



**GOVERNMENT OF KARNATAKA  
INDIA**

**DEVELOPMENT OF  
“BENGALURU INTERNATIONAL CONVENTION CENTRE”  
WITHIN THE PROPOSED BENGALURU SIGNATURE  
BUSINESS PARK SITUATED ADJOINING THE  
KEMPEGOWDA INTERNATIONAL AIRPORT AT  
BENGALURU, KARNATAKA  
ON  
PUBLIC PRIVATE PARTNERSHIP BASIS**

**PART VI  
PROJECT INFORMATION MEMORANDUM**

**05 FEBRUARY, 2018**



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## Table of Contents

<b>1</b>	<b>INTRODUCTION.....</b>	<b>4</b>
1.1	BACKGROUND.....	4
1.2	REPORT STRUCTURE .....	4
<b>2</b>	<b>TOURISM INDUSTRY .....</b>	<b>5</b>
2.1	TOURISM IN INDIA .....	5
2.2	TOURISM IN KARNATAKA .....	7
<b>3</b>	<b>MICE INDUSTRY.....</b>	<b>10</b>
3.1	MICE INDUSTRY .....	10
3.2	INTERNATIONAL MICE MARKET OVERVIEW .....	13
3.3	MICE MARKET – INDIA & PEER GROUP .....	17
3.4	KEY FINDINGS OF THE MARKET ASSESSMENT .....	18
<b>4</b>	<b>MARKET STUDY .....</b>	<b>19</b>
4.1	BENGALURU OVERVIEW .....	19
4.2	CONNECTIVITY .....	20
4.3	CLIMATE.....	21
4.4	AIR PASSENGER TRAFFIC TO BENGALURU .....	21
4.5	HOTEL ROOM INVENTORY SUPPLY IN BENGALURU.....	23
	DEMAND ANALYSIS - HOTEL MARKET PERFORMANCE.....	29
4.6	RETAIL SUPPLY IN BENGALURU.....	31
4.7	POTENTIAL OF THE PROJECT.....	32
4.8	ADVANTAGE BENGALURU .....	32
4.9	OUTCOME OF MARKET STUDY-POTENTIAL TARGET SEGMENTS FOR BENGALURU .....	35
<b>5</b>	<b>LOCATION &amp; PROJECT SITE ANALYSIS.....</b>	<b>37</b>
5.1	PROJECT LOCATION.....	37
5.2	SALIENT FEATURES OF THE SITE.....	37
5.3	APPLICABLE DEVELOPMENT CONTROL REGULATIONS OF THE LOCATION .....	38
5.4	INFRA ASSESSMENT: .....	39
<b>6</b>	<b>PROPOSED PROJECT CONFIGURATION .....</b>	<b>40</b>
6.1	CONCEPTUAL MASTER PLAN FOR THE PROPOSED BICC.....	40
6.1.1	CONVENTION & EXHIBITION CENTRE AND OTHER SUPPORT FACILITIES.....	42
6.1.2	MIDSCALE HOTEL .....	43
6.1.3	BUDGET HOTEL (NOT PART OF MINIMUM DEVELOPMENT OBLIGATIONS) .....	43
6.1.4	URBAN ENTERTAINMENT & RETAIL SPACE .....	44
<b>7</b>	<b>FINANCIAL ASSESSMENT .....</b>	<b>45</b>
7.1	GENERAL ASSUMPTIONS.....	45
7.2	MAJOR COST & REVENUE & ASSUMPTIONS.....	46
7.2.1	CONVENTION & EXHIBITION CENTRE INCLUDING OTHER AMENITIES.....	46
7.2.2	MID-SCALE HOTEL .....	47
7.2.3	BUDGET HOTEL .....	47
7.2.4	RETAIL & ENTERTAINMENT CENTRE .....	48
7.2.5	COMBINED PROJECT COST.....	49

7.3	MAJOR REVENUE ASSUMPTIONS.....	49
7.3.1	CONVENTION & EXHIBITION CENTRE .....	49
7.3.2	MID-SCALE HOTEL .....	52
7.3.3	BUDGET HOTEL .....	53
7.3.4	RETAIL & ENTERTAINMENT ZONE.....	53
7.4	SUMMARY OF FINANCIAL PARAMETERS.....	54

**List of Tables**

Table 2-1	Trends in Tourist Arrivals (Karnataka State).....	8
Table 3-1	MICE Characteristics.....	11
Table 3-2	Country Rankings.....	13
Table 3-3	Number of participants .....	14
Table 3-4	City Rankings.....	14
Table 3-5	India's Ranking In Peer Group.....	17
Table 3-6	India's Ranking In Peer Group.....	17
Table 7-1	Convention & Exhibition Centre - Summarized Project Cost Estimate.....	46
Table 7-2	Midscale Hotel - Summarised Project Cost Estimate.....	47
Table 7-3	Budget Hotel - Summarized Project Cost Estimate .....	48
Table 7-4	Urban Entertainment Cum Retail Zone- Summarised Project Cost Estimate....	49
Table 7-5	Combined Project Cost.....	49
Table 7-6:	Revenue Assumptions (Convention & Exhibition Centre).....	50
Table 7-7	C&EC -Operation Projections .....	51
Table 7-8	Mid-Scale Hotel- Major Revenue Assumptions.....	52
Table 7-9	Mid-Scale Hotel-Operation Projections.....	52
Table 7-10	Budget Hotel- Major Revenue Assumptions.....	53
Table 7-11	Budget Hotel-Operation Projections .....	53
Table 7-12	Retail & Entertainment Centre (Lease Rental).....	54
Table 7-13	Summary of DSCR & IRR .....	54

**List of Figures**

Figure 2-1	Contribution of Tourism to GDP .....	5
Figure 3-1	Meeting Subjects.....	15
Figure 3-2	Number of Participants.....	15
Figure 3-3	Number Of Participants in Events .....	16
Figure 4-1	Growth Drivers for Bengaluru .....	19
Table 4-2	Bengaluru Statistics .....	20
Figure 5-1	Location of the project site.....	37
Figure 6-1	Conceptual Master Plan.....	40
Figure 6-2	Conceptual Master Plan.....	41
Figure 6-3	Conceptual Master Plan- Perspective View-1.....	41
Figure 6-4	Conceptual Master Plan- Perspective View - 2.....	42

**List of Annexures****Annexure-1- Market Assessment Report**

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## 1 Introduction

### 1.1 Background

MICE (business) tourism is a perfect way of combining business with pleasure. MICE tourism presents unique opportunities for business development. One of the requisites for this form of tourism is the World-Class Convention Centres. The Government of Karnataka (GoK) also recognizes that the promotion of convention industry depends on the quality of meeting facilities, destination appeal, quality accommodation, air access, membership organisations, government support etc. In this regard, GoK has identified the development of International Convention Centre and Exhibition Halls as a core tourism infrastructure facility needed for the city of Bengaluru for catalyzing the economic development in the tourism industry and helping improve the overall economic situation of business related to Tourism in Bengaluru.

Considering the above, the GoK now has initiated the development of a State-of-the-Art International Convention Centre along with other allied facilities including food court, Hotel(s) in Bengaluru. A strategically located land extent of admeasuring 35 acres has been earmarked within the **“Bengaluru Signature Business Park”** being developed on about 407 acres land with the GoK, situated alongside the northern boundary of the Kempegowda International Airport (KIA) at Bengaluru.

The GoK through its consultants, has prepared the concept design for the above said International Convention Centre (ICC) comprising of a main Convention Hall of minimum 6000 seating capacity, exhibition halls of minimum 6500 Sq. mts. and Food Court along with other facilities / Project Components within the BICC and related infrastructure in an integrated manner including Hotel(s), Retail, etc.

GoK, has decided to undertake the development of the proposed Bengaluru International Convention Centre (BICC) (based on the approved concept design and design brief thereof) through the Public Private Partnership (PPP) mode ie, on Design, Finance, Build, Operate and Transfer ("DFBOT") basis. Accordingly, the Infrastructure Development Department (IDD), GoK, through KSIIDC, the Nodal Agency for development of the Project, has taken up the transparent and competitive bidding process for selection of the Concessionaire to whom the project may be awarded. The bidding process is proposed to be a single stage (3-part) Request For Proposal (RFP). This Project Information Memorandum (PIM) forms part of RFP document.

### 1.2 Report Structure

The Project Information Memorandum for the proposed BICC consists of the following sections:

- Tourism Industry
- MICE Industry
- Potential of the Project
- Location & Project Site Analysis
- Proposed Project Configuration
- Financial Assessment

This PIM also comprises of the following Annexures:

Annexure-1 to PIM –Market Assessment Report prepared by M/s Mahajan & Aibara

## 2 Tourism Industry

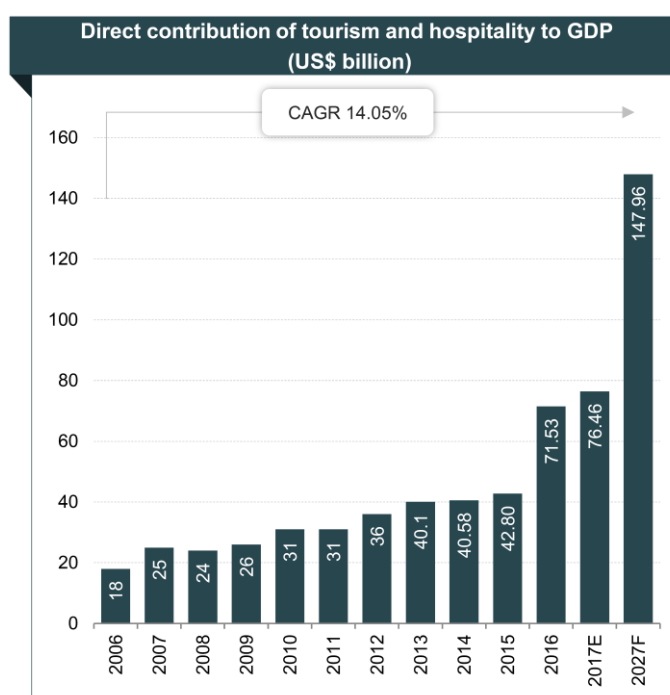
Tourism sector's impact on the economic and social development of a country is enormous; opening it up for business, trade and capital investment, creating jobs and entrepreneurialism for the workforce and protecting heritage and cultural values. It is estimated that the Travel & Tourism sector generated US\$7.6 trillion (10.2% of global GDP) and 292 million jobs (1 in 10 jobs) for the global economy in 2017. Recent years have seen Travel & Tourism growing at a faster rate than both the wider economy and other significant sectors such as automotive, financial services and health care.

### 2.1 Tourism in India

The travel and tourism sector holds strategic importance in the Indian economy providing several socio economic benefits. Provision of employment, income and foreign exchange, development or expansion of other industries such as agriculture, construction, handicrafts etc. are some of the important economic benefits provided by the tourism sector. In addition, investments in infrastructural facilities such as transportation, accommodation and other tourism related services lead to an overall development of infrastructure in the economy. According to the World Economic Forum's Travel and Tourism Competitiveness Report 2017, India ranks 40th globally out of 136 economies ranked on travel and tourism Competitiveness Index. India has also been witnessing steady growth in its travel and tourism sector over the past few years.

