

# The Great India Road Trip



## Series I – Gujarat & Bihar

**November 17 – 22, 2011**

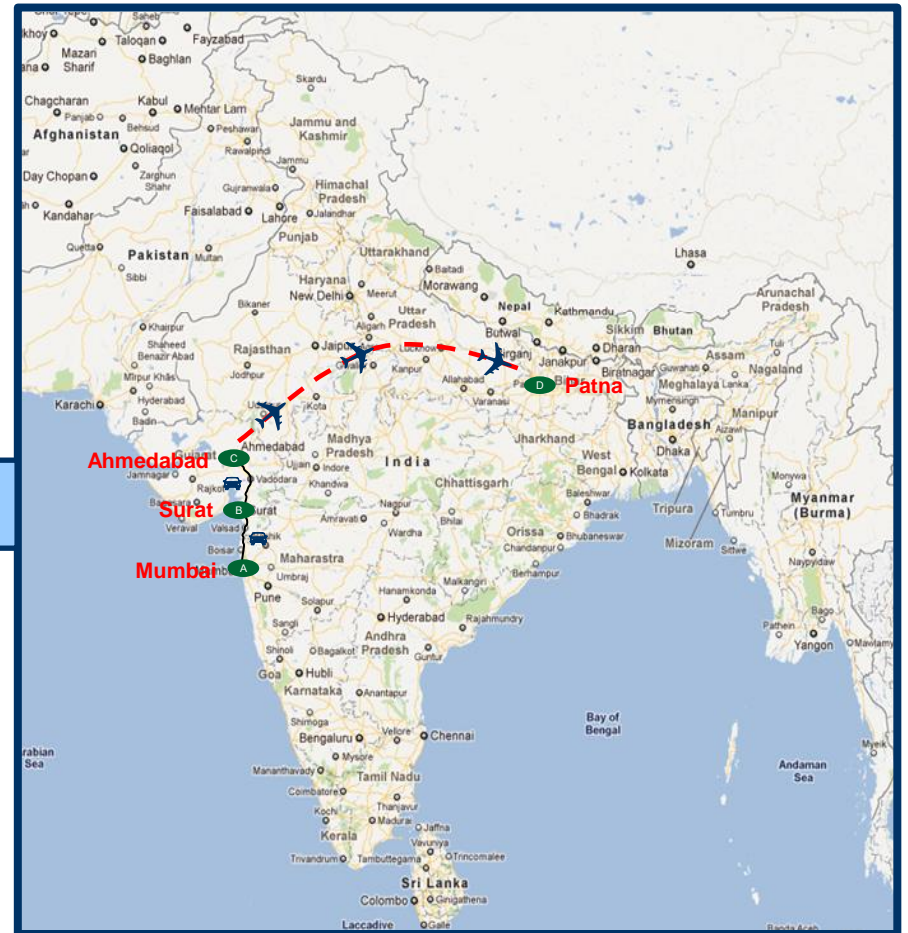
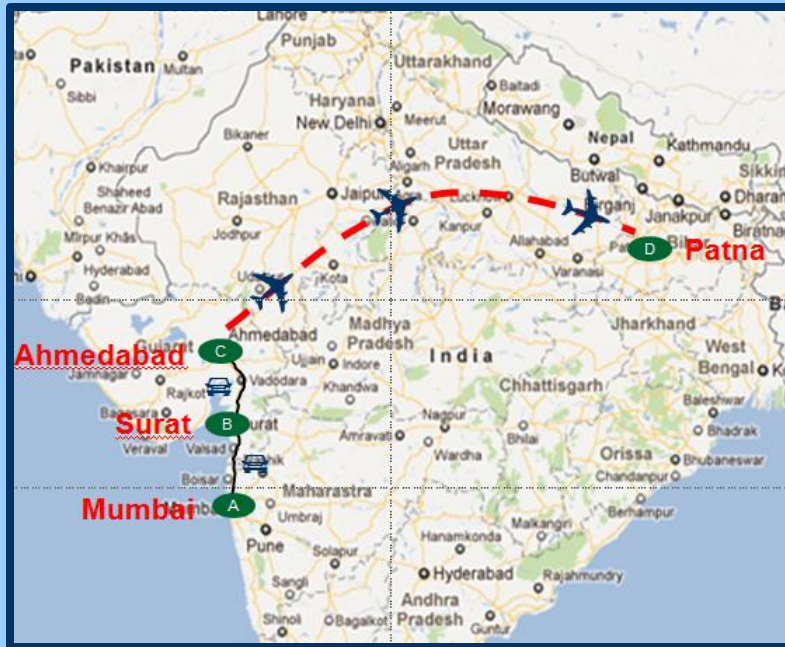
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# Our Itinerary





