

**FIRST RDC INTERNATIONAL CONVENTION & EXHIBITION ON
INVESTMENT OPPORTUNITIES IN ORISSA, INDIA:**

‘Energy, Power and Infrastructure’

April 26th-28th, 2002

ParkRoyal Inter-Continental, Nehru Place, New Delhi.

‘HIGHLIGHTS’

APRIL 26, 2002:

To identify the scope and potential opportunities available in Orissa for investment and development, the **Resource Development Centre (RDC)**, a non-profit institution in Delhi, organized the *‘First RDC International Convention and Exhibition on Investment Opportunities in Orissa: Energy, Power and Infrastructure’*.

Inaugural Session:

The three-day convention was inaugurated by **Shri M. Venkaiah Naidu**, the Hon’ble Minister of Rural Development, Govt. of India. Shri Venkaiah Naidu appreciated the initiative as a great effort to provide an opportunity to both investees and investors to display their strengths and capabilities to evolve viable strategies for sustainable development. He further said that the Government or the industry should have taken the initiative for investment in the state of Orissa, but in this case a voluntary organization has taken the initiative.

Shri Jual Oram, Hon’ble Minister of Tribal Affairs, Govt of India, as Chief Guest, said the very slow rate of growth in the State, require an urgent need to look into the reasons why the State is lagging behind. More importantly, there should be initiatives from all quarters; the Govt. Public sector, Private sector, entrepreneurs from both inside and outside the State to make joint efforts towards promoting investment.

Shri Manmohan Samal, Hon’ble Member of Parliament, focused on harnessing Orissa's vast natural resource potential for accelerated industrial growth consistent with the protection of environment and strengthening the rural economy through development of agro-based industries, small industries, village and cottage industries, sericulture, handloom and handicraft.

Shri Ananta Nayak, Hon’ble Member of Parliament, said the initiative taken by Resource Development Centre for development of Orissa need to be encouraged.

Shri Asutosh Satpathy, President of RDC, in his speech, stressed on mobilizing legislators, policy makers and, corporate and business leaders to promote investment and development in Orissa. Shri Satpathy, who also chairs the Convention Organizing Committee, opined to strive for appropriate tools and technologies for effective utilization and management of resources for sustainable development.

Excerpts from the address by the Keynote Speakers:

Shri D. P. Bagchi, Chief Secretary, Government of Orissa.

The government of Orissa has consistently stressed on industrial development. The large reservoirs of mineral resources, surplus power situation, water resources, availability of land, peaceful labour-industrial relation and good governance are the factors which make Orissa the favoured choice for investors. The state already has an industrial base of core sector industries. Some of the new projects in the pipeline are:

1. The LNG (Liquefied Natural Gas) complex at Gopalpur with a capacity of 2,500 MW will take care of the energy needs of the state.
2. IOC refinery at Paradis.
3. Indian seamless steel at Dhamra.
4. Konark Metcoke plant at Duburi to meet the fuel needs of Neelachal Ispat.
5. Reliance Optical Fibre project.
6. Complete electrification of railways.
7. Four-laning of the highways under the golden quadrangle project. The state also welcomes private participation in the Talcher-Gopalpur, Panikoili-Rajamunda and Cuttack-Paradeep four-laning project.
8. Development of Dhamra and Gopalpur ports with is being undertaken with the help of foreign companies.
9. Development of SEZs at Paradeep and Gopalpur.
10. The state invites entrepreneurs for investment to build a Special Tourism Complex at Puri.
11. The great potential of the renewable energy sources in the future could be harnessed to meet the growing energy demands of the state.

We shall not permit state sales tax concession, as these populist measures are unaffordable, but the central taxes could be relaxed. The states like Gujarat and Maharastra can afford to relax taxes but in the long run it affects growth.

Shri Nasser Munjee, MD and CEO, IDFC, Mumbai.

Orissa is the first state to introduce power distribution reforms but the losses after the reforms explain the inefficiency of the model. Infrastructure Development Finance Company (IDFC) considers the distribution reforms to be wrong models. At the same time it can be made to deliver. The government should first start to pay its pending bills to encourage the private users to pay their bills. The power sector in India is a leaking bucket and there are ways to fix the buckets. In India 60% of power distributed is billed and the same p.c. of the billed amount is collected that means only 36% of total distributed power is paid for. Only good governance can improve the situation.