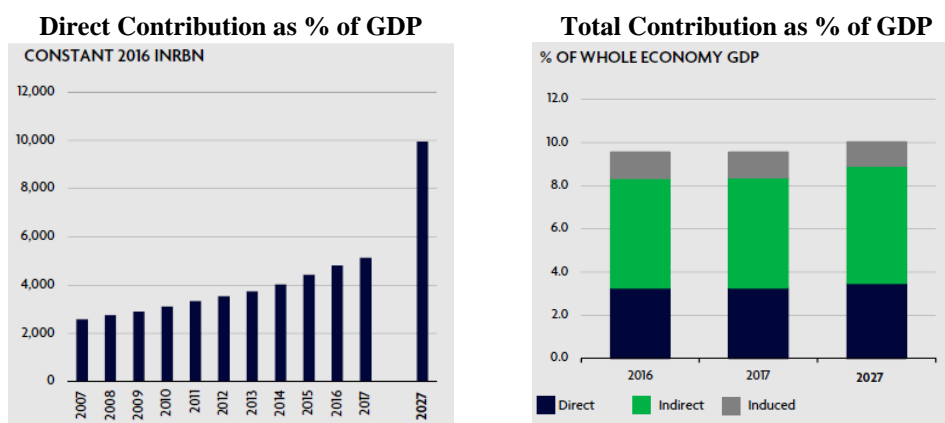
Tourism in India is the third largest foreign exchange earner for the country. As can be seen from the figure below, the tourism and hospitality sector's direct contribution to GDP is USD 76.46 billion in 2017. The contribution of the sector to GDP is expected to grow by CAGR of 14.05% to reach USD 147.96 billion in 2027. Further by 2025, foreign tourist arrivals in India is expected to reach 15.3 million, according to the World Travel & Tourism Council statistics.

**Figure 2-1 Contribution of Tourism to GDP**



Source: WTTC –Economic Impact 2017& www.ibef.org

**Figure 2-2 Direct & Indirect Contribution of Tourism to GDP**



Source: WTTC –Economic Impact 2017& www.ibef.org

The World Travel & Tourism Council predicts India as a potential contender in the tourism industry and projects India to grow at **6.7% year on year** which is higher than the world average and Asia pacific average as shown in figure below.

**Figure 2-3 YoY Growth Rate of Contribution of Tourism to GDP**

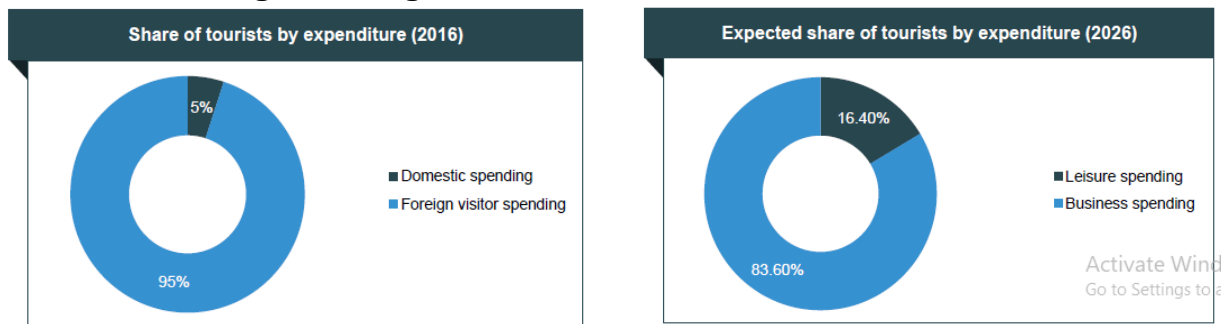
TRAVEL & TOURISM'S TOTAL CONTRIBUTION TO GDP		2017 - 2027 % growth pa
3	China	7.2
6	Bangladesh	7.1
8	India	6.7
9	Cambodia	6.6
	<b>South Asia</b>	6.6
10	Thailand	6.5
20	Indonesia	6.2
22	Sri Lanka	6.1
33	Pakistan	5.8
38	Vietnam	5.8
53	Malaysia	5.4
	World	3.9

Source: WTTC –Economic Impact 2017& www.ibef.org

The revenue streams from tourism have been classified as leisure spending and business spending. As per data from WTTC, revenues from leisure travel constitute over 94.6% per cent in 2016 and business spending constitutes 5.4% of the total tourism revenues in India. Revenues from leisure travel totaled USD 197.24 billion in 2016 and are estimated to reach USD203.5 billion by 2026. **Business travel revenues stood at USD 11.25 billion in 2016 and are projected to reach over USD39.88 billion by 2026. As shown in figure below the share of business spending is expected to increase to 83.6% of the total revenues.**



Figure 2-4 Segmentation of Revenue from Tourism



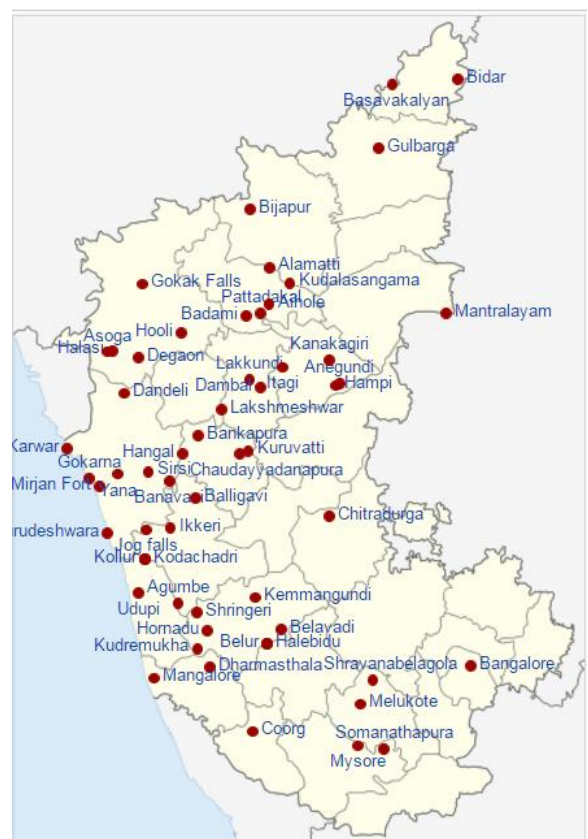
Source: WTTC –Economic Impact 2017& www.ibef.org

Business spending majorly accounts for travel and business meetings, conferences incentive travels which constitutes the MICE sector. India has destinations which range from a bustling cosmopolitan city to the quiet countryside, hill station or a beach resort and blend of history and architecture. All these features of the country hence has the potential to offer a backdrop of unmatched beauty for the world meeting sector. With all the above factors, India has made astonishing progress among developing nations and its contribution of business spending in tourism is presently in a growth phase with an estimated growth rate of 6.7% per annum. The MICE sector and the position of India in the sector is being explained in the following sections.

## 2.2 Tourism in Karnataka

Karnataka is the eighth largest State in the Indian Union and hosts 5% of the national population. The state is the largest base for the IT / ITES sector and is also a major investment destination for other sectors such as biotechnology, aerospace, automobile, engineering, sericulture and floriculture, mining and renewable energy. Karnataka is home to several forts, architectural marvels and is blessed with a rich cultural heritage. Other diverse visitor attractions in the state include pilgrim sites, coastal landscape and wildlife / national parks. The state also offers a variety of tourism products that cater to the demand from different visitor segments, such as, eco-tourism, wellness tourism and adventure tourism.

Over the years, Karnataka has emerged as one of the most sought after tourism destinations in the country and also created a space for itself in the international tourism map. As of 2016, the State was ranked as the fourth preferred destination among domestic tourists. Given the variety of the tourism assets, the state is promoted under the tagline **“One state, many worlds”**.





The major tourism destinations in Karnataka can be classified under the following tourism themes:

- **Heritage and Culture** - Hampi, Badami, Pattadakal, Aihole, Mysore palace, Srirangapatana etc
- **Wild Life and Forests** - National Parks at Bandipur, BR Hills, Rajiv Gandhi National Park, Kudremukh National Park etc
- **Beaches** – Mangalore, Karwar, Gokarna, Malpe etc
- **Religious Destinations**- Hindu temples (Kukke Subrahmanya, Kadri Manjunatha temple, Mookambika temple etc), Jain basadis (Moodabidri, Karkala etc) and statues of Bahubali (Sravanabelagola, Vennur), Churches (St. Aloysius, Milagres), Mosques & Dargahs (Jama Masjid, Dargah of Syeed Madani etc)
- **Adventure Sports**- White water rafting (Dandeli, Kemphole, Sitanadi, Netravati), rock climbing (Ramnagar near Bengaluru, Badami), trekking (Shimoga, Chikmagalur, Hassan, Kodagu), angling ( Cauvery fishing camp), aero sports
- **Hill Stations and Scenic Spots**- Coorg, Chickmagalur, Agumbe BR Hills, Nandi Hills, Jog falls etc
- **City tourism & MICE Tourism**- Bengaluru and Mysore

Karnataka attracted around 130.2 million tourists with around 129.7 million domestic tourists and 0.46 million international tourists in 2016. The tourism figures for the last 11 years along with the associated growth rates are provided in the table below.