## Objective

- ❖ Religare has a series of Road Trips planned across India to build an 'on-the-ground' assessment of the economy. As a part of this series, christened 'The Great Indian Road Trip', we spent a week touring Gujarat and Bihar, two of India's fastest growing states, both with very interesting stories to tell.
- ❖ We met a diverse spectrum of economic stakeholders, viz. farmers, companies engaged in microfinance and gold loans, real estate and infrastructure, local bank branches, SMEs, cement and auto dealers, FMCG distributors, cash and carry operators, politicians and policymakers.
- ❖ While **Gujarat** is the most industrialised state in India and attracts the cream of domestic and multinational investment in leading sectors of the economy, **Bihar** is fast rebuilding its image as a marked improvement in governance is spurring an economic revival in the state through increased investment in physical and social infrastructure.

## Our meetings and pit-stops: Gujarat



The road infrastructure player



India's second largest Maruti Suzuki dealer



Landmark

AHMEDABAD | RAJKOT | SURAT | MEHSANA

The luxury car distributor (Mercedes, VW, Honda)



The oldest real estate developer in Gujarat



Members of South Gujarat Chamber of Commerce, Surat



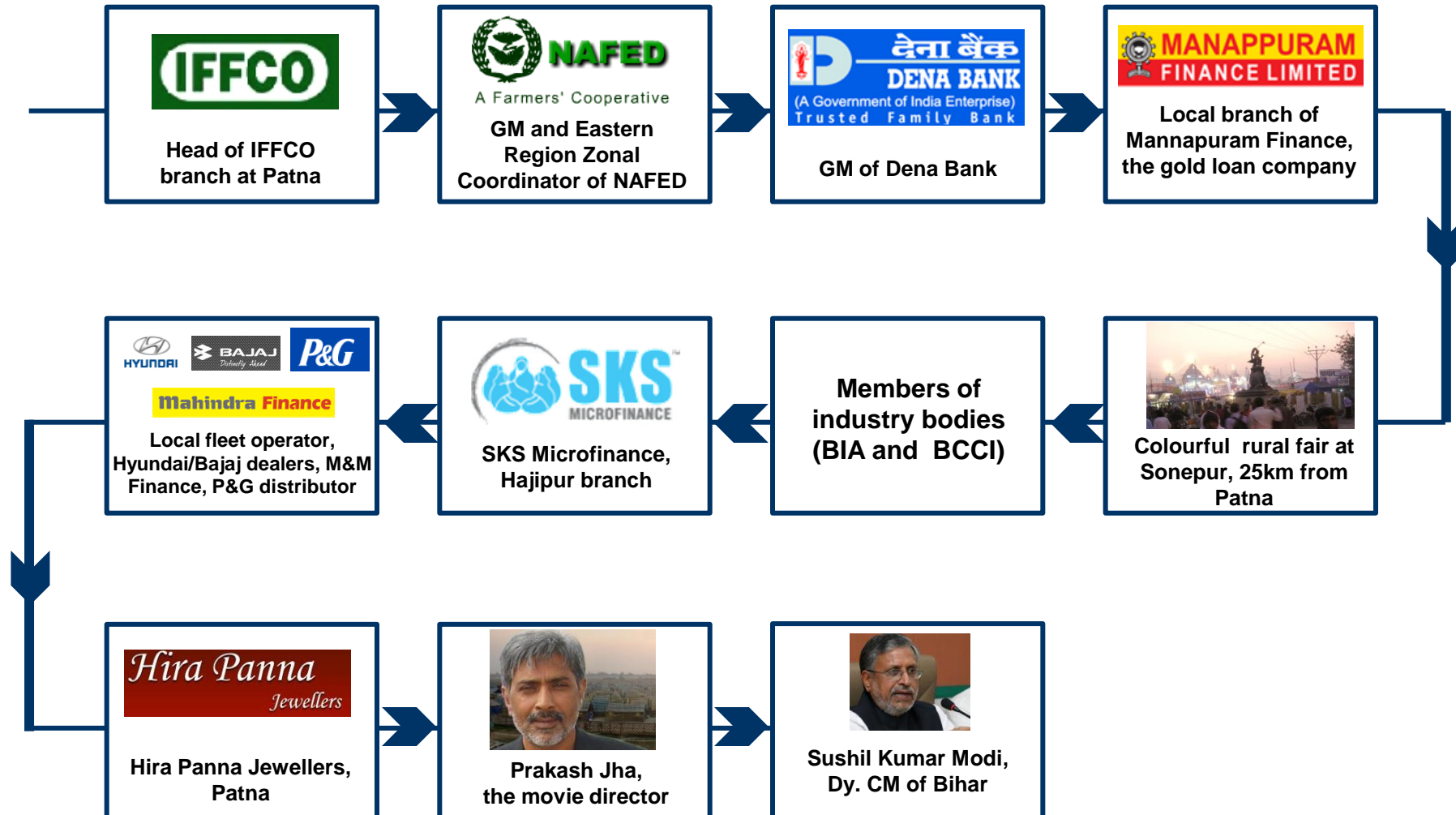
Farmers at their cooperative (IFFCO) in Bardoli



