	Beach activity facilities	4
Total		392

As per the Financial Feasibility Report submitted by the technical advisor, the construction cost per key is assumed as INR 0.96 Cr. and the total cost to build 1 million litres per day (MLD) RO plant is considered as INR 10 Cr. The requirement of power for one key has been assumed to be 25,000kWh per year.

Capex Phasing Assumptions

Given the scale and scope of the project, capex is proposed to be phased out in three phases over a period of 15 years from the commencement of construction. A summary of the proposed capex phasing is given below

Capex phasing of the Long Island project														
Parameter	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14
Construction costs	27	29	15	-	-	-	27	29	15	-	-	73	78	41
Infrastructure Cost	10	10	12	-	-	-	-	-	-	-	-	-	-	-
RO Plant	1	-	-	-	-	-	1	-	-	-	-	2	-	-
Power	4	-	-	-	-	-	4	-	-	-	-	11	-	-
Beach Facilities	-	-	4	-	-	-	-	-	-	-	-	-	-	-
Total Capex	41	38	31	-	-	-	32	29	15	-	-	86	78	41

Revenue Assumptions

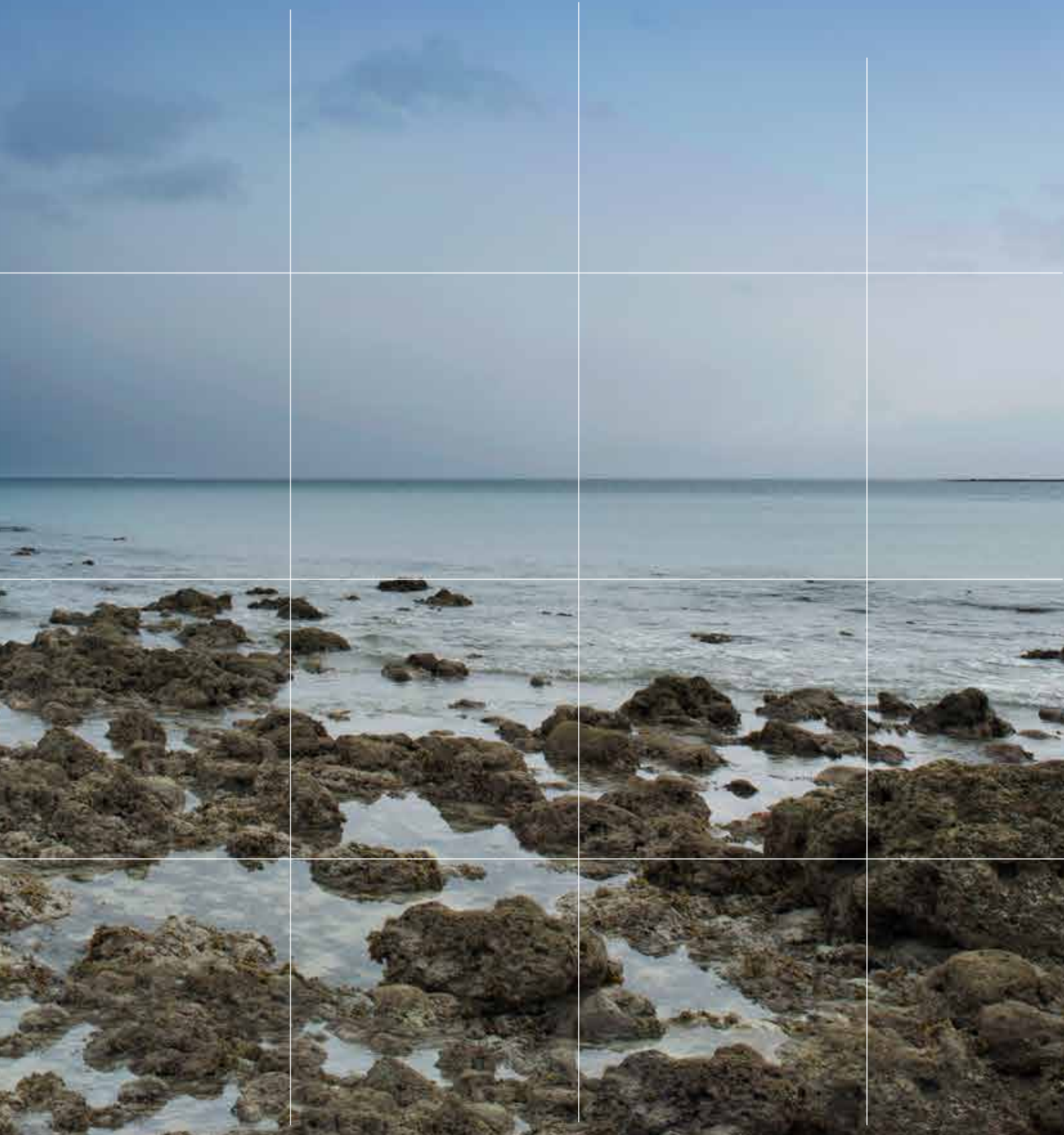
The state of occupancy in Andaman and Nicobar Islands is estimated at ~ 58% across months. It is assumed that once the resorts are operationalized, it would take 3 years to reach steady state of occupancy. Therefore the effective revenue realization starts from the fourth year.