**Table 2-1 Trends in Tourist Arrivals (Karnataka State)**

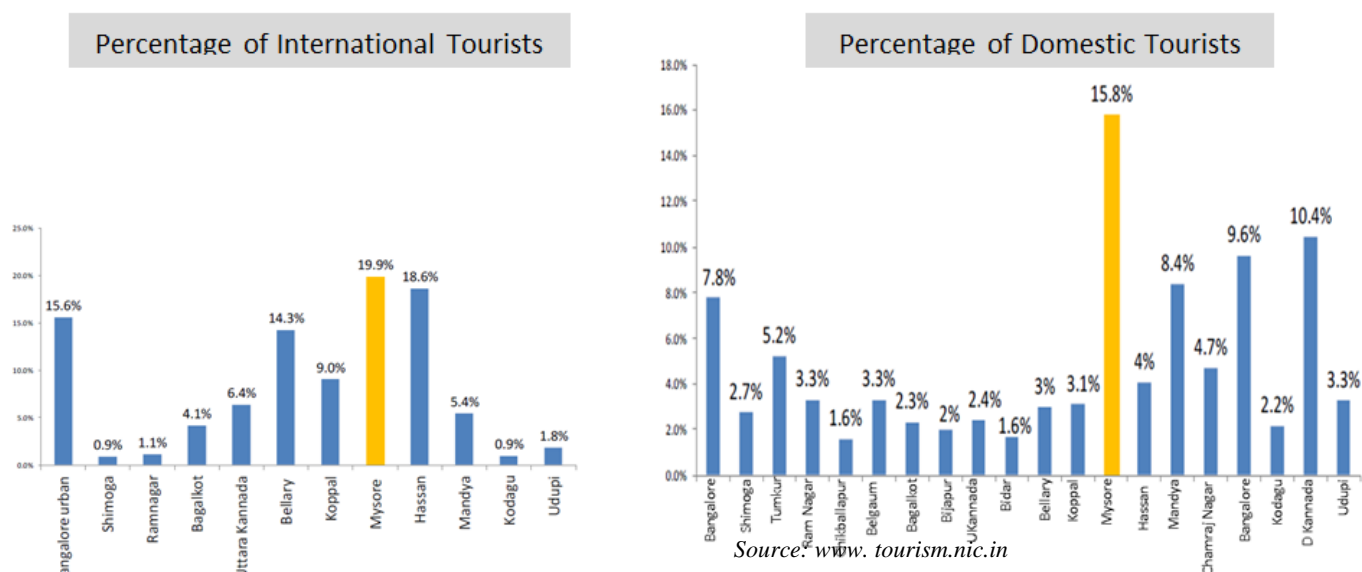
S.No	Year	Domestic	% change over previous year	International	% change over previous year	Total	% change over previous year
1	2006	3,61,95,907		5,05,524		3,67,01,431	
2	2007	3,78,25,953	4.50%	5,34,563	5.74%	3,83,60,516	4.52%
3	2008	3,70,10,928	-2.15%	5,20,041	-2.72%	3,75,30,969	-2.16%
4	2009	3,27,29,679	-11.57%	5,29,847	1.89%	3,32,59,526	-11.38%
5	2010	3,82,02,077	16.72%	5,24,573	-1.00%	3,87,26,650	16.44%
6	2011	8,41,07,390	120.16%	5,74,005	9.42%	8,46,81,395	118.66%
7	2012	9,45,21,429	12.38%	5,95,359	3.72%	9,51,16,788	12.32%
8	2013	9,80,10,140	3.69%	6,36,378	6.89%	9,86,46,518	3.71%
9	2014	11,82,83,220	20.68%	5,61,870	-11.71%	11,88,45,090	20.48%
10	2015	11,98,63,942	1.34%	6,36,502	13.28%	12,05,00,444	1.39%
11	2016	12,97,68,783	8.26%	4,61,246	-27.53%	13,02,30,029	8.07%
12	2017*	7,24,11,383	-	2,73,091	-	7,26,84,474	-

(Note: \* Tourist Statistics are from January – July, 2017)

Source: Department of Tourism, Government of Karnataka

As can be seen from the table the year 2011 has seen a major turnaround in tourism figures & growth rates for Karnataka. **It is seen that domestic tourists increased by around 120% and international tourists by around 77%.** From 2011 onwards there is a gradual increase in the percentage growth of tourists. The southern districts of Karnataka - Bengaluru (Rural & Urban), Mysore, Ramnagara, Mandya, Kodagu -account for more than 60% of total international tourism inflows. Mysore accounts for the largest inflow of tourists for both the domestic and international categories. The percentage of tourists visiting the major destinations in Karnataka is as in figure below.

**Figure 2-6 Tourism Arrivals in Karnataka**

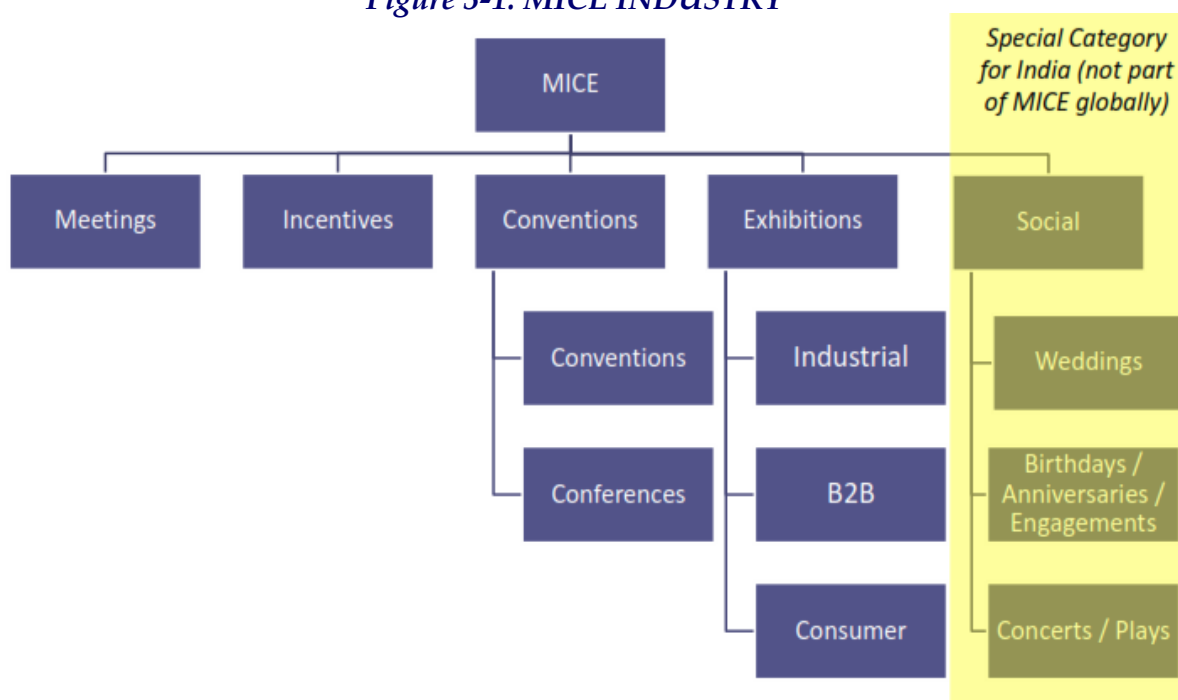


### 3 MICE Industry

#### 3.1 MICE Industry

**MICE (Meetings Incentives Conventions Exhibitions) tourism** is a perfect way of combining business with pleasure. MICE tourism presents unique opportunities for business development - One of the requisites for this form of tourism is world-class convention centres. Business events are an important high yielding sector of tourism industry and MICE sector plays an important role in economic development through direct business and employment opportunities, and indirectly through the promotion of exports, innovation and local expertise. The major categories of the MICE Sector are as in the figure below:

*Figure 3-1: MICE INDUSTRY*



The key characteristics of various types of MICE events such as meetings, incentives, conventions, conferences and exhibitions are as in table below.

**Table 3-1 MICE Characteristics**

<b>Meetings</b>	<ul style="list-style-type: none"> <li>• To discuss regular / day-to-day business</li> <li>• Clients: Pre-dominantly corporate, associations, etc.</li> <li>• High frequency – multiple times a year or even month for a single client</li> <li>• Small size (typically 10 to 100 pax)</li> <li>• Highly localized, preferably in proximity to office locations</li> <li>• Often held within office for large corporates, if necessary infrastructure available</li> <li>• Local participants</li> <li>• Generally for 1 day</li> <li>• E.g. Sales meets, distributors meets, division meetings, etc.</li> </ul>
<b>Incentives</b>	<ul style="list-style-type: none"> <li>• To incentivize employees, distributors, customers, etc. for achievements</li> <li>• Clients: Pre-dominantly corporate clientele</li> <li>• Annual frequency</li> <li>• Medium size (typically 25 – 150 pax)</li> <li>• Leisure locations / leisure-cum-business locations - different locations each time.</li> <li>• Participants from around the country / world</li> <li>• Generally for more than 1 day</li> <li>• E.g. Corporate annual vacations, dealer's / salesmen's trips, etc.</li> </ul>
<b>Conventions</b>	<ul style="list-style-type: none"> <li>• To discuss policy issues, new developments in respective fields.</li> <li>• Clients: Pre-dominantly associations, government organizations, corporates etc.</li> <li>• Frequency – once in every few years, sometimes annual</li> <li>• Large size (over 1,000 delegates)</li> <li>• Participants from around the world</li> <li>• Held in gateway destinations like country / state capital, headquarters for the industry, etc.</li> <li>• Generally for more than 1 day</li> <li>• E.g. World Economic Forum, ASEAN Summit, SAARC Summit, World Orthopedic Conference, etc.</li> </ul>
<b>Conferences</b>	<ul style="list-style-type: none"> <li>• Clients: Pre-dominantly corporates, associations, etc.</li> <li>• Frequency – typically annual</li> <li>• Medium size (typically 250 – 1,500 delegates)</li> <li>• Participants from around the country / world</li> <li>• Generally held in home city of the corporate / association</li> </ul>

## Request for Proposal: Part VI -Project Information Memorandum

	<ul style="list-style-type: none"> <li>• Could be 1 day or more than 1 day</li> <li>• E.g. Annual meetings, etc.</li> </ul>
<b><i>Conventions and conferences are often used interchangeably. There is not much difference between the two</i></b>	
<b>Industrial Exhibitions</b>	<ul style="list-style-type: none"> <li>• To display large machinery and allied products &amp; services</li> <li>• Organized by Industry associations, government departments, etc.</li> <li>• Visitors include predominantly trade / business visitors, students, etc.</li> <li>• Frequency – once every few years, sometimes annual</li> <li>• Large size (over 25,000 sq.m), some as large as 100,000 sq.mt.</li> <li>• Use convention facilities along with exhibition facilities</li> <li>• Participants from around the world</li> <li>• Held in gateway cities or cities with industry base. Infrastructure availability is the key consideration.</li> <li>• Generally for 3 – 5 days</li> <li>• E.g. IMTEX, PlastIndia, IIJS, ITME, Auto India, Aero Show, etc.</li> </ul>
<b>B2B Exhibition (small)</b>	<ul style="list-style-type: none"> <li>• To display products and allied services, etc.</li> <li>• Organized by Industry associations, PEOs, etc.</li> <li>• Visitors include predominantly trade / business visitors, students.</li> <li>• Frequency – annual, sometimes more frequently</li> <li>• Small to Medium size (2,000 sq.mt. to 25,000 sq.mt.).</li> <li>• Rarely use convention facilities along with exhibition facilities</li> <li>• Participants generally from geographic vicinity</li> <li>• Held in various locations with industry / customer base.</li> <li>• Generally for 1 – 3 days</li> <li>• E.g. – Indigo (Denim Industry), WTM, KTM, IIJS Signature, etc.</li> </ul>
<b><i>All Industrial Exhibitions are pre-dominantly B2B events.</i></b>	
<b>Consumer Exhibitions</b>	<ul style="list-style-type: none"> <li>• To display products directly to the consumer</li> <li>• Organized by event organizers, etc.</li> <li>• Visitors are end consumers with some business visitors</li> <li>• Frequency – many times a year in different cities</li> <li>• Small size (generally less than 1,000 sq.mt.)</li> <li>• Local participation</li> <li>• Location within the city is very important. Prefer city centre locations that are easily accessible from all parts of the city</li> <li>• Generally for 1 – 3 days</li> <li>• E.g. Book Fairs, Handicraft Fairs, etc.</li> </ul>
<b>Social Functions</b>	
Weddings	<ul style="list-style-type: none"> <li>• Large in size</li> <li>• Higher APCs (Average Propensity Consume)</li> <li>• Generally local, sometime theme destinations like Goa, Jaipur, Udaipur, etc.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Comparatively smaller size</li> <li>• APCs marginally lower than weddings</li> </ul>

## Request for Proposal: Part VI -Project Information Memorandum

	<ul style="list-style-type: none"> <li>• Mostly local</li> <li>• E.g. Birthdays / Anniversaries / Engagements</li> </ul>
Concerts / Plays	<ul style="list-style-type: none"> <li>• Generally held in auditoriums (due to acoustics requirements) or open stadiums (due to size)</li> <li>• Prefer city centre locations that are easily accessible</li> </ul>

### 3.2 International MICE Market Overview

As mentioned above, meetings can be classified as Corporate Meetings (Internal / External), Non-Corporate Meetings, Association / NGO and International Government Organizations. International Congress and Convention Association (ICCA) is one of the premier worldwide organizations tracking worldwide MICE market and events and have comprehensive statistical databases of the events in the sector. To be included, events need to have a minimum attendance by 50 delegates, must be organized on a regular basis and should have been organized in a minimum of 3 different countries. One-time events are excluded by ICCA from analysis.