*Aapki khushi. Hamari khushi.*

Reliance's first Cash & Carry store in Ahmedabad

## Our meetings and pit-stops: Bihar



## Key Findings

**Labour shortage** in general, both in places of migrant destination and origin

**Land supply** for industry a challenge in Bihar, but more easily available for business in Gujarat

**Private consumption** demand not dented significantly beyond category-A cities in Gujarat and remains strong in Bihar

**Strong evidence** of a **parallel economy** in both states

**Growth models** differ: Gujarat led by private investment; Bihar by public spending in infrastructure

**Massive potential** for FMCG, auto, banking and finance in both states

**Power supply** the second biggest challenge in Bihar after land; Gujarat power-surplus but must cut power cost

## Key facts

❖ Located in the western region of India, Gujarat is one of the fastest growing states in the country contributing 16% of national industrial output.

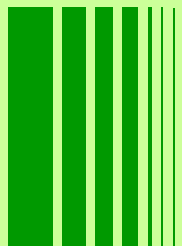
❖ The state has an excellent road and rail network and is home to the highest number of ports and airports in India. About 35% of India's total cargo is handled at Gujarat ports.

❖ Gujarat is the only power surplus state in the country and power capacity is set to exceed 30,000MW over the next 20 years. It also has an integrated state-wide gas grid covering 2,400km.

	2001	2011	
Population	50,596,992	60,383,628	
-Male	26,344,053	31,482,282	
-Female	24,252,939	28,901,346	
Sex Ratio	883	918	
Population Density	258	308	
<b>Literacy rate</b>			
-All	70%	79%	
-Male	81%	87%	
-Females	59%	71%	
	2005	2010	2011
Per Capita Income (Current prices) (Rs)	23222	63961	NA
GDP	7.5%	10.2%	10.2%
Length of the road(Km)	73724	74112 (Mar'08)	NA

Day 1

# Mumbai to Surat via Vapi



## IRB Infrastructure Developers, Dahisar

– A leading infrastructure player in the roads and highway sector

- ❖ IRB has executed numerous BOT projects in the roads and highways sector including India's first ever BOT contract (Thane-Bhiwandi Bypass).
- ❖ The company has one of the largest BOT portfolios in the country and covers a total length of ~6,722 lane kms as BOT operator.
- ❖ It holds a market share of 11.07% on the Golden Quadrilateral.
- ❖ IRB is engaged to expand and improve the Dahisar-Surat section of NH-8 on BOT basis from the existing 4 lanes to 6 lanes for a total length of 240km; it is also constructing 26 flyovers over various junctions.
  - Concession period of 12 years including construction period of 30 months
  - Total cost Rs 25.4bn; equity and internal accruals Rs 7.9bn and debt Rs 17.5bn
  - Tolling began from February'09; 38% of the toll collected given to NHAI in Year-1 and to be increased by 1% YoY; toll is inflation-indexed.

Our margins are  
inflation-proof!





## Kataria Auto, Vapi

– India's second largest Maruti dealer

- ❖ Slow demand from Ahmedabad has caused Kataria's sales growth to fall from 15% YoY in Q1FY12 to a mere ~5% YoY in Q2FY12. Demand was hit by high petrol prices, rising interest rates and supply constraints following the strike at Maruti's plant.
- ❖ Kataria holds 59% market share in Vapi, stable YoY; it sells ~650 cars a month versus Hyundai which sells 130. Maruti is doing well in most parts of Gujarat barring Ahmedabad where Hyundai is selling better.
- ❖ Its customers change cars every three years – a faster churn than the rest of the country as South Gujarat is a chemical zone and also due to the state's proximity to the ocean which causes cars to rust faster.
- ❖ *Swift* and *Dzire* are seeing the strongest demand (one-year waiting period); *Alto* remains the largest selling model. Customers buying *Swift* are typically aged between 25-35 years, whereas those that are 40+ prefer *Wagon R*; corporates like the *SX4*.
- ❖ 90% of the cars booked are diesel, hardly surprising given the distortion in fuel pricing.
- ❖ We note that dealers cannot offer discounts beyond that authorised by Maruti as this attracts a penalty – first-time penalty: Rs 300,000 (per car), second-time Rs 500,000, third-time Rs 1,500,000. After the third offence, Maruti stops supplies to the dealer.