The revenue sources considered for the project for viability analysis are given below:

- Room rentals
- Food and beverages
- Banqueting and other resort facilities
- Minor operations associated with the resort (cab services, laundry, etc.)
- Other tourism/ adventure activities like scuba diving, water surfing, etc.

Based on the financial feasibility assessment carried out by the feasibility consultant, a Project IRR of >20% is estimated.

// SMITH ISLAND //



Project Details: Smith Island

Ross and Smith Islands are known as twin islands and are connected by a narrow bar of strand that is only visible during low tide. Ross Island consists of wildlife sanctuary and a bird watching facility. The islands are highly eco-sensitive and is considered to be a turtle nesting ground.

Connectivity

Access to Smith Island requires forest permit which can be obtained through payment of registration fees. Jetty in Diglipur are available to reach Smith Island. There is also a regular public ferry service that leaves for Sagardweep village in Smith Island. Diglipur helipad, which is nearest to Smith Island, is about 12 km from the island. Also, land has been identified at Smith Island for development of a new helipad.

There is a potential of a berthing facility at Smith Island to attract tourists as well as to accelerate the development of the island. Establishment of a dependable network for materials as well as man power will enable development and boost the arrival of tourists on the island. With an international standard berthing facility and pristine tourist locations, the international cruise route can also be tapped into. As a part of positioning the facility, key features of the proposed activities and additional infrastructure required is carried out.

Tourism

There is no tourism accommodation in Smith Island. Closest accommodations are near Diglipur, along the Aerial Bay. These tourist facility are UT owned and operated. However, they are not permitted to be used by tourists.

Environmental Sensitivity

This Island is one of the most fragile in Andaman with a plethora of rich and diverse ecological habitats. Most of the island is under mangroves and littoral forest cover and hence, highly sensitive to climate change. Very few patches of land located in the northwest-southeast valley can be included in the moderate category because these land parcels are mostly flat with very sparse settlements practicing agriculture. The entire island of Smith Island figures as high sensitive zone.



Tourism Suitability Assessment

The sandy beach along the south eastern edge of the island can be a major tourist attraction in this zone. The settlement also has considerable potential for agro-tourism. The north-western edge of the island has mangrove forests and creeks which can cater to high value tourism, though the eastern edge of the island isn't equally suitable. Ross Island has potential for niche tourism where bird watching trails can be developed. The sand bar connecting both the islands falls in high value tourism potential zone. However, ecological sensitivity and carrying capacity of the sand bars are vital factors which shall determine the intensity of tourism activities in this zone.