*According to ICCA statistics, total of 400,000 conferences and exhibitions are held every year worldwide with a total outlay of US\$280 billion, wherein India's share is pegged at US\$4.8 bn and stands at 27<sup>th</sup> place in the global meetings market. Indian inbound MICE segment is growing at the rate of 15 to 29% annually with an estimated conventions and conference market to be Rs. 4,000-5,500 Crores annually.*

The brief on the statistics from the ICCA Statistics Report is as below.

- As per the statistics, the top two ranked countries are USA and Germany by number of events in 2015 and hosted 7.7% and 5.5% of the total events respectively. As per the report the number of events in World & APAC+ME (Asia Pacific & Middle East) grew at a CAGR of 3.7% & 3.8% respectively between 2006 & 2015. In comparison, India grew at CAGR of 2.4% during the same period. APAC+ME's share of world events has stayed stable at about 20% over the years. India's share of APAC+ME events has been around 5% on an average from 2006 - 2015. As per ICCA statistics, USA ranks first in terms of the number of participants (4,12,845) whereas India was ranked 33<sup>rd</sup>. As per ICCA statistics, in 2014 India was ranked 35<sup>th</sup> amongst the countries however the number of participants in India for major conventions and Exhibitions increased to 60,132.

**Table 3-2 Country Rankings**

Rank 2011	Rank 2010	Country	# Events (2015)	Events %age (2015)
1	1	U.S.A	925	7.7%
2	2	Germany	667	5.5%
4	3	U.K.	582	4.8%
3	4	Spain	572	4.7%
5	5	France	522	4.3%
6	6	Italy	504	4.2%
7	7	Japan	355	2.9%
8	8	China P R	333	2.8%
9	9	Netherlands	333	2.8%
12	10	Canada	308	2.6%
10	11	Brazil	292	2.4%

Request for Proposal: Part VI -Project Information Memorandum

15	12	Portugal	278	2.3%
<b>33</b>	<b>31</b>	<b>India</b>	<b>132</b>	<b>1.1%</b>
		Others	6,275	52.0%
		<b>TOTAL</b>	<b>12,078</b>	<b>100%</b>

Source: ICCA Statistics Report 2015 & 2014

**Table 3-3 Number of participants**

Rank 2014	Rank 2015	Country	# Participants (2015)	Participants %age
1	1	U.S.A.	412,845	8.8%
3	2	Germany	244,141	5.2%
2	3	Spain	242,281	5.1%
5	4	U.K.	232,324	4.9%
6	5	Italy	202,910	4.3%
4	6	France	196,168	4.2%
8	7	Canada	174,764	3.7%
11	8	Republic of Korea	159,053	3.4%
10	9	Brazil	146,674	3.1%
12	10	Austria	142,936	3.0%
9	11	Netherlands	133,015	2.8%
7	12	Japan	125,251	2.7%
		Others	2,305,215	48.9%
		<b>TOTAL</b>	<b>4,717,577</b>	<b>100%</b>

- As per ICCA statistics, Paris was the top city by number of events 2014 whereas in 2015 the maximum events were held in Berlin (195 events), Paris was in second position with 186 events. The top ranked Indian cities include New Delhi, Mumbai, Bengaluru, Hyderabad, Goa and Chennai. Hyderabad has witnessed the highest promotion (340th rank to 150th rank and 1 meeting to 14 meetings between 2002 & 2011). This can be partially attributed to the HICC facility opening in 2006. Further the number of events in Hyderabad has increased to 18 meetings in 2014. Bengaluru improved its position from 212 to 128 with increase in number of events from 9 in 2011 to 17 in 2013 whereas in 2015 even with the increase in the number of meetings the city rank went down to 191 emphasizing the fact that without the required convention facilities Bengaluru may not be able to capitalize on its inherent advantages and tend to lose the edge over other cities.

**Table 3-4 City Rankings**

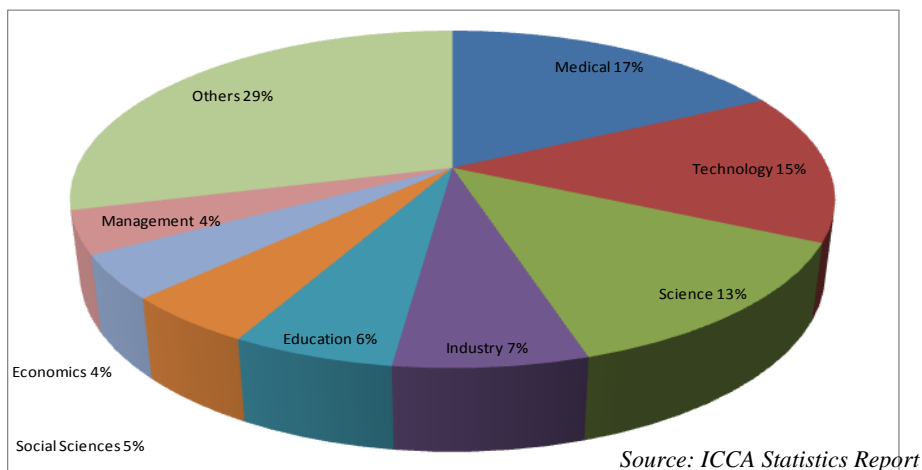
Rank (2006)	Rank (2014)	Rank (2015)	City	# Events (2015)
4	7	1	Berlin	195
2	1	2	Paris	186
3	2	3	Barcelona	180
1	5	4	Vienna	178
7	4	5	London	171
6	3	6	Madrid	171
5	10	7	Singapore	156
9	8	8	Istanbul	148
12	24	9	Lisbon	145
14	9	10	Copenhagen	138
<b>56</b>	<b>69</b>	<b>64</b>	<b>New Delhi</b>	<b>41</b>
<b>212</b>	<b>222</b>	<b>182</b>	<b>Mumbai</b>	<b>14</b>
<b>212</b>	<b>222</b>	<b>191</b>	<b>Bengaluru</b>	<b>13</b>
<b>150</b>	<b>134</b>	<b>207</b>	<b>Hyderabad</b>	<b>12</b>
<b>345</b>	<b>n.a.</b>	<b>276</b>	<b>Goa</b>	<b>8</b>
<b>273</b>	<b>240</b>	<b>335</b>	<b>Chennai</b>	<b>6</b>
			<b>TOTAL</b>	<b>12,078</b>

Source: ICCA Statistics Reports



- As can be seen from figure below Medical, Technology and Science are the three major subjects for events worldwide, together accounting for 45% of the events. Bengaluru, with its IT/ITES and Bio-technology base is well placed to target these major segments of business.

**Figure 3-1 Meeting Subjects**



- Further the average size of events globally and in APAC+ME in the venue with capacity of 2,000 pax can address 97% of the target market. The number of events with over 2,000 participants has remained stagnant at 2 – 3% between 2006 and 2015. The 0 – 2,000 pax. Category grew 1.5 times (4% p.a. CAGR) over the period. The number of events in the > 3,000 pax category has stayed constant over the period, growing just 1.2 times (2% p.a. CAGR) over the period. The 2,000 to 3,000 pax category has grown 1.3 times (3% p.a. CAGR) over the period. However it may be noted that the availability of the facility to host large conferences has an edge over the other centres.

**Figure 3-2 Number of Participants**

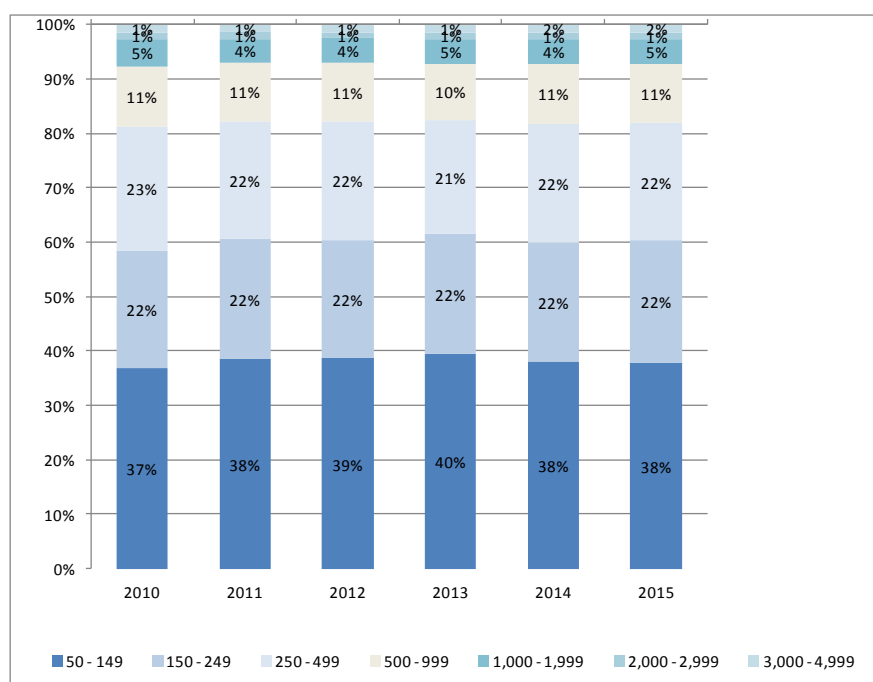
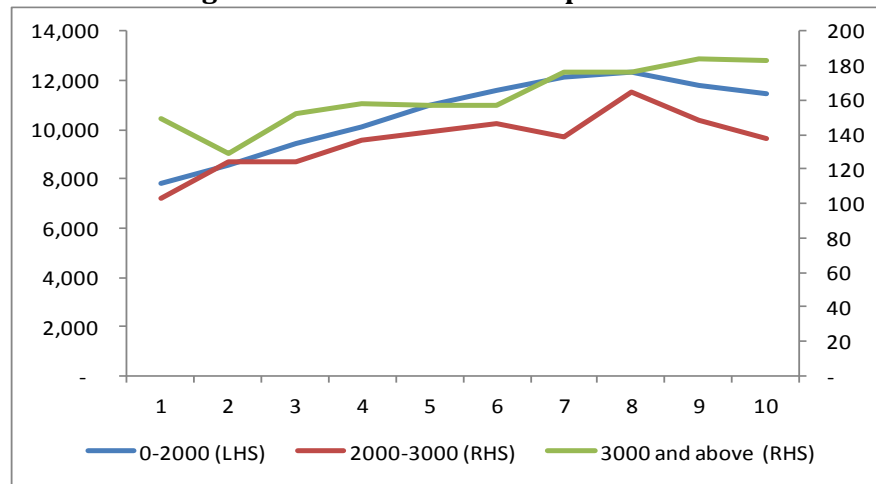


Figure 3-3 Number Of Participants in Events



### 3.3 MICE Market – India & Peer Group

- India is ranked 9<sup>th</sup> in the APAC+ME region by number of events. It hosted 116 events, which is 4.8% of the total events held in the region. Japan, with 337 events, hosted 13.9% of the events and was ranked no. 1.