Slowdown in auto demand currently limited to Ahmedabad



## IFFCO, Bardoli

– Largest fertiliser cooperative in the country

- ❖ Gujarat has 62,000 cooperative societies with 12.3mn members, while India has a total of 550,000 cooperative societies with 200mn members.
- ❖ Fertiliser sales have almost doubled in the last five years. The government is considering a change in mode of fertiliser subsidy – from reduction in price to credits to farmer's account.
- ❖ Mechanisation in the farming sector in Gujarat is very difficult as average land holdings are less than 2 acres and the ceiling on maximum holding is 10 acres, which is also symptomatic of the situation in most other part the country.
- ❖ Farmers told us that today's youth would rather work in factories than toil in the fields all day, leading to an acute shortage of labour – especially unskilled and semi-skilled workers, even as migration from Bihar, Uttar Pradesh and Madhya Pradesh slows down.
- ❖ Milk supply is unable to keep pace with the rate of increase in demand; one member went to the extent of saying that milk prices may touch Rs 100/ltr in three years, due to the labour shortage.
- ❖ Primary education is well provided at the village level.
- ❖ IFFCO members are unhappy with the unavailability and long delays in agricultural power connections, rampant corruption, limited progress on irrigation facilities and high VAT.

Labour shortage may push milk prices to Rs100/ltr in the next 3-4 years



## South Gujarat Chamber of Commerce, Surat

– Apex body for trade and business in South Gujarat

- ❖ A meaningful slowdown in traditional industries in Gujarat, viz. textiles, diamond, chemicals, heavy engineering, is yet to be seen.
- ❖ **Textiles:** Margins for yarn are under severe pressure due to the steady increase in input prices. We note that manufacturers adapt fast and are moving up the value chain (switching to embroidered textiles for instance). Importantly, investments aggregating to Rs 50bn in the textile sector in the last 45 years has been outdone by investments totalling Rs 60bn in the last five years.
- ❖ **Diamond industry:** Newer markets in the UAE and India are leading the consumption shift away from US and Europe; in 2008, 60% of total production was exported to the US and 20% to Europe; now, the US accounts for only 40% while Europe's offtake is negligible.
- ❖ **Real estate:** Prices have remained stagnant in the last six months; black money is still rampant in the sector. Builders find it unfeasible to buy residential land at current prices without prior bookings; supply of residential space has thus slowed down.
- ❖ NREGA is leading to a major labour shortage across industries.
- ❖ Traditional industries mostly in the MSME sector are facing a shortage of credit facilities as documentation is a big hurdle.

We need no subsidies; only a harmonious communal environment



Day 2

# Surat to Ahmedabad & Gandhinagar







## Mr. Maheshwar Sahu

– Principal Secretary, Industry & Mines, Govt. of Gujarat

- ❖ Of the national total, Gujarat has 5% of the population with 6% of the land but accounts for 16% of India's industrial production.
- ❖ 13 Special Investment Regions are being planned in the state, each covering 100sq km – land acquisition is underway on a partial profit-sharing basis.
- ❖ 38% of the planned Mumbai–Delhi industrial corridor falls in Gujarat – note that the average time for completion of mega projects in the state is 3-4 years.
- ❖ With ample capital investments in the state, the government is now focussing on knowledge partnerships. On the anvil is a 500-acre Gujarat International Finance Tec-City (GIFT), a 50:50 JV between the Gujarat government and IL&FS, being set up as a back-end support hub for the global financial and IT companies; Vodafone and ICICI are already on board.
- ❖ Rajkot – Ahmedabad is being developed as an auto ancillary hub.
- ❖ Plans are underway to reduce power tariffs; the state government's biggest source of revenue is VAT and electricity duty.
- ❖ Gujarat is aiming for 11% GDP growth (up from the current 10%) understood to be necessary for the whole country to grow at 8%+.

## Landmark Motors in Ahmedabad

– Auto dealer for Honda, Mercedes & Volkswagen

- ❖ Landmark Motors runs 5 VW showrooms, 4 Mercedes and 8 Honda showrooms across Gujarat. It also has a general insurance brokerage house, primarily for auto insurance, and has forayed into the pre-owned car business for these three brands.
- ❖ Landmark has not witnessed any significant slowdown in demand for these premium brands. The dealer enjoys a 20% conversion rate for walk-ins to their showrooms.
- ❖ Total automobiles sales in Gujarat have grown 20% more than the national average.
- ❖ The self-employed (entrepreneur) class of people account for a larger share of premium brands – Mercedes (73%), Honda (68%), Volkswagen (63%).