Competition is crucial and keeps the consumers' value intact. Privatization boosts competition so it should be encouraged. There are four options before the government to encourage efficiency: privatize, commercialize assets, buy services and carry on doing it by itself.

Orissa is a mineral and water rich state still there are starvation deaths. We have flooding granaries, yet people die of hunger. This is an issue of governance and should be addressed justifiably.

Shri R.S. Agarwal, Executive Director, IDB

IDBI is the largest provider of infrastructure finance and we will act as catalyst for industrial progress. IDBI has sanctioned assistance worth Rs. 150 crore to one independent power project (IPP) in Orissa (especially the AES valley project) in 1995 and Rs. 250 crore to one port project at Dhamara. However both the projects have not yet materialized. The per capita income of Orissa is higher than national average. The state has thus a vast scope for development in fishing industry.

Shri J. K. Basu, Executive Director, IndusInd Bank, Mumbai.

IndusInd is the very first new generation private sector banks in India. It is an NRI supported mission with a traditional root. The bank, with a total of 79 branches across the world, has 40 branches in India. Our bank emphasizes automation and connectivity. It has the highest business, employee ratio because of our small manpower. We have a constantly Sliding NPA level. Our policy aims at tapping young minds for managerial operations. Bhubaneswar is a good and obvious choice. It is the capital city. It is planned, dynamic and there already exist a number of private banks to help competition. There is a plan to offer NRI services, ATM facility and international banking facilities.

Shri K.Muralidharan, GM (Coordination), HPCL, Mumbai.

Consumption determines investment. Consumption in turn depends on economic, political and other factors. HPCL has a 21% share in Orissa oil market. We have storage facilities at Paradeep, Cuttack, Balasore and Rourkela. Jatni (Khurda) plant has a bottling capacity of 44, 000 metric ton per annum. There are also 102 retail outlets across the state.

Shri K. K. Sinha, MD, Petronet India Ltd., Mumbai.

India is self-sufficient as far as refining is concerned. The eight major petroleum products are used in large quantities in India. 1.57 million tons of petroleum products were consumed in Orissa in 2000-01. It is likely to touch 2.36 million tons by the year 2007. Therefore natural gas holds the key in the future. The LNG project in Gopalpur will meet the demands. The use of LPG as vehicle fuel is a reality and Orissa must get ready to face it. The refineries at Haldia and Vizag supply petro products to the state. In the near future Indian Oil Limited is planning to set up a Rs.10, 000 crore refinery at Paradeep with a capacity of nine million tons. The state is also facilitating entrepreneurs to set up industries. The state has acquired 26, 000 acres of land for industries. The construction sector in the state is not upto the mark; hence small contractors need to be financed. FDI is a must for development, because it brings with it management strategies, new technology and efficiency. The bigger projects will encourage downstream marketing and could be a tool to check the unemployment problem.

Shri D.K. Banik, Chief Advisor (Special Duty), Oil India Ltd

Orissa has great potential in energy sector. The onshore and offshore oil exploration projects have provided positive results. The drills although have shown hydrocarbon presence yet it is not economically viable. We are trying to use seismic technology to search for actual deposits. Encouragement from the state government will hopefully help us to bring Orissa into the oil map of India.

APRIL 27, 2002:

In a meaningful progression of the first day of the convention, the second day was largely focused on the issues of power. The speakers were of the view that the availability of power defines development. Citing the example of Orissa, a state surplus with power, the speakers tried to explore avenues to employ the extra power resources. The public sector representatives seemed to be interested to invest in various sectors in the state as Orissa has developed into a model state by initiating power reforms.

The untapped natural resources were targeted so as to uplift the large below poverty line population of the state. The strategic location with a long coastline and proximity to Southeast Asian markets are added advantages for the state to accelerate the sectoral reforms.

Distinguished speaker Shri M. K. Suri, GM-IIPM, IOC, emphasized the pivotal role played by energy and power in boosting growth in all facets of Indian economy.