**Table 3-5 India's Ranking In Peer Group**

Rank - # events (2014)	Country	2014	
		Participants	Events
1	Japan	147,245	337
2	China	127,997	332
3	Australia	151,808	260
4	Republic of Korea	115,418	222
5	Chinese Taipei	52,791	145
6	Singapore	57,497	142
7	Malaysia	71,157	133
8	Thailand	42,742	118
9	India	60,132	116
10	Hong Kong, China-P.R.	41,956	98
	Others	100,222	514
	<b>Total (APAC + ME)</b>	<b>968,965</b>	<b>2,417</b>
	<b>India's Share</b>	<b>6.2%</b>	<b>4.8%</b>

- Singapore has retained the top slot amongst the cities for most of the 10 year period. New Delhi, with 41 events, was ranked 14<sup>th</sup> amongst its peer set in 2015. As mentioned above, an interesting trend can be observed where the number of events hosted by Hyderabad has shot up significantly since 2006. This is largely attributed to the HICC opening in January 2006, and which brought Hyderabad on the world convention map.

**Table 3-6 India's Ranking In Peer Group**

Rank	City	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR (2006 to 2015)
1	Singapore	131	142	137	120	148	142	150	175	142	156	2.0%
2	Seoul	103	89	119	109	98	99	100	125	99	117	1.4%
3	Hong Kong	79	86	76	83	94	77	96	89	98	112	4.0%
4	Bangkok	77	99	83	85	56	70	105	93	73	103	3.3%
5	Beijing	108	119	100	132	113	111	109	105	104	95	-1.4%
6	Taipei	48	82	65	81	107	83	80	78	92	90	7.2%
7	Sydney	57	67	73	64	105	57	86	93	82	86	4.7%
8	Tokyo	57	80	98	69	74	50	69	79	90	80	3.8%
9	Kuala Lumpur	69	83	85	91	82	78	69	68	73	73	0.6%
10	Dubai	14	28	35	30	39	34	38	37	56	56	16.7%
11	Shanghai	57	61	73	61	90	72	64	72	73	55	-0.4%
12	Melbourne	53	43	45	37	53	62	54	52	61	54	0.2%
13	Kyoto	33	39	36	39	48	29	61	43	47	45	3.5%
14	Manila	28	24	28	26	21	22	31	28	22	41	4.3%
14	New Delhi	36	43	41	30	41	37	48	35	35	41	1.5%
15	Bali	17	22	25	23	37	23	47	55	38	40	10.0%
	Hyderabad	8	13	15	15	11	14	14	17	18	12	4.6%
	Mumbai	12	15	11	14	11	9	19	19	10	14	1.7%
	Bangalore	18	14	12	7	9	9	16	19	10	13	-3.6%
	Chennai	6	13	8	10	8	7	13	7	9	6	0.0%
	Goa	6	5	2	4	3	5	n.a.	5	n.a.	8	3.2%
	<b>APAC + ME Total</b>	<b>1,826</b>	<b>2,021</b>	<b>2,099</b>	<b>2,094</b>	<b>2,254</b>	<b>1,976</b>	<b>2,370</b>	<b>2,470</b>	<b>2,427</b>	<b>2,533</b>	<b>3.7%</b>

Source: ICCA Statistics Reports

### 3.4 Key Findings of the market assessment

- International convention venues require huge hotel room inventory, to host large events. Cities like Vienna (31,070), Singapore (64,347), Las Vegas (149,339), Beijing (44,605) and even Seoul (17,408) and Bangkok (30,132) have large hotel inventory to provide the support facility for large conventions.
- Passenger handling capacity is an important factor for hosting large events. Amongst the peer group cities, Singapore airport has handled approximately 66 mn. passengers p.a., Bangkok 45 mn.p.a., Beijing 82 mn.p.a. and Seoul 44 mn.p.a in 2016. Bengaluru's current capacity is 26 mn p.a. A second parallel runway is proposed south of the existing runway, which is currently under construction. Therefore, Bengaluru is well poised to target global events.
- Major international C&EC destinations have some key characteristics which make them MICE destinations. For instance, Las Vegas & Macau are gaming destinations, Hong Kong is an important financial centre and very close to Macau where gaming is allowed, Vienna (Austria) is centrally located in Europe, is politically neutral (striking a balance between capitalist & communist country) and therefore caters to international organizational meetings. Although Singapore is generally a strict country in terms of gaming, Marina Bay Sands & Resorts World and Sentosa are places where casinos are allowed making them important attractions. Bengaluru is the technology capital of India. Moreover, it is the base for major companies in the biotechnology, aero industry, etc. These industries are expected to grow at healthy pace and would be the prime demand drivers for the MICE sector in Bengaluru.
- Most international facilities are Convention-cum-Exhibition facilities rather than only Convention or Exhibition. For almost all such venues, the size of Exhibition facility is much larger than the Convention facility. This is also observed in Convensia Convention Centre, Songdo and Marina Bay Sands, Singapore which are amongst the latest purpose-built facilities. Similar to global venues, even for Indian C&EC facilities, the proportion of large functions is minuscule; HICC which is the largest purpose built facility at present 87% of events had participants less than 500. This has increased from 78% in 2006, signifying that the proportion of smaller events has increased. Only 7% of all conferences held were of more than 2000 pax size. Similarly, Marriott Convention Centre Pune had only 1% of the conferences more than 1000 pax 97% of the conferences hosted were less than 500 pax. Grand Hyatt Mumbai has only 10-12 large conferences p.a. (of average size 1000 pax) as compared to 350 – 450 small conferences p.a. of average size 300 pax. The proposed facility with 6000 seater capacity which is divisible into smaller halls is expected to capture large conventions and also smaller conventions/ meetings.

**The abstracts in this section have been extracted from the Market Assessment carried out in 2017.**

**(For detailed Market study refer Annexure -1- Market Assessment Report)**

## 4 MARKET STUDY

This section of the report examines the overall supply of hotel rooms and meeting space in Bengaluru. The consulting team has undertaken the market assessment with the view that there is merit in examining the subject facility's market positioning as a "Multi Purpose Facility" (MPF). MPF's are convention centres that are designed in a manner to provide maximum flexibility in configuration of function space which enhances their potential to cater to a multitude of events and hence generate additional revenue. This would provide flexibility to the operator in terms of catering to different type of events and help even out space utilization especially during the slack season. It would also allow the subject facility to rely upon sources of revenue other than conventions and meetings thus reducing its exposure to this segment.

### 4.1 Bengaluru Overview

Bengaluru is the capital city of Karnataka, located at an altitude of 3,000 ft above sea level. This Garden City of India, is easily accessed from anywhere in India by road, rail, or air. Bengaluru, with a population of 8.474 mn. (Census 2011) is one of the fastest growing metropolitan cities of India and has rapidly emerged as the Information Technology hub of the country over the last decade. Most of the top international computer, telecom, software companies and the BPO units have wholly owned subsidiaries or joint ventures with Indian companies based in Bengaluru. The large software companies such as IBM, Microsoft, Intel, Sun, Infosys and Wipro are also headquartered here.

The city also has a concentration of heavy industries (largely public sector) that are significant generators of traffic, especially for the mid-market hotel segment. These include Hindustan Aeronautics, BHEL, BEL, Railways Wheel & Axle Plant, HMT, BEML, NGEF, ISRO, NAL (British Aerospace), etc. It is also a centre for the thriving readymade garments and the silk industry. Bio-Technology is another thrust area and the city is also attracting a lot of bio-tech companies.

Bengaluru is also well connected to other cities in the south by road, rail & air and on to the rest of the country. There are a number of express trains and deluxe buses providing convenient connections. Even though more people arrive in Bengaluru by road and rail, the target market for the subject property would largely comprise of air travellers and corporates at Bengaluru. Road is however an important means of transport for businessmen and tourists from the closer southern destinations.

Figure 4-1 Growth Drivers for Bengaluru



Table 4-2 Bengaluru Statistics

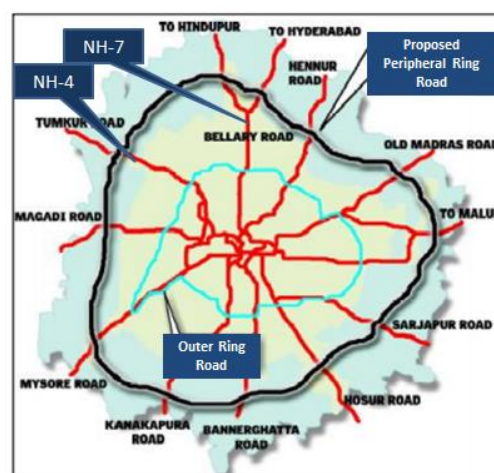
<b>Area</b>	741 Sq.mt.
<b>Population (2011)</b>	8.474 mn (2011 Census), 5 <sup>th</sup> largest urban agglomeration in India after Mumbai, Kolkata, Delhi & Chennai
<b>Population Density</b>	4,378 / Sq. km.
<b>Population Growth (CAGR over 1971-2011)</b>	4.2% VS 1.9% for Mumbai – The most populous city in the country
<b>% in Migrants to Total Population</b>	13%
<b>Literacy Rate</b>	83% (higher than the national average of 74%)
<b>Economic Growth Rate</b>	10.3%, fastest growing metropolis in India
<b>Per Capita Income – Urban (2016)</b>	INR 271,387
<b>Foreign Direct Investment Inflow to City (%)</b>	6.8% (Yr 2000 – 09)
<b>Leading Sectors / Room Nights Demand Generators</b>	IT / ITES & BPO sectors
	Financial Services
	Biotechnology
<b>Challenges</b>	City Infrastructure is inadequate to support rapid growth witnessed over past few years. Heavy traffic as road network is not designed to support present capacities.