Tents & Tree houses at Smith Island

The tropical forests, nature trails, virgin beaches and picturesque village enable Smith Island to become a perfect tourist destination. The island also has a turtle nesting point and marine sanctuary.


Ross and Smith sandbar has good tourist footfall during peak seasons. The tourism sector in the island employs around 100 people (either directly or indirectly) in various activities like boat service, coast guard, and small shop keepers at Aerial Bay Jetty. However, due to nearly non-existent commercial outlets and infrastructural shortcomings at the project islands, the tourism potential remains untapped.

To capture the same, it has been proposed to develop tents and tree houses at Smith Island. Land available in Smith Island does not have beach front but has tremendous potential for jungle resort as it is bordered on one side by dense forest. The proposal evaluates development of jungle resort with tree houses, tent, infrastructure facilities and island connectivity. The brief on key specifics of the proposed facility is stated in the following section.



Key Specifics

Overview



TENTS AND TREE HOUSES AT SMITH ISLAND

- No. of Keys: 70
- Developable Land Area: 8.1 Hectare
- Capex: [INR 69 Crore]
- Construction Period: 2 Years

Proposed Activities

Proposed Adventure Sports	Proposed Commercial Activities	Proposed Additional Captive Utility
<ul style="list-style-type: none"> ✓ Scuba Diving ✓ Snorkelling ✓ Game Fishing ✓ Forest Trails and Treks ✓ Kayaking ✓ Jet Skiing ✓ Water Surfing ✓ Para Sailing ✓ Para Gliding 	<ul style="list-style-type: none"> ✓ Shopping areas for local souvenirs, including sea based souvenirs ✓ Indoor and Outdoor Sports as permitted by Law ✓ Banquet and Conferences 	<ul style="list-style-type: none"> ✓ 0.08 MLD Water Desalination Plant ✓ 1 MW Solar Power Generation Facility ✓ Infrastructure for Beach Operation ✓ Floating Jetty Compatible to support sea plane operations

Viability Analysis

In this section, viability of the project is analysed considering PPP model of development. The analysis has been conducted to estimate the initial investments for implementation of the project and to assess whether the project can recover its investment and recurring costs and become profitable in a pre-defined course of time.

Concession Period Assumption

For the purpose of financial analysis, the concession period for the project has been assumed to be [50] years. The construction is proposed to be completed in the first 2 years and an integrated redevelopment of the tree house project would be effectively implemented.

Concession Period	Construction Period
[50] Years	2 Years

Project Cost Assumptions

The capital expenditure to be incurred for tents and tree houses at Smith Island will broadly be incurred on construction of permanent structures, trunk infrastructure, utility projects like solar, power generator and diesel power generators, beach facility equipment, etc. These expenditures have been sub-divided into the following categories:

The construction cost per tent is assumed to be INR 30 lakhs. The cost is assumed considering Lebua Lodge (Jaipur), Corbett Woods (Uttarakhand) and Wynberg resort (Kerala) as benchmarks where glamping activities were carried out in luxurious tents. The total construction cost for tents is INR 24 cr.

Sl. No.	Particulars	Amount (in INR Cr)
1	Tents	24
2	Permanent Structures	19
3	Site Development Charges	12
4	Floating Jetty	6
5	Utilities	7
6	Equipment Costs	1
Total		69

The total capital expense for the proposed Anchor Projects of 70 tents is estimated at ~INR 69 cr. The other facilities like Power and RO plant contributes a small amount to the total capital expenses. The facilities for power (solar and diesel generators) and water (RO plants) are to be increased in the first year.

Capex Phasing Assumptions

The proposed phasing of capex is given below.

Parameter	Y1	Y2
Tents	-	24
Permanent structure	9	10
Site Development Charges	8	4
Floating Jetty	6	-
Utilities	7	-
Equipment Costs	-	1
Total Capex	31	38

Revenue Assumptions

The state of occupancy in Andaman and Nicobar Islands is estimated at ~ 58% across months. It is assumed that once the resorts are operationalized, it would take 3 years to reach the steady state of occupancy. Therefore, effective revenue realization starts from the fourth year.