Describing the underperformance of the power sector across the country as symptoms and not actual illness, Shri C. P. Jain, CMD, NTPC, added that treating these symptoms at appropriate time we could avoid illness.

Excerpts from the speeches made by distinguished speakers:

Shri A. K. Bhatnagar, Director (R&D), Indian Oil Corporation, Faridabad.

Orissa and Indian Oil have developed a partnership for growth. We have two major investment projects in Orissa; Paradeep Petroleum Refinery with a capacity of 9 MMTPA and Paradeep-Rourkela pipeline. Orissa is becoming an investors' paradise because of its geographical treasure (ample mineral resources), pollution free environment and good railway network. The state has 21, 000 sq. K.M. of wasteland which accounts for 13.7% of the total area. If biomass production is given impetus, rural poverty could be eliminated. Also the presence of forests in the coastal area could shield the state from regular cyclones.

In developed countries, industry never waits for power, rather it is power which waits for industry. We must realize that self-sufficiency in energy is the first crystal of industrialization.

Shri M. S. Ramachandran, CMD, IOC.

Platform created by RDC will act as a catalyst to boost up all the sectors in Orissa. There is a need of investor friendly mechanisms like the single window policy to avoid red-tapism. Orissa's proximity to South-East Asia can help in creating the right tie-ups for local manufacturing units. The barriers for investment in oil sector are large investment cost, huge upfront cost, skewed tax structure and low margins. The Mahanadi delta is a potential oil reserve and we are conducting exploration.

Shri C. P. Jain, CMD, NTPC.

Orissa served as a Guinea pig when it introduced power reforms. The problems being faced by Orissa after the reforms are many. Commercial viability of distribution agencies (DISCOs) is at stake. All the DISCOs have accumulated huge losses. DISCOs owe Rs.1750 Crores to GRIDCO. And GRIDCO owes Rs.1030 Crore to NTPC.

Private investor is only an enabler. It is for the state to evolve policies in fixation of tariffs. Administrative support is a must to attract inflow of investment.

Shri S.C. Mishra, Director (Projects), Power Grid Corpn:

The initiative for investment in a state is traditionally in the realm of government or industry, but in this case a voluntary organization based in Delhi has taken the lead. He said that the Power Grid has already taken certain specific measures for power transmission in Orissa, e.g. the transmission station in Baripada.

Shri Haridasa Upadhyay of HMT.

Orissa is a developing state and study shows a 6% GDP growth requires a 9% growth in power sector. So power holds the key to maintain the pace of development. India's 30% energy requirement is met by oil and we import 60% of total oil needs, which is a burden on our economy. There is an immediate need to concentrate more on resources other than oil. India needs 100,000 MU at an investment of US \$ 100 bn. by the next 15 years. HMT has a moral and social responsibility to develop Indian technology.

Shri U. K. Dikshit of SCOPE.

Economic freedom has been largely achieved but still we have a long way to go. Renewable sources of energy could provide sustainability but we can't ignore the key role of thermal and hydel power.

The power sector reforms in Orissa was a partial success and the state must find out what went wrong. The state has to decide its competitive advantages. Why should one invest in Orissa? -- Should always be the question that needs to be addressed by the state while formulating the policies.

Shri C. Ganapati Rao. CGM, NABARD

NABARD, since its inception as the apex bank for agriculture and rural development, has been driven by a mission to promote sustainable and equitable agriculture and rural prosperity through effective credit support.

In the state of Orissa, NABARD sanctioned a total 19, 005 projects including 18, 724 irrigation projects, 29 rural road projects and 210 rural bridge projects and 42 other projects with a total value of Rs. 1000.50 crore. These investments would generate employment.

The NCAER reports of the 90s place Orissa in a rather inadequate position with regard to availability of basic infrastructure facilities as compared to other states. There is an urgent need to enhance investment in basic infrastructure in rural areas of the state to boost the productivity of land.

Road connectivity to rural areas has been biggest influence factor to create new economic opportunities, additional employment generation and fostering democratic process.

Shri Yogendra Prasad, CMD, NHPC.