## Reliance Cash & Carry

### – B2B chain

- ❖ Reliance Cash & Carry is a B2B chain. The Ahmedabad facility, which opened two months ago, is spread over 8 acres.
- ❖ The store issues membership cards to customers. Two people can enter per card and the minimum purchase bill is set at Rs 1,000. Retail customers are not permitted. The plan is to establish a chain in tier II cities.
- ❖ Products on offer run the gamut from furniture to white goods and eatables, akin to a hypermarket.
- ❖ Several products sold are unbranded or private label and the goal is to supply goods at prices lower than the distributor price; ladder pricing is also available.
- ❖ The store functions as a warehouse-cum-showroom and the strategy is to play the volume game.
- ❖ This model may affect the local wholesale market. However, since the company does not provide a credit facility, shopkeepers may continue to buy from regular wholesalers/distributors that provide goods on credit.



Day 3

# Ahmedabad Meetings | Depart for Patna





## Sintex Industries

– Largest player in custom moulding and prefab building products

- ❖ Sintex is engaged in custom mouldings, which account for 42% of its turnover, building products including storage tanks which contribute 48% and textiles (10%).
- ❖ The company witnessed 20% growth in prefabricated products in FY11 from the Gujarat market and expects the momentum to continue given the state government's developmental/rural focus.
- ❖ Monolithic construction is 10% cheaper than traditional construction though customisation is difficult. Gujarat, Rajasthan and Uttar Pradesh are the largest contributing states.



## Ganesh Housing

– Oldest real estate developer in Gujarat

- ❖ Incorporated in 1960, Ganesh Housing is one of the largest real estate developers in Gujarat, based in Ahmedabad. The company sells premium apartments at Rs 7,500psf.
- ❖ Realty prices in the state have remained stagnant; volumes too have dipped. High borrowing cost is the main reason behind slow demand from the service class; note that the share of 'black money' increases in a tough environment, as is the case now.



## Key facts

❖ Located in the eastern region of India, Bihar is well linked by road and has a fairly good rail network, thanks to the predominance of Railway Ministers hailing from the state.

❖ After the state's division, most of the industries and mines/minerals went to Jharkhand. Bihar largely inherited agro-based industries.

❖ Led by the current Chief Minister, Bihar has seen improved governance, leading to an economic revival through investment in infrastructure, better healthcare, emphasis on education, and an abatement in crime and corruption.

❖ Indian and global business leaders feel that Bihar now has an opportunity to sustain growth and have evinced interest in investing in the state.

❖ Bihar's GDP has grown at an 11% CAGR since 2006, making it one of the fastest growing states in India. With a very low base and industry accounting for less than 9% of SGDP, the state is likely to be among the last to experience the general economic slowdown in the rest of India.

	2001	2011
Population	82,878,796	103,804,637
-Male	43,153,964	54,185,347
-Female	39,724,832	49,619,290
Sex Ratio	921	916
Population Density	880	1,102

### Literacy rate

-All	48%	64%
-Male	60%	73%
-Females	34%	53%

	2005	2010	2011
Per Capita Income (Current prices) (Rs)	7,434	17,959	20,069
GDP	5.1%	11.7%	14.2%
Length of the road(Km)	81,655	94,009	NA
Urban Unemployment	NA	10.0%	NA
Rural unemployment	NA	6.8%	NA

## IFFCO

- ❖ Since Bihar is largely an agrarian economy, the focus of the government has been on agriculture and infrastructure – social and physical – especially in rural areas.
- ❖ Bihar was the first state to repeal the APMC Act (in 2006) to check exploitation of farmers by traders.
- ❖ The state government is setting up three ‘mega-food-parks’ to lessen wastage of fruits and vegetables and also promote the food processing industry and create employment avenues in Bihar. The aim is to create modern enabling infrastructure for food processing units in the state with farm-to-market linkages.



Bihar's phenomenal growth in the last 6 years is likely to continue in the current decade



Day 4

# Patna: Meetings, Visit to Sonepur Rural Fair







## Mr Sunil Kumar Singh

– GM and Eastern Region Zonal Coordinator of NAFED

- ❖ NAFED organises, promotes and develops marketing, processing and storage of agricultural, horticultural and forest produce; distribution of agricultural machinery, implements and other inputs; undertakes interstate, import and export trade, wholesale or retail as the case may be; and provides technical advice in agricultural production to cooperative marketing, processing and supply societies in India.
- ❖ Bihar has tremendous scope for setting up agro-based industries, along with creation of farm-to-market linkages, viz. cold storage and foodgrain storage.
- ❖ Farmers are currently at the mercy of traders as their fresh produce (vegetables and fruits) loses moisture if they attempt to sell directly to nearby towns and cities (Bihar has scrapped the APMC Act) using public transport.



## Manappuram Finance, Patna

– India's first listed gold loan company

- ❖ Manappuram started operations in Patna rolling out its first branch in December '10 and growing to six branches in barely 11 months now. The company intends to add five more branches in 2012, given the strength of demand.
- ❖ The company retains 20% as collateral and provides loans equivalent to 80% of the customers' gold jewellery value. Turnaround time for loan sanction is typically 15 minutes; we got the impression of a very low operating-cost model.
- ❖ Loans are primarily taken for exigencies such as healthcare, weddings or even to pay off short-term business loans.
- ❖ All transactions are in cash, without entering the banking channel at any stage. We understand that this remains a key risk to the business model, as policymakers may mandate transactions via non-cash methods (cheque, DD, etc.) to track black money.