The revenue sources considered for the project for viability analysis are given below:

- Room rentals
- Food and beverages
- Banqueting and other resort facilities
- Minor operations associated with the resort (cab services, laundry, etc.)
- Other tourism/ adventure activities like scuba diving, water surfing, etc. like scuba diving, water surfing, etc.

Based on the financial feasibility assessment carried out by the consultant, Project IRR of >15% is estimated.

Project Detail: Aves Island

Aves Island lies to the east of Mayabunder and is accessible by boats. Aves Island Coconut Plantation Cooperative Society has been maintaining and operating the coconut plantation on the island since 1949. The coconut plantation covers an area of 16 Ha of cultivated land of the island. The island is not inhabited, and there are very few ferry services from Port Blair.

Connectivity

The island can be accessed through fisherman's boat from Mayabunder jetty. The nearest helipad to Aves Island is Mayabunder helipad at a distance of 4 km.

Tourism

Aves Island has beautiful sandy beaches, thick coconut plantations and a beautiful marine fauna and flora. It also has a lighthouse that offers excellent viewpoints.

Aves Island is very close to Mayabunder, where accommodation is quite well developed. Government guest houses are not meant for tourists; however there are a few other accommodations in Mayabunder.

Environmental Sensitivity

Land Cover and hazard maps were overlapped to reveal composite sensitivity of the island. Aves offers limited opportunity for development as most of the Island is covered with forests or coconut plantations. However, low intensity development activities such as camping, sun basking can be promoted along the beautiful sandy beaches to tap its tourism potential.

Tourism Suitability Assessment

Tourism suitability is high along the north western beach. The coconut plantation also shows high potential for tourism such as camping sites with a backdrop of coconut cover. The forests show moderate potential for forest trails.



Tents at Aves Island

Aves is a small and beautiful island, also called Coconut Island for its lush green coconut plantation. Currently, Aves Island is not open for tourists. To visit the island, the tourists have to take prior permission from the local authorities. Further, it is an uninhabited island with no accommodation facilities.

Presence of various natural features (Live and dead coral flat beds, coconut plantation, forest) and the pristine beach at Aves Island, makes it an ideal destination for campers. Trekking within the island through the coconut plantations and small jungle trail takes the tourists to the lighthouse on the southern point.



The isolation of Aves Island and the rustic forest ambience influenced the proposal of glamping site on the island. 50 key tented accommodation is proposed on 2.75 Ha of land that is available in the first phase. The glamping facility can also be an overnight stay opportunity for cruises and yachts. Subsequently, in phase 2, if the remainder of the land (13.05 Ha

currently under coconut plantation) is developed into a tourist accommodation, the integrated glamping facility would add to the market value and uniqueness of the island as an exclusive tourist destination.

The UT Administration is also exploring additional parcel of land for use in future eco-tourism projects.

Key Specifics

Overview



TENTS AT AVES ISLAND

- No. of Keys: 50
- Developable Land Area: Minimal (Tents only)
- Capex: [INR 45 Crore]
- Construction Period: 2 Years

Proposed Activities

Proposed Adventure Sports

- ✓ Scuba Diving
- ✓ Snorkelling
- ✓ Nature Camping

Proposed Commercial Activities

- ✓ Shopping areas for local souvenirs, including sea based souvenirs
- ✓ Wellness and well being centres

Proposed Additional Captive Utility

- ✓ 60,000 LPD Water Desalination Plant
- ✓ 0.6 MW solar power generation facility
- ✓ Infrastructure for Beach Operation
- ✓ Floating Jetty Compatible to support sea plane operations

Viability Analysis

In this section viability of the project is analysed considering PPP model of development. The analysis has been conducted to estimate initial investments for implementation of project and to assess whether the project can recover its investment and recurring costs and become profitable in a pre-defined course of time.