## 4.2 Connectivity

**Road Connectivity:** NH7 and NH4 (part of North South Corridor and Golden Quadrilateral, respectively) pass through Bengaluru forming the important radial roads within the Bengaluru Metropolitan Area. Apart from the above NH209 which links State Highways link Bengaluru with Mysore, Bannerghatta, Magadi form other major radial corridors. The main highways include:

- NH4 (National Highway 4) running from Mumbai to Chennai;
- NH7 from Varanasi to Kanyakumari;
- NH209 connecting Kanakapura and Kerala; and
- SH17 connecting Bengaluru to Mysore

Figure 4-2 Growth Drivers for Bengaluru



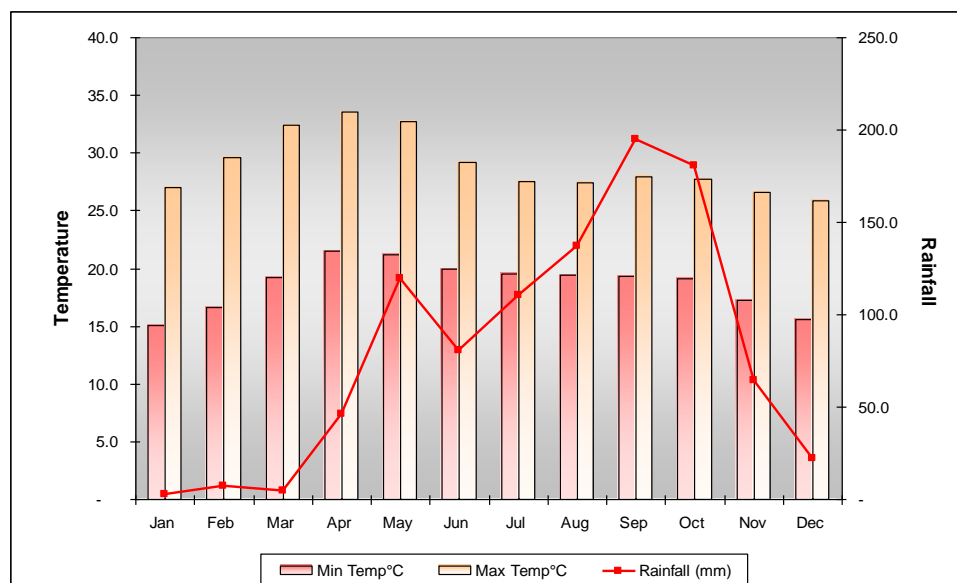
**Rail Connectivity :** Bengaluru is well connected to all major Indian cities by a number of daily express trains thus making the city accessible from major cities in the country.

**Air Connectivity:** The Kempegowda International Airport at Devanahalli is located at a distance of about 35 km from the Central Business District (CBD). The city is well connected to all the major international and domestic destinations. Around 26 International Airlines (including 8 Freighters) operate from the airport to 16 International Destinations. Further 34 Domestic destinations are connected by 9 Domestic Airlines (including 1 Freighter).

### 4.3 Climate

Climatic conditions for the Garden City, based on data collected from the local Meteorological station are graphically presented in Table below. Bengaluru's climate has little temperature variance between seasons due to its latitudinal location and being on the mainland. Maximum average temperatures over a 30 year history are 35<sup>o</sup> Celsius in the months of April / May and minimum average temperature of 12<sup>o</sup> Celsius in the months of December / January. Rainfall is heavy, approx. 200 mm in monsoons which are concentrated in the period from July to October.

**Figure 4-3 Climatic Conditions for Bengaluru**



### 4.4 Air Passenger Traffic to Bengaluru

Airline traffic to the city and historic occupancies actually achieved are considered to be the most appropriate indicator of present and likely future demand. The compounded annual growth rate in passenger traffic has been 11% (2009-10 to 2015-16) for Bengaluru v/s 10% for all India which can be seen in the table below.

**Table 4-2 Total Air Passenger Traffic Across Top Cities**



## Development of Bengaluru International Convention Centre (BICC) on PPP Format

### Request for Proposal: Part VI -Project Information Memorandum

City	April '16 - Feb '17			FY 16			FY 14			FY 12			FY 10			CAGR (2010-'16)
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total	
Delhi	38,469	14,048	52,517	34,272	14,152	48,424	24,196	12,681	36,877	25,132	10,750	35,882	17,810	8,314	26,125	11%
Mumbai	30,076	11,404	41,480	30,046	11,624	41,670	21,881	10,341	32,221	21,044	9,704	30,748	17,372	8,235	25,607	8%
Bangalore	17,842	3,315	21,158	15,605	3,366	18,971	10,234	2,635	12,869	10,345	2,354	12,698	8,002	1,942	9,944	11%
Kolkata	12,334	2,022	14,356	10,204	2,217	12,421	8,335	1,765	10,100	8,738	1,566	10,304	6,859	1,187	8,046	8%
Chennai	11,993	4,797	16,790	10,341	4,877	15,218	8,358	4,538	12,896	8,617	4,308	12,925	6,671	3,860	10,531	6%
Hyderabad	10,690	3,106	13,795	9,230	3,158	12,388	6,211	2,443	8,654	6,515	1,929	8,444	4,797	1,716	6,513	11%
Pune	5,934	234	6,168	5,176	241	5,417	3,496	101	3,597	3,229	64	3,293	2,210	41	2,251	16%
Goa	5,481	694	6,175	4,730	646	5,376	3,263	736	4,000	2,943	578	3,522	2,198	431	2,629	13%
Ahmedabad	5,114	1,644	6,758	4,912	1,569	6,480	3,566	998	4,564	3,950	745	4,695	2,679	847	3,526	11%
Kochi	3,648	4,598	8,246	3,096	4,654	7,750	2,111	3,272	5,383	2,131	2,587	4,718	1,653	2,227	3,880	12%
Guwahati	3,407	29	3,435	2,752	32	2,784	2,172	25	2,197	2,218	27	2,245	1,585	5	1,590	10%
Jaipur	3,044	404	3,448	2,524	363	2,887	1,723	259	1,982	1,596	233	1,828	1,268	256	1,523	11%
Lucknow	3,012	602	3,614	2,649	593	3,242	1,872	440	2,312	1,663	355	2,019	911	275	1,186	18%
Trivandrum	1,456	2,119	3,575	1,196	2,275	3,471	986	1,949	2,934	979	1,836	2,815	638	1,696	2,334	7%
Calicut	401	2,003	2,404	366	1,939	2,306	285	2,179	2,465	227	1,983	2,210	206	1,658	1,864	4%
Others	34,942	3,129	38,072	31,791	3,019	34,810	23,720	2,256	25,669	20,290	1,679	21,969	14,529	1,677	16,056	14%
<b>Total</b>	<b>187,842</b>	<b>54,149</b>	<b>241,991</b>	<b>168,890</b>	<b>54,726</b>	<b>223,616</b>	<b>122,409</b>	<b>46,617</b>	<b>168,720</b>	<b>119,617</b>	<b>40,697</b>	<b>160,314</b>	<b>89,388</b>	<b>34,368</b>	<b>123,605</b>	<b>10%</b>

Source: Airport Authority of India

Currently, there are 39,478 domestic air seats and 6,168 international seats to Bengaluru daily (February 2017), compared to 19,672 domestic and 3,539 international seats per day in 2007.

### ***International & Domestic Passenger Traffic to Bengaluru***

International flights have commenced to Bengaluru since 1997. **Currently (2017) the city is connected by air to 15 international cities.** Table below provides details of various international destinations to Bengaluru and the daily seat capacity. The compound rate of growth in international seat capacity from 2012 to 2017 has been 7.8%.

**Table 4-3 International daily passenger seat capacity to Bengaluru**

Destination	Daily Seat Capacity				CAGR (2012-2017)
	Feb-17	Apr-14	Jan-13	Apr-12	
Dubai	1,600	1,200	753	1,475	1.6%
Singapore	707	407	403	300	18.7%
Muscat	550	275	244	236	18.5%
Abu Dhabi	540	-	-	-	n.a.
Kuala Lumpur	431	431	317	317	6.3%
Frankfurt	400	823	580	400	0.0%
London	400	400	340	400	0.0%
Colombo	386	150	-	-	n.a.
Bangkok	275	383	262	275	0.0%
Hongkong	275	275	275	275	0.0%
Paris	236	275	168	275	-3.0%
Sharjah	150	150	150	150	0.0%
Male	107	125	270	125	-3.0%
Kathmandu	75	-	-	-	n.a.
Mauritius	36	18	36	18	14.9%
<b>Total</b>	<b>6,168</b>	<b>4,912</b>	<b>3,798</b>	<b>4,246</b>	<b>7.8%</b>
<b>Growth %</b>	<b>25.6%</b>	<b>29.3%</b>	<b>-10.5%</b>	<b>0.0%</b>	

Source : Airlines Schedules, M & A Survey 2017

Table 4-4 below provides details of Bengaluru domestic passenger seat capacity of domestic airlines.

**Table 4-4 Domestic daily passenger seat capacity to Bengaluru**

Request for Proposal: Part VI -Project Information Memorandum

Destination	Daily Seat Capacity					CAGR (2011-2017)
	Feb-17	Apr-14	Jan-13	Apr-12	Oct-11	
Delhi	6,786	4,958	3,351	5,021	n.a.	n.a.
Mumbai	4,863	5,360	3,501	4,402	4,903	-0.1%
Hyderabad	3,498	2,571	1,609	1,842	2,535	5.5%
Kolkata	3,028	1,627	1,104	1,508	2,519	3.1%
Chennai	2,675	2,344	2,305	1,829	2,067	4.4%
Pune	2,178	1,697	1,387	1,598	1,699	4.2%
Goa	1,635	676	759	783	830	12.0%
Cochin	1,437	695	1,410	641	1,400	0.4%
Thiruvanthapuram	1,095	555	401	747	558	11.9%
Ahmedabad	782	790	738	874	540	6.4%
Others	5,109	3,013	2,321	2,426	1,536	22.2%
<b>Total</b>	<b>39,478</b>	<b>27,298</b>	<b>18,886</b>	<b>21,671</b>	<b>20,243</b>	<b>11.8%</b>
<b>Annual Growth %</b>	<b>45%</b>	<b>45%</b>	<b>-13%</b>	<b>7%</b>		

Source : Airlines Schedules, M & A Survey 2017

Bengaluru International Airport has been allotted 4,000 acres of land with plenty of scope for expansion. While the present capacity of the Airport is **20 mn passengers per year**, considering the passenger growth rate, the second phase of expansion had been commenced and is currently underway, which encompasses the construction of a second runway and passenger terminal. When complete, Kempegowda Airport will be able to handle **55 mn passengers per year**. The government is implementing various projects to improve connectivity to the Bengaluru International Airport.

Domestic air traffic contributes as much to up-market hotel sales as international air traffic therefore, the implication of growing domestic air traffic is undoubtedly an encouraging feature. Based on the analysis, there has been a positive annual growth in the passenger capacity to Bengaluru from 2014.

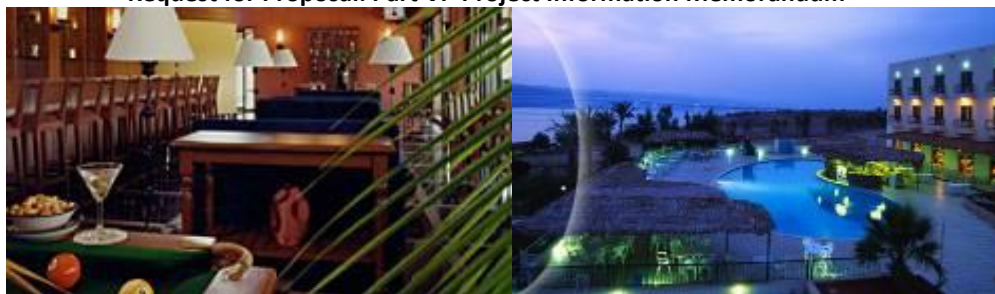
#### 4.5 Hotel Room Inventory Supply in Bengaluru

According to a recent HVS Report, the existing room supply grew by 6.1% in 2015-16 amounting to 11,799 branded rooms in the city (as of 31 March 2016).