## Tata Motors CV dealer

- ❖ The M&HCV market in Bihar has been growing at ~20% in the year so far, much higher than the national average, given the initiatives by the state government, such as road construction/infrastructure development. However, in view of the prolonged unsupportive macro environment, the dealer expects growth rates to taper down.
- ❖ There is a definitive shift towards multi-axle vehicles and a move by the fleet operator industry towards becoming more organised. The dealer estimates that single truck owners, who were ~90% of the total industry in Bihar two years ago, have reduced to 80% now and will shrink to 50% in the next five years.
- ❖ Strict implementation of the ban on overloading has been one of the catalysts fuelling demand for new vehicles – local laws now require both the truck driver and the owner to be arrested for overloading. The dealer normally holds inventory of up to one month.
- ❖ Almost all vehicles sold are financed, out of which ~75% are routed through NBFCs. About 40% of total sales are financed by Tata Motors Finance with other leading financiers being Shriram Transport, Chola, Indusind, Magma, MMFSL and HDFC Bank. Loan-to-value is ~75% – in cases where LTV is higher at 85%, fixed deposits of up to 10% are required as guarantees.



(Contd...)

## Tata Motors CV dealer (...contd)

- ❖ NPA levels for CV financiers in the state are not very high and are typically at ~3% for Tata Motors Finance, 1% for Magma Finance and between 1-2% for other NBFC financiers.
- ❖ Tata Motors provides a dealer margin of ~3% on each vehicle. Currently ~15% of the dealer's revenues is from service income, but this, of course, is the more profitable segment with 20-25% margins – he expects the share of service in his total revenues to go up in the years to come. The new range of trucks, which are Euro IV compliant, are high on technology and need to be attended to by servicemen equipped with a laptop, ruling out servicing by roadside garages and mechanics.
- ❖ From his interactions at dealer associations, he believes that dealers of Tata Motors and Hero Motocorp are the happiest and have the best relations with OEMs. He believes that the automobile dealers' association is still not strong enough in India (unlike the West) to negotiate with OEMs or lobby with the government for any benefits.
- ❖ Bihar, Jharkhand and Uttar Pradesh are much more cost-conscious markets. Hence, the response to the *Nano* has been good and the dealer expects further improvement.





## Visit to the Sonepur Rural Fair (*mela*)

- ❖ The Sonepur Fair is one of the largest of its kind in India – a veritable explosion of colour as crowds flock to stalls selling garments, furniture, toys, utensils, agricultural implements, jewellery and various handicrafts. The most popular though is the line-up of elephants for sale.
- ❖ The *mela* has its origins in ancient times when Chandragupta Maurya would buy elephants and horses from across the river Ganges. This would attract traders from places as distant as Central Asia and, of course, South India.
- ❖ Running for ~14 days, this fair has also become a medium for creating awareness on various government programs through kiosks and counters.
- ❖ The *mela* provides an opportunity for manufacturers in the organised as well as unorganised sectors to showcase their products – from tractors to seeds, from handicrafts to local FMCG brands. We saw several local brands that bore similar colour and packaging as global majors like *Tide*.



## Bihar Industries Association and Bihar Chamber of Commerce & Industry

- ❖ The Bihar government has now realised the pressing need to encourage the private sector. Several power and infrastructure projects, including two new 7km bridges over the River Ganga (connecting Patna with Hajipur), have been awarded in PPP mode. The government is now focusing on agro-based industry as its competitive advantage.
- ❖ Previous enabling steps:
  - Industrial Incentive Policy 2006
    - *Stamp duty and registration fee waiver in lease/sale/transfer of land for setting up units*
    - *VAT reimbursement @ 80% of deposited amount for 10 years (max. 300% of capital investment)*
    - *Incentive provisions for zero VAT items (max 70 % of installed capacity)*
    - *Reimbursement of 50% capital investment on plant & machinery for captive power generation/diesel generating set with no upper limit*
    - *25% VAT reimbursement for existing industries for 5 years*
  - Abolishment of APMC Act
  - Bihar Single Window clearance Act 2006



Day 5

# Patna Meetings





## SKS Microfinance, Hajipur branch

– The for-profit NBFC regulated by the RBI

- ❖ SKS has 500,000 members, 20 branches and a loan book of Rs 7bn (\$140mn). The company sees the potential to open another 100 branches in the Bihar market.
- ❖ Villagers were initially suspicious of the company as they found the interest rates @ 26.55% p.a. too low (local moneylenders charge a whopping 10-12% per month). The villagers were also amazed that the loan process was hassle-free and there were no kickbacks to be given.
- ❖ As part of the loan process, groups of five borrowers are formed; each group is responsible for repayment. This partly addresses the moral hazard and adverse selection concerns.
- ❖ Here's an indicator of the roaring business the company is doing in Bihar – the local village level employee has a monthly package of ~Rs 30,000 p.m., the Unit Manager draws as much as Rs 45,000-50,000 p.m. and the Zonal Manager typically draws Rs 70,000 p.m.