Concession Period Assumptions

For the purpose of financial analysis, the concession period for the project has been assumed to be [50] years. The construction is proposed to be completed in first two years and an integrated redevelopment of tree houses project would be effectively implemented thereafter.

Concession Period	Construction Period
[50] Years	2 Years

Project Cost Assumptions

The capital expenditure to be incurred for tents at Aves Island will broadly be incurred on construction of development of accommodation structures (tents), trunk infrastructure, utility projects like solar power generator and diesel power generators, activity equipment, etc.

The breakup of project cost as follows:-

Particulars	Amount (in INR Cr)
Tents	15
Staff tents	4
Site Development Charges	14
Floating Jetty	3
Utilities	10
Equipment Costs	1
Total	45

Capex Phasing Assumptions

The proposed phasing of capex is given below.

Parameter	Y1	Y2
Tents	3	12
Staff tents	2	2
Site	10	4
Floating Jetty	3	-
Utilities	10	-
Equipment	-	1
Total Capex	27	18

Revenue Assumptions

Apart from rents for tents, the other major revenue factors for this project are Food and Beverage (F&B) and other minor operations such as laundry. The above revenue factors excluding F&B revenues are considered as percentages of tents rental revenues, as most of the customers using room services will also be using these value-added services.

Project Details: Neil Island

Neil Island lies 36km to the northeast of Port Blair. The island remained uninhabited till the 1960s. Due to widespread paddy cultivation, unlike the other islands of Andaman, Neil Island has very little forest cover. The island consists of five major villages, viz; Sitapur, Bharatpur, Neil Kendra, Lakshmanpur and Ram Nager. The total area of the island is roughly 13.7 sq. km. with a total population of 3040 (Census 2011). Hence, the total population density is relatively low with just a little over 220 person/sq. km.

Connectivity

The government ferry from Port Blair to Neil Island takes about 2 hours. Two boats leaving from Phoenix Bay Jetty make the round trip from Port Blair to Neil Island every day. Tickets can be booked in advance from Port Blair and Havelock. From Rangat (via Long Island and Havelock) there is also a ferry coming from the north to Neil. There are also 2 private boat companies operating between Port Blair, Havelock and Neil: Mackruzz and Ocean Green.

Tourism

Unlike Havelock Island, Neil Island is less crowded and has lesser congestion even during peak time, making it one of the favourite island attraction for the foreign and domestic tourists. A government run accommodation named Hawabill Nest also offers accommodation to the tourists. The island is known for its Sunset Point, Snorkeling at jetties at Neil, Scuba Diving and other water sports, and for its variety of local cuisines.

The island has limited number of budget and luxury hotels to cater to its guests, despite being a great attraction for the tourists. The limited conveyance mode of ferries from Port Blair to Neil Island can be seen as one of the reasons for undeveloped tourism.

Beach Resorts at Neil Island

On the lines of earlier model of the project and also the proposed model for Long, Avis and Smith islands it is proposed to develop tourism cottage under PPP model. The total land area of Neil Island is 9.7 Ha. The feasibility study of the project is under process.

Project Details: Little Andaman

Total area of Little Andaman is 734.34 sq km, of which tribal reserve is 402 sq km and reserve forest is 300 sq km.

Presently 2 sites have been identified on revenue land for development of eco-tourism (5 ha and 12 ha). Pre-feasibility of these two projects are underway.