**A brief description about the existing hotels of reasonable quality in the vicinity of the Project Site is provided in the following paragraph.**

**Angsana Oasis Spa & Resort:** An upscale resort, spread over 9 acres and located on the Main Doddaballapur Road in Rajanukunte, near Yelahanka. The Hotel comprises of 79 keys comprising of 52 Executive Rooms, 18 One BR Suites, 8 Two BR Suites and 1 Presidential Suite. The Hotel achieved an Average Room Rate (ARR) of Rs. 6,000 with an occupancy level of 75% in YTD January 2017.

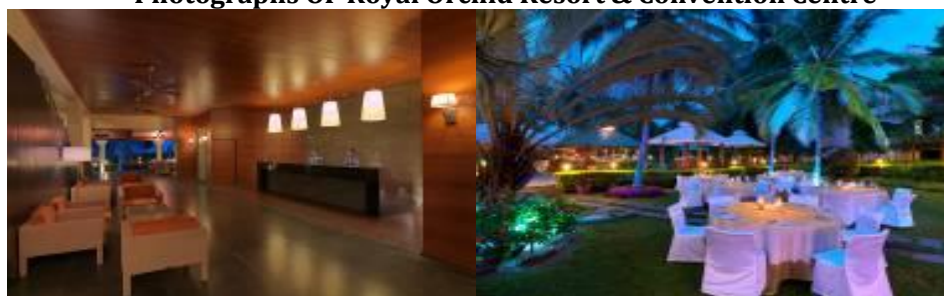
#### Photographs of Angsana Oasis Spa & Resort

**Table 4-5 Banquet Facilities at Angsana Oasis Spa & Resort**

Space	Size		Capacity (Theatre)	Banquet Rates		Rental per day
	sq. ft.	sq. mt		Day Conf	Cocktail Dinner	
Hall 1	3,600	335				45,000
Hall 2	2,000	186				31,500
Hall 3	750	70				20,000
Hall 4	750	70		1,350	2,500	15,000
Board Room 1	250	23				20,000
Board Room 2	200	19				15,000
Lawn 1			1,500			30,000

The Hotel hosted many residential conferences with an average pax. of 150 – 200 in 2011. The residential conference package (all inclusive – meals etc.) is Rs. 6,500 / person on a twin sharing basis. The non-residential pax rate is Rs. 1,300 – 1,500 / pax for lunch + 2 Tea/ Coffees. They do an average of 5 conferences per day and about 15 weddings per year. The Hotel also has open lawn areas of 600 -1,500 pax which are used for weddings with a rate of Rs.1,200 / pax including food, facility usage and set-up.

**Royal Orchid Resort & Convention Centre:** The Hotel is spread across 10 acres, and is the only branded hotel within the Yelahanka area. The Hotel has 54 keys which comprises of 42 Deluxe Rooms, 8 Superior Rooms and 4 Cottages. The Hotel achieved an Average Room Rate (ARR) of Rs. 3,750 with an occupancy level of 68% in YTD January 2013.

**Photographs OF Royal Orchid Resort & Convention Centre****Table 4-6 Banquet Facilities at Royal Orchid Resort & Convention Centre**

Space	Size		Capacity (Theatre)
	sq. ft.	sq. mt	
Hall 1	18000	1,675	1,000
Hall 2	3204	298	350
Hall 3	2970	276	100
Hall 4	1020	95	75
Hall 5	1020	95	75
Board Room 2	200	19	12
Lawn 1	14000	1,303	2,000

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The Hotel has around 40 events a month out of which only about 5-6 are social events, the rest are corporate events in Arena I & II with a combined average pax of 35 – 40. Of the 35 events, 15 of these events are residential conferences. 20 events per month are held in Dome with 80 - 100 avg. pax of which 8 of these events are residential conferences. 12 events per month are held in the Convention Centre with 500-600 avg. pax. The banquet rates are Rs. 1,300/pax for corporate events depending on number of pax, and company requirements. 5 weddings are held per month with 200 – 250 avg. pax at an average rate of about Rs. 1,500/pax for wedding with 30% of wedding pax are usually residential guests of the hotel.

**Clarks Exotica:** The Hotel is spread across 73 acres and is located in Swiss town, Devanahalli, off Airport road. The hotel has an inventory of 132. The Hotel achieved an ARR of Rs. 5,500 at an occupancy level of 75% in YTD January 2017.

**Photographs of Clarks Exotica**



**Table 4-7 Banquet Facilities At Clarks Exotica**

Space	Size		Capacity (Theatre)	Banquet Rates (in lieu of hall rentals)		Hall Rentals
	sq. ft.	sq. mt		Day Conf	Cocktail Dinner	
Hall 1	35,000	3,257	3,000	1600 - 1,800	2,300-2,500	800,000
Hall 2	10,000	931	850			400,000
Hall 3 (divisible in 2)	3,200	298	350			150,000
Hall 4	1,400	130	180			70,000
Hall 5	1,200	112	100			35,000
Hall 6	700	65	60			30,000
Hall 7	600	56	50			30,000
Hall 8	600	56	50			30,000
Hall 9	500	47	40			15,000
Hall 10	400	37	40			15,000
Board Room 1	n.a.	n.a.	16			25,000
Board Room 2	n.a.	n.a.	10			25,000

**Mövenpick:** Located at a distance of 30 km from the Airport, this is a 5 Star hotel with 182 keys and exclusive floors of 19 rooms and suites dedicated to the business traveler with exclusive access to the Executive Lounge. The Club by Mövenpick consists of 36 rooms and suites dedicated to the business traveler. 33% of their business is Long Stay, 23% is from Crew and Air Force demand comprises 15% of the business.

**Photographs of Movepick**

**Table 4-8 Banquet Facilities at Mövenpick**

Space	Capacity (Theatre)	Banquet Rates	
		Day Conf	Cocktail Dinner
Hall 1	350	1,550	1,650
Hall 2	200		
Hall 3	150		
Meeting Room 1	15-20		
Meeting Room 2	15-20		
Meeting Room 3	15-20		

The hotel has about 35-40 events in a month, 60% of which are corporate while the rest are social events. The Hotel hosts approximately 18 smaller residential conferences per annum of 50 pax each which occupy approximately 10-15 keys and approximately 42 larger conferences per annum of 150 pax each which occupy 40 keys. There are approximately 150 day conferences per annum of 30-50 pax each. The Hotel hosts 4-5 weddings a month with 100 – 150 avg. pax mainly in the months of November, December and January.

#### **Taj @ Bengaluru @ Kempegowda International Airport**



Located at the Airport, this is a 5 Star Hotel with 154 Rooms, spread over 4 categories including 13 luxury suites.

The hotel also has a 9400 Sft pillarless grand ballroom and 13 smaller conference and meeting rooms.

#### **Additions to Room Supply**



## Request for Proposal: Part VI -Project Information Memorandum

The city is estimated to add 5,209 rooms by 2020-21 taking the total room inventory up to 15,265 (FY21). Out of the total future supply of rooms, 39% is in the Upscale segment followed by 28.2% in the Midscale segment, 16.5% in Budget, 12.8% in Luxury and 3.5% in the extended stay segment (Serviced Apartments).

The possible new projects in close proximity to the Site (i.e. within a radius of about 35 km) based on our survey are as follows:

- **Courtyard by Marriott, Hebbal** is expected to be operational in early 2018 with 193 keys.
- **Hyatt Place, Devanahalli** located within Ozone Urbana, an integrated township. Will have an inventory of 175 keys and is expected to be completed by early 2018.
- **The Four Seasons** development by Embassy group is located at Mekhri Circle. **Four Seasons Residences** with 110 units is expected to be operational by early 2018 and the **Four Seasons Hotel** with 230 keys is expected to be operational by April 2019.
- **Marriott Hotel & Convention Centre, Nandi Hills** will have an inventory of 300 keys including extensive banquet facilities to accommodate approximately 4,000 pax. It is expected to be completed by Q3 2018.
- **RMZ Galleria** is a mixed use development by RMZ corp in Yelahanka which includes a mall and a 204 key serviced apartment complex to be managed by Ascot International. Projected opening date is 2018.
- The **Monarch Group, Bellary Road** has proposed a 150 key hotel at a distance of 16 km. from the Site. The hotel has been proposed with an estimated opening date of April 2019.
- **C&C Hotel Venture** has signed with **Aloft** located at Devanahalli, opposite the airport. The hotel at 130 keys is expected to be operational by December 2019 however, there is not much work ongoing at the site and the opening date is therefore not confirmed.
- **Hilton** is planning two hotels in the expansion of **Manyata Tech Park**. 253 key Hilton and 388 Hilton Garden Inn. The two hotels will be operation by 2020.
- The **Holiday Inn, Brigade Group, BIAL Area** is proposing a 150 key hotel at a distance of 15 km. from the Site. Work is progressing slowly and the estimated opening date is unknown.
- **GVK** is proposing a 250 key hotel at a distance of 15 km. from the Site. The project is in planning stages and the opening date is unknown.
- The **BIAL Airport Hotels** has planned 2 hotels of as 500 keys each at a distance of 7 km. from the Site. It is assumed that the inventory will form part of the integrated Airport development and the status of the projects is unknown.
- The **Gopalan Holiday Inn Express, Yelahanka** has proposed a 150 key hotel at a distance of 16 km. from the Site. The opening date is unknown.
- The **Opus Hotels & Resorts, Hebbal** has proposed a hotel at a distance of greater than 25 km. from the Site. The hotel is in planning stages.
- The **Rajmahal Enterprises (Devanahalli)** has proposed a hotel, however the project is only in planning stages.

**Request for Proposal: Part VI -Project Information Memorandum**

- The **Elements Mall Hotel, Thanisandra** is proposing a 120 key hotel at a distance of 23 km. from the Site. Work is progressing slowly and the estimated opening date is unknown.
- **KSL** is a budget hotel located opposite the airport at Devanahalli. The shell of the 120 key hotel has been ready since the last few years however, work has stalled and the date of commencement is unknown.
- **Sabri Hotel** located at Devanahalli is a budget hotel. The work has stalled on the development of this 70 key hotel and the date of commencement is unknown.
- The 20 mn sq.ft. **Bhartiya city** is planned to have 5 branded hotels on completion of the entire project. The group, in partnership with The **Leela Palaces Hotels and Resorts**, has devised limited edition apartments – Leela Residences. The branded residential block will have 44 premium residences and will be maintained and serviced by the Leela Hotel.



## Demand Analysis - Hotel Market Performance

A key factor in determining potential future demand for the proposed convention and exhibition centre would be to understand the local market characteristics and the present demand base for the M.I.C.E. market in the state.

The citywide Average Room Rate (ARR) is estimated at Rs. 5,430 (1.2% increase from previous year) with an average occupancy of 66.2% (14% increase from previous year). The city witnessed the highest year-on-year RevPAR growth among the other top cities (Delhi, Mumbai, Pune etc.) at 15.3%.