The state has great hydropower capacity. About 44% of this resource has remained untapped. Consumption of power in the state is steadily increasing over the years. It will meet energy and peak demands. New hydro projects will improve the infrastructure in remote areas. It will provide employment and will promote industrial development. NHPC is also planning to invest in health, education and other social sectors to boost overall development of the region.

Shri S.K. Jain, Executive Chairman, PII, Mumbai.

Is Orissa deriving benefit from LPG? Here LPG stands for liberalization, privatization and globalization. PII is the second largest consortium in the World. The locational advantage and other factors attract us to invest in Orissa. Paradeep should be made the hub of exports.

April 28, 2002:

As a deviation from practice the third and final day of the first RDC International Convention was relatively a busy affairs. The focus of the day was infrastructure.

Shri N.R. Mohanty, CMD, HAL, speaking at the convention, emphasized the role of media in development. He said the media should project a balance view about the state.

In the second day an ever inquisitive participant Shri C. Ganapati Rao, CGM, NABARD who made his presence felt across all the session advised the planners, industry leaders, bankers and NGOs to recognize the strengths of the state while planning projects.

Recognizing the failure of the power reforms to deliver in the state, Shri D.P. Bagchi said, “Over valuation of assets, heavy T&D losses and a sluggish demand for power were largely responsible for the conditions.”

Excerpts from the speeches by eminent speakers:

Shri N.R. Mohanty, CMD, HAL, Bangalore.

We must go for industrialization in a very big way if we want prosperity in the state. 49% of the population of the state is below poverty line against the national average of 30%. We have to take up bottoms-up approach by starting with districts like Koraput. Half a dozen of dedicated bureaucrats can change the investment scenario and make Orissa a hub centre for investment.

We are expanding HAL’s Aero-engine factory at Sunabeda, Koraput, for the Sukhoi-30 project and one more HAL factory with private investment in the state would be started soon. The private sector is total matured and conscious about competition and we need them.

Shri A. Ramamurthy, Chairman, LIC of India

Mr Ramamurthy, in the context of investment scenario, cited the example of China, which accelerated into a high growth path by taking certain concrete measures for infrastructure development both in the physical and social sphere. He said the measure problem for Orissa is its lack of infrastructure development both in the social and physical sphere. Orissa needs to focus for its infrastructure development which catalyses development in the other sectors.

Dr D.P.S. Seth, Member (Services), Telecom Commission, New Delhi.

When India opened the door for liberalization, privatization and globalization it realized the importance of telecom infrastructure in the development of the economy. The telecom sector liberalization has played the crucial role in making the communication system a success in the country. Telecommunication infrastructure is adequate in Orissa and a little more impetus would be beneficial for Orissa. The focus is on providing improved teledensity (which is far below national average), optical fiber connectivity, Internet access, and introduction of mobile communication.

The costal; areas are provided with cyclone communication systems i.e. microwaves rather than optical fibre. There is need to encourage private participation to open Internet kiosks.

Dr B. Samal, Chairman, Allahabad Bank; Shri S.C. Basu, Chairman, Bank of Maharashtra; and Shri N.K. Maini, Chief General Manager, SIDBI; dealt with the inbuilt strength of Orissa for propelling itself into a high growth path.

Valedictory Session:

The valedictory session of the three-day convention was attended by **Shri P.K. Mohanty**, Secretary to the Govt of India and Principal Adviser to the Planning Commission; and **Shri Parsuram Majhi**, Hon'ble Member of Parliament. Shri Mohanty in his valedictory address said reform and privatization per se is not the panacea to the ills of development. He cited the example of power reform process in Orissa, which faced problems in the reform process because it initiated reform first at the distribution level leaving the generation stage untouched. Further, privatization shows result in the midst of competition.

Shri Parsuram Majhi, Hon'ble Member of Parliament, dealt with the inbuilt problems of Orissa. He said, Orissa has a great potential in terms of its natural resources, which could be effectively tapped by the industry. The State Government has a very positive attitude towards this end and the investors could take advantage out of this.

He hoped, the participants would take serious note of the outcomes of this Convention and implement these as early as possible. Globalization is the age of competition and competition is crucial for survival and growth of the industry. And Orissa is a place, which gives vast investment opportunities for the industry to survive and grow.