// TRANSACTION STRUCTURE //

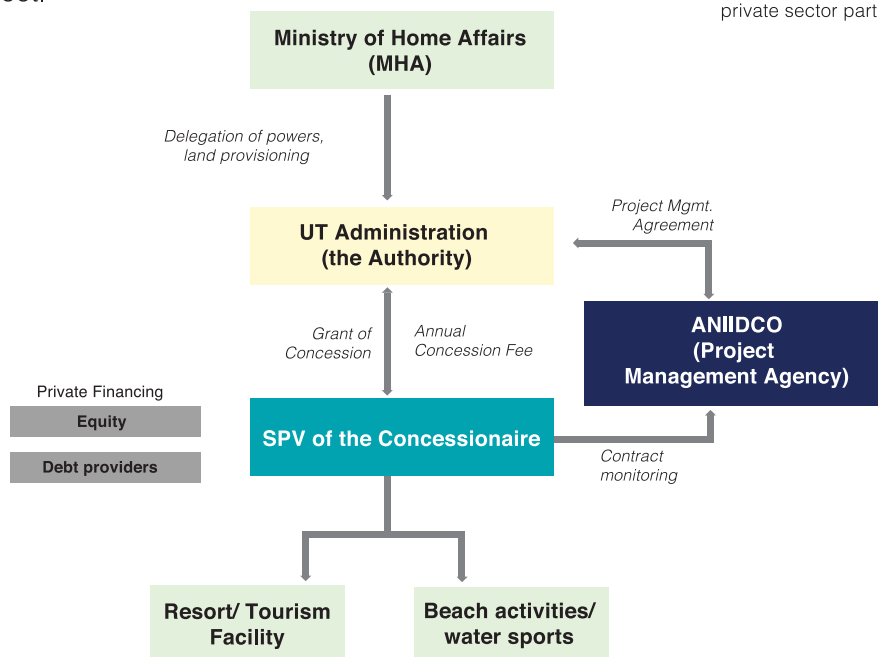
To undertake development of eco-tourism project in Andaman & Nicobar Islands, the Project envisages a concession agreement between UT Administration and a private developer through Design, Built, Finance, Operate, Maintain and Transfer (DBFOT).

The structure envisages a typical project finance structure where a Special Purpose Vehicle (SPV) incorporated by the winning bidder (private partner) secures finance by way of equity infusion and non-recourse debt. The developer shall earn revenue from eco-tourism resort and other adventure and tourism activities. The concessionaire shall pay annual concession fee to the Authority. The key features envisaged under such arrangement is defined below:

- UT Administration of Andaman & Nicobar Islands shall be the implementing authority for the Project.
- ANIIDCO shall be the Project Management Agency (PMA) who will act on behalf of UT Administration during development and operation of the Project.⁵

- The development parameters such as number of permissible keys, permissible activities, building and construction standards shall be pre-decided by the government considering ecological sensitivity and carrying capacity of the island.
- The government shall enhance the viability/ sustainability of the project by developing support infrastructure such as Ro-Ro facility, jetty, airstrips helipads, etc.
- The Authority shall be responsible for procuring necessary CRZ and environmental approvals before the award of Project.
- The appointed Developer shall create an SPV for execution of Project.
- There shall be an escrow mechanism in place of the waterfall mechanism.

There shall be no restriction on the room rent of island resort/ tourism facilities. It will be market driven. The transaction structure adopted is elucidated in the figure below:



⁵ANIIDCO has previous experience implementing tourism projects involving private sector participation.

Exhibit 6: Transaction Structure

The draft concession agreement will be provided along with tender documents. The indicative term sheet containing key clauses of concession agreement are given below:

Particulars	Covenants
Scope	<ul style="list-style-type: none"> Design, Build, Finance, Operate, Maintain and Transfer the Project facilities (DBFOMT model)
Concession period	<ul style="list-style-type: none"> [50] years including [2/3] years of construction + [48/47] years of O&M
Minimum Development Obligation (MDO)	<ul style="list-style-type: none"> MDO to be attained within stipulated construction period, else provision for termination and / or provision of financial penalties
Development Standards	<ul style="list-style-type: none"> The project proponents shall be required to follow pre-defined standards of eco-conservation [GRIHA OR LEED OR GREEN GLOBE] as specified in Concession
Obligation of Concessionaire	<ul style="list-style-type: none"> Design, develop, engineer, procure, finance, construct for and undertake the operation and maintenance of the Project Facilities on the Site; Perform and fulfill its obligations under the Financing Agreements; Comply with all Applicable Laws and Applicable Permits (including renewals as required) Procure, as required, the appropriate proprietary rights, licenses, agreements and permissions for materials, methods, processes and systems required for the Project; Transfer the Project Facilities to the Authority as is basis on the Transfer Date, in accordance with the provisions thereof;
Obligation of Authority	<ul style="list-style-type: none"> Provide all reasonable support and assistance to the Concessionaire in procuring Applicable Permits required from any Government Instrumentality for implementation and operation of the Project; Assist the concessionaire in obtaining access to all necessary infrastructure facilities and utilities, including water and electricity
Local Employment	<ul style="list-style-type: none"> Concessionaire to be obligated to adhere to a minimum percentage of local islanders' to be employed in business activities in initial years. Training of local youths to be encouraged so that increased levels of islanders employed in tourism activities.
Annual Concession Fee	<ul style="list-style-type: none"> Annual Concession Fee with pre-determined increase in amount shall be paid by the concessionaire to the Authority.
Provision for Deferred Payment of Annual Concession Fee	<ul style="list-style-type: none"> In case of lower than expected project performance there shall be suitable provisions for deferment of Annual Concession Fee.

Relaxation of Restricted Area Permit (RAP) Regime

In the interest of promoting tourism and overall development of A&N Islands. The MoHA, through Circular dated 29th June 2018 has decided to exclude 29 inhabited islands from RAP Regime.

However, citizens of Afghanistan, China and Pakistan and foreign nationals having their origin in these countries would continue to require the RAP to visit A&N Islands.



// REGULATORY FRAMEWORK //

In order to develop sustainable eco-tourism Project in Andaman & Nicobar Islands, the following section highlights the key aspects of regulatory compliances. This includes details regarding the approval and clearances required for implementation of eco-tourism projects in Andaman & Nicobar Islands.

Relevant Guidelines & Local Policies

The following section highlights and summarizes key aspects of relevant guidelines, acts and local policies that may be applicable on the projects that have been identified in the Union Territory of Andaman & Nicobar Islands. The major local policies and guidelines applicable are as follows:

- Eco-Tourism Policy Guidelines, 2015
- Restricted Area Permit (RAP)
- The Andaman & Nicobar Islands Tourism Trade Regulations, 2017
- Guidelines for approval and registration of Bed & Breakfast / Home Stay Establishments
- Guidelines for Surface Adventure Water Sports Activities, 2016
- Andaman and Nicobar Islands Water Sports Guidelines, 2015
- Guidelines for Scuba Diving Centres in A&N Islands, 2010
- Guidelines for Sports Fishing in A&N Islands

Assessment of Approvals

The following section details the critical approvals and clearances required for all the potential development projects in the Union Territory of Andaman & Nicobar Islands. The major relevant approvals that may be required for any development projects are as follows:

CRZ Clearance

As per Central Government Notification dated 19th February 1991 u/s Environmental Protection Act, 500m on the landward side from High Tide Line (HTL) and land area between Low Tide Line (LTL) and HTL including 500m along the tidal influenced water bodies subject to a minimum of 100m on the width of the water body, whichever is less is declared as CRZ area. Since, all development falls under such category, it is mandatory that any proposed hospitality unit obtain CRZ clearance before the commencement of any type of construction activity.

UT Administration has already filed CRZ applications for identified projects.

Building Plan Sanction

As per the guidelines, instructions and restrictions set forth in Port Blair Municipal Council Building Bye-Laws, it is mandatory to obtain Building Plan Sanction under Andaman & Nicobar Panchayat Regulation.

Environment Clearance (EC)

EC is required for projects with a built-up area greater than 20,000 square meters. The governing authorities for this clearance are MoEF, ANZMA and ANEIAA. Pollution NOC

The ANPC Committee governed by guidelines and restrictions as per the EP Act, 1986, the Water (Prevention & Control of Pollution) Act, 1974 and the Air (Prevention & Control of Pollution) Act, 1981 under the GoI mandates prior approval before commencement of construction activities.