The villagers were initially suspicious as they are used to paying 10-12% interest p.m.





## Proctor & Gamble Distributor for Bihar

- ❖ The Bihar distributor of P&G gave us an alarming statistic: as much as 50% of all FMCG products sold in the state are spurious. Duplicates of marquee brands (Tide, Ariel, Oil of Olay) are openly sold in Bihar at the same price and have the same look and feel as the originals.
- ❖ Overall penetration of FMCG products in the state is ~60% and branded FMCG accounts for 50% market share.
- ❖ Besides NREGA, the state government's policy of doling out freebies (free bicycles, free rice and free education) is cited as the main reason behind the shortage of labour and rising wages
- ❖ Retail margins are pegged at 15-18%.
- ❖ TV commercials are seen to be less effective in Bihar than print media due to the limited number of hours of power supply!
- ❖ P&G has segmented the washing powder brand as follows:
  - Ariel: India 1 Premium segment
  - Tide: India 2 segment
  - Tide Natural: India 3 (for cost-conscious customers)

As much as 50% of all FMCG products sold in Bihar are fake



## Hira Panna Jewellers

– Oldest jeweller in Patna

- ❖ Local jewellers are facing competition from large branded players such as Tanishq and Gitanjali Gems.
- ❖ People in Bihar now find it safer to buy and wear jewellery rather than keeping the same in a locker/safe (when crime levels were high). This year people have chosen to invest in gold versus real estate or the equity markets.
- ❖ We found strong evidence of a parallel economy; various businesses, including the jeweller that we met in Bihar confirmed that customers often pay cash (ranging from 50-100%) for their purchases and that this is an accepted practice in the state

With the improvement in law and order, people find it safer to wear jewellery

*Hira Panna*  
Jewellers



## Hyundai and Bajaj dealerships

- ❖ We met the local Hyundai dealer who said that their best selling car is the *i10*. Although nationwide car sales are showing negative growth, sales in Bihar are up 10% YTD.
- ❖ Close to 50% of the dealer's car sales are financed and the current high financing rates (12.5-13% p.a.) are hurting offtake. However, in smaller towns four-wheeler purchases are largely paid for by cash, accounting for as much as 70% of total sales.
- ❖ While Maruti dominates, Hyundai has a 21% market share in Bihar. Unlike Maruti, Hyundai spare parts are available only at authorised dealers, thereby being more expensive than Maruti spares.
- ❖ Bihar is a key market for SUVs because of road conditions and its feudal culture where the rich prefer to flaunt powerful vehicles such as SUVs. Apparently 20% of all vehicles sold in Bihar are SUVs.
- ❖ The Bajaj Auto dealer that we met in Patna said that Hero motorcycles are taking market share away from Bajaj. Also, that Honda (HMSL) is dominating the scooter market and has a waiting period for its products.

SUVs are clearly preferred in Bihar versus Sedans



## M&M Finance

- ❖ With renewed confidence levels in Bihar and improvement in road infrastructure by the Nitish Kumar government, sales of all automobiles (trucks, tractors, cars and two-wheelers) have exploded.
- ❖ Earlier, truck operators would overload trucks by as much as 100-150% – a major cause of road accidents. With stricter laws (immediate arrest of both driver and owner of the truck), overloading has stopped and demand for larger trucks has increased substantially. For example, an owner of a 10-tonne truck that would be overloaded to carry up to 30t is now buying 30-40t trucks.
- ❖ M&M Finance charges interest at 21% p.a. on truck financing and expect its loan book to grow by 35% this year (FY12). The company has the distinct advantage of a captive market, viz. M&M vehicles (tractors, four-wheelers), vis-à-vis competitors such as Shriram Finance. Navistar sales are still to gain traction in Bihar
- ❖ The company has 41% market share in Bihar and monthly financing of vehicles has risen from 60 in 2004 to 1,700 today.