Hotel wise performance data for the FY 2015, 2016 and 2017 has been presented below:

**Table 4-9 Select Hotels Performance Data (FY 2015, 2016 & 2017)**

Competitive Hotels	FY 2016			FY 2015		
	Rooms	ARR	OCC	Rooms	ARR	OCC
<b>Category I</b>						
Taj West End	117	10,500	80%	117	9,000	63%
Leela Palace	357	10,823	79%	357	10,659	63%
The Oberoi	160	7,259	85%	160	7,897	69%
ITC Windsor Manor	240	6,500	72%	240	6,425	53%
ITC Gardenia	292	7,973	73%	292	n.a.	n.a.
Ritz Carlton, Residency Road	277	n.a.	n.a.	231	n.a.	n.a.
JW Marriott	281	9,600	76%	273	n.a.	n.a.
<b>Total / Wtd Avg</b>	<b>1,724</b>	<b>8,873</b>	<b>77%</b>	<b>1,670</b>	<b>8,769</b>	<b>61%</b>
<b>Category II</b>						
Vivanta, MG Road	167	7,165	84%	167	7,087	66%
Royal Orchid	195	7,047	75%	195	3,959	40%
Hyatt / Ista, MG Road	143	4,452	83%	143	4,267	70%
The Park	109	4,836	80%	109	4,382	63%
Chancery Pavillion	234	4,689	80%	234	3,860	49%
Taj Gateway	98	6,852	76%	98	4,740	63%
Lemon Tree Premier	188	3,990	79%	188	4,030	56%
Fortune Cosmos	134	4,633	82%	134	3,705	59%
Fairfield by Marriott, Rajajinagar	117	n.a.	n.a.	117	n.a.	n.a.
Fairfield, ORR	170	n.a.	n.a.	not operation		
Courtyard ORR	165	n.a.	n.a.	not operation		
Vivanta	199	7,630	81%	199	6,376	62%
Zuri	162	4,528	67%	162	5,130	37%
Alila	120	4,177	70%	120	4,960	25%
Marriott Whitefield	324	n.a.	n.a.	324	n.a.	n.a.
<b>Sub Total / Wtd Avg</b>	<b>2,525</b>	<b>5,504</b>	<b>78%</b>	<b>2,190</b>	<b>4,780</b>	<b>53%</b>

**Request for Proposal: Part VI -Project Information Memorandum**

Competitive Hotels	FY 2016			FY 2015		
	Rooms	ARR	OCC	Rooms	ARR	OCC
<b>Category III</b>						
Aloft	166	3,873	68%	166	4,136	57%
Lemontree / Clarion	130	3,102	71%	130	3,191	48%
Pride Hotel	99	3,662	79%	99	3,643	62%
Royal Orchid Suites	88	2,898	77%	88	2,162	30%
Royal Orchid Central	130	4,442	80%	130	3,250	59%
Radha Regent	104	2,135	78%	104	2,265	61%
Lemon Tree	175	3,212	72%	175	2,423	74%
<b>Total / Wtd Avg</b>	<b>892</b>	<b>3,392</b>	<b>74%</b>	<b>892</b>	<b>3,065</b>	<b>58%</b>
<b>Category IV</b>						
Hometel	102	2,514	65%	102	2,339	55%
Keys	222	2,641	72%	222	2,176	43%
Svenska	56	2,056	78%	56	2,181	74%
Ramee Guestline - Attibele	96	1,962	75%	96	2,181	57%
Keys	159	2,339	76%	159	2,092	40%
IBIS, Hosur Road	185	2,456	76%	185	2,137	52%
Premier Inn	95	2,632	75%	95	2,009	33%
Formule 1	131	2,089	80%	131	1,288	40%
<b>Sub Total / Wtd Avg</b>	<b>1,046</b>	<b>2,386</b>	<b>75%</b>	<b>1,046</b>	<b>2,047</b>	<b>47%</b>
<b>Total / Wtd Avg</b>	<b>6,187</b>	<b>5,611</b>	<b>77%</b>	<b>5,798</b>	<b>5,172</b>	<b>62%</b>

Source : M&A Surveys

Given the significant corporate base in Bengaluru, its world class international airport, and good airline connectivity, the 2016 HVS Report indicates that Bengaluru requires a truly international-grade convention centre to tap into the burgeoning demand from the MICE segment. Development activity of new hotels also seems to have picked up with approximately 67% of 5,209 new hotel rooms proposed over the next five years being actively constructed. While that might seem to be a significant increase in supply, their entry into the market is anticipated to be in a phased manner allowing them to be successfully absorbed by the growing demand in the city. Overall, Bengaluru's performance seems to be optimistic with steady increase in RevPAR forecasted over the next three to four years

**Table 4-10 Select Hotels Performance Data (YTD 2017)**

Competitive Hotels	YTD Feb 2017		
	Rooms	ARR	OCC
<b>Category I</b>			
Taj West End	117	11,000	82%
ITC Windsor Manor	240	6,700	65%
ITC Gardenia	292	8,759	65%
Ritz Carlton, Residency Road	277	8,200	70%
JW Marriott	281	9,760	75%
<b>Total / Wtd Avg</b>	<b>1,724</b>	<b>8,672</b>	<b>70%</b>
<b>Category II</b>			
Vivanta, MG Road	167	7,990	70%
Fairfield by Marriott, Rajajinagar	117	4,115	67%
Fairfield, ORR	170	4,629	35%
Courtyard ORR	165	7,000	56%
Marriott Whitefield	324	8,885	74%
<b>Sub Total / Wtd Avg</b>	<b>943</b>	<b>7,038</b>	<b>62%</b>

Source : M&A Surveys

#### 4.6 Retail Supply in Bengaluru

Bengaluru currently (2016) has approx. 14.92 mn. sq.ft. of operational mall space spread across around 40 malls. Mall rentals in the city depend on the location, builder reputation, store size and floor of operation and are usually 30-50% lower for anchor tenants compared to vanilla tenants. Like other metropolitan cities in the country, food courts and multiplexes are important generators of footfalls for malls in Bengaluru.

Elements Mall is the closest existing mall to the site. Rentals at the development for vanilla stores is Rs. 150 / sq. ft. / month for the ground floor with discounts ranging from 20%-30% for the upper floors. PVR pays a lease rent of Rs. 80 / sq.ft. / month.

A brief overview of Bengaluru's retail market is provided in *Table 4-11 below*:

**Table 4-11 Retail Market in Bengaluru**

Location	INR per sq. ft. per month	YOY Change
<b>Main Streets</b>		
MG Road	240	0.00%
Brigade Road	280	-1.80%
Commercial Street	300	0.00%
Indiranagar 100 Feet Road	190	0.00%
Jayanagar 4th Block, 11th Main	330	0.00%
Sampige Road, Malleswaram	120	0.00%
Koramangala 80 Feet Road	120	0.00%
Vittal Mallya Road	270	0.00%
New BEL Road	150	0.00%
Marathahalli Junction	160	0.00%
Kamanahalli Main Road	150	3.40%
HSR Layout 27th Main	140	0.00%
<b>Malls</b>		
Koramangala	420	0.00%
Magrath Road	375	0.00%
Cunningham Road	90	0.00%
Mysore Road	65	0.00%
Vittal Mallya Road	400	0.00%
Whitefield	120	0.00%
Rajarajeshwarinagar	80	0.00%
Malleswaram	280	0.00%
Bannerghatta Road	195	0.00%

Source: Cushman & Wakefield Retail Snapshot Q4 2016.

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted

**Table 4-12 Upcoming Malls**

Project Name	Sq. Ft. (Mn)	Location	Possession
RMZ Galleria	0.50	Yelahanka	2018
Vega City Mall	0.42	Bannerghatta Road	2018
Forum Shantiniketan	0.60	Whitefield	2018

Source: Cushman & Wakefield Retail Snapshot Q4 2016.

**Request for Proposal: Part VI -Project Information Memorandum**

RMZ Corp is currently commencing its first retail mall “**RMZ Galleria**” at Yelahanka in North Bengaluru. The mall shall be a precursor to other retail developments by RMZ. RMZ Galleria will also have a 204 key serviced apartment development attached to it.

#### **4.7 Potential of the Project**

MICE (business) tourism is a perfect way of combining business with pleasure. As referred in the earlier sections, business events are an important high yielding sector of tourism industry and MICE sector plays an important role in economic development through direct business and employment opportunities. The Ashok, New Delhi; Hyderabad International Convention Centre, Hyderabad; and Le Meridian, Cochin are some of the major players in the Indian MICE tourism industry, facilitating domestic and International business meetings and conferences.

The Convention Industry is a high value, high visibility product, with the following benefits for the state:

- International Conferences have direct economic benefits for the hotels, restaurants, travel agents and professional conference organizers in terms of arrangements for accommodation, transport, food, sight-seeing, shopping, etc.
- By hosting International Conferences, the state would be creating employment opportunities not only for those in the hospitality industry but also for students and volunteers who are required for the various related coordination activities.
- Hosting a National or International Conference at a particular destination is a high impact opportunity for the state to showcase and market the entire gamut of its soft power which includes various facets like, art and culture, literature, history, education, media, fashion and cuisines.
- Participants in an international conference provide an environment for exploring the possibilities of Foreign Direct Investment (FDI), technology transfers and joint ventures.

#### **4.8 Advantage Bengaluru**

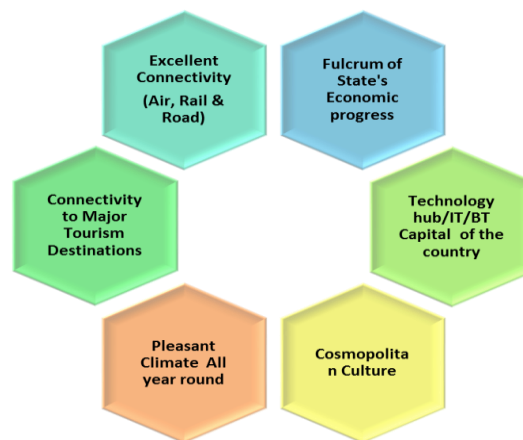
As mentioned in the previous section, **Karnataka** has the prospects to develop into an unique conference destination as it offers cultural and heritage sites, the exotic and mystical location, excellent facilities of beach and adventure holidays which can be combined as pre and post conference tours. **Bengaluru** with its positioning as Gateway to Karnataka and South India thus can act as common destination with connectivity options to major locations across the state and south India.

Bengaluru, the capital of the state has been the fastest-growing city of India since the past few decades. IT has been the major growth driver due to which there has been heavy influx of corporate visitors as well as an entry of national and international tourists. Bengaluru as a ‘knowledge Hub’ of India has high potential to be one of the top convention destination in India for scientific, technical, medical and corporate conferences, exhibitions and events.

Bengaluru has a pleasant climate all year round thus having the prospect of hosting programs throughout the year. Further the cosmopolitan nature of the city also gives added opportunity for hosting cultural shows, music events etc.

The major growth drivers identified considering the profile of Bengaluru are as in figure below.

**Figure 4-4 Growth Drivers for Bengaluru**



The Road, Rail and Air connectivity is one of the important factor for growth of travel and tourism in any city /country. In case of an International Convention Centre the least travel time to the convention centre can act as a huge advantage for the selection of the same by organizers. The connectivity to all major cities/countries may be either by direct flights from the airport or through connecting flights at other major transit airports with minimum travel time. Due to Bengaluru's connectivity with major hubs London, Paris, Dubai, Singapore, etc. it can be stated that the city is connected to all major destinations in the world, be it business centres, tourism destinations and commercial hubs. The connectivity of Bengaluru