Registration for Water Sports

The Concessionaire will have to obtain registration of water sports.

// SMITH ISLAND //








// RISK ALLOCATION //




The advantage of using DBFOT model for implementing the Project consists of an optimal, balanced and economically effective distribution of risks associated between the parties in a long-term concession agreement.

The optimal risk distribution is based on the principle that risks beyond the control or competency of the developer are to be borne by the Authority. The developer takes responsibility for a significant part of the risk related to construction, design, operation and financing of the Project.

Table below is a general indication of the preliminary view about allocation of key project risks.

This table is for information purpose only and is not an exhaustive list of the Project's risks. Actual risk allocation and risk sharing processes will be set forth in detail in the procurement documents and may be further refined based on feedback received during investor's conference.

Risk	Description	Allocated to
Market risks	Slowdown in tourism demand and global economy	
Approval risks (CRZ, Environmental, if any)	Unpredictability with respect to weather conditions	
Financial risks	Interest rates in the market are volatile and may fluctuate due to any changes in monetary policies and fiscal policies. Tax rates may also affect the earnings from the project	
Design & Construction risks	Adherence to the design and construction to the specified standards and specifications	
Operation risk	throughout the concession period.	

 Contracting Authority / Government
  Developer
  Shared

// PROCUREMENT ROADMAP //

Procurement Strategy

With an objective of meeting the desired timelines, procurement roadmap details out the Project information in the investors conference. Subsequent to this PIM, the interested parties can access pre-qualification (PQ) document, detailing pre-qualification criteria and guidelines. The interested parties would be requested to submit pre-qualification documents, to the office of UT Administration and ANIIDCO within a specified timeframe.

The procurement roadmap envisages a two stage, international competitive bidding process.

Pre-qualification stage: Interested parties to submit request for pre-qualification in accordance with the criteria to be detailed in PQ document.

Proposal stage: Technical and financial proposals to be invited from prequalified bidders.

Procurement Eligibility

Eligibility/ Pre-Qualification is based on following:

- Previous experience of owning/ operating hotels
- Net worth in proceeding financial year

Threshold Technical Capacity for demonstrating technical capacity and experience, the applicant shall, over the past five financial years preceding the application due date, should have:

- Owned a 3 star and/or 4 star and/ or 5 star and/ or 5 star Deluxe or higher rating hotels having a minimum of 50 residential rooms; or
- Operated, maintained and managed a 3 star and/or 4 star and/ or 5 star and/or 5 star Deluxe or higher rating hotel having a minimum of 50 residential rooms.

Such that the sum total of residential rooms is more than [X] residential rooms

Note: "Star" category could be equivalent for international hotels

[X] has been defined as 2.5 times of the no. of keys proposed for the hotel under development.

Procurement Roadmap

The Authority intends to follow the below roadmap given below for the procurement of islands for development.

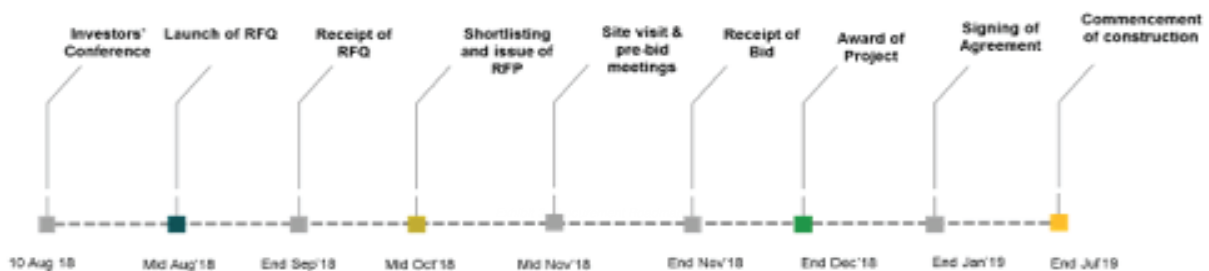


Exhibit 7: Procurement Roadmap