Our loan book is likely to grow by 35% in FY12

**Mahindra Finance**





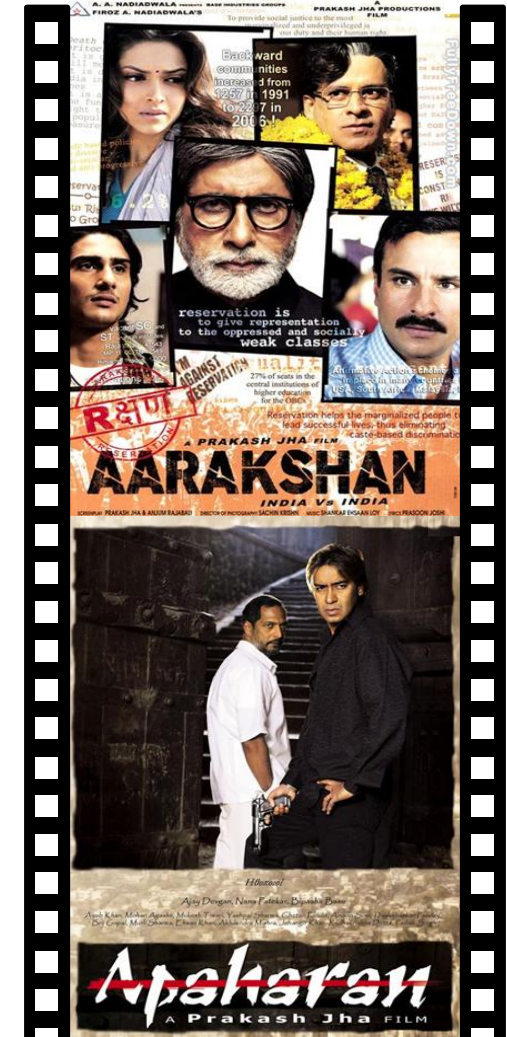
## Visit to P&M Mall

- ❖ P&M Mall is the biggest mall (built-up area of 225,000sq ft covering G+6 floors) and the first with a multiplex in both Bihar and Jharkhand. The mall's four-screen multiplex is well maintained, at par with the facilities in any Indian metro city.
- ❖ The mall charges rentals of Rs 120psf per month and hosts all the major consumer brands of apparels & accessories, as well as a hypermarket, entertainment zone, food court, restaurants, banquet halls and gym.
- ❖ We observed healthy footfalls at the mall and at *Cream Centre*, the Mumbai-based restaurant chain. We also saw a serpentine queue at the movie counter – each ticket costs Rs 160.



## Mr. Prakash Jha

- Film producer-director-screenwriter, known for his political and socio-political films
- ❖ An entrepreneur in his own right, Prakash Jha owns the P&M Mall and has plans to open three more malls at Muzaffarpur, Darbhanga and Ranchi/Jamshedpur. He also has several projects lined up in the fields of healthcare and entertainment.
- ❖ As with auto sales, Jha notes that property prices have also exploded in Patna. Prime residential space today sells at Rs 4,500-5,000psf and land sells at Rs 20mn (\$400,000) an acre. Part of the high cost is blamed on the state government's unwillingness to release land (apparently the government owns 50% of the land in Patna), as this would involve legislative amendments to the 'usage clause', and land is the most politically sensitive issue in the country today.
- ❖ Jha provided very interesting insights and a comparison of socio-economic parameters and several economic issues along with the growth model in Bihar vis-à-vis other states in India.



Day 6

# Patna | Meeting with Deputy CM of Bihar



**Sushil Kumar Modi**  
*Deputy CM of Bihar*





## Mr Sushil Kumar Modi

– Deputy CM of Bihar

- ❖ **Land for business:** Mr Modi expressed helplessness in resolving the biggest hurdle to business – availability of land. Bihar has mostly arable land, and unlike other states, arid land is almost non-existent. The state government has been taking some measures to remedy this by inviting less land-intensive (and least power intensive) businesses into the state.
- ❖ **Social focus:** The government is currently placing a greater focus on the social and development sector, which is then expected to be self-sustaining in terms of asset creation.
- ❖ **Infrastructure build-out:** The state first needs to build capacity in terms of physical and social infrastructure to a minimum threshold, so that it becomes economically feasible for private investment to come in. While most milestones are being achieved as planned, goals on power supply remain the biggest challenge.
- ❖ **Attracting investors:** The government is organising a Pravasi Bihar Diwas in February'12, on the lines of Pravashi Bharatiya (NRI) Diwas in Delhi to attract investment into the state.
- ❖ **Fertiliser prices:** The price increase in fertiliser is not only hurting farmers but also ushering in a new trend where the use of urea is on the rise. Such a trend would adversely affect the fertility of arable land.
- ❖ **GST:** Mr Modi is the Chairperson of the Empowered Committee on GST that comprises all state finance ministers. He said that he has become an ardent supporter of GST, especially after studying the impact seen in other countries.



Attending function of International Growth Centre, London



On the occasion of appointment as Chairman of National Empowered Committee



Dy CM on the occasion of Inauguration of Bihar Foundation, Mumbai Chapter



Dy CM delivering speech at International Growth Centre, London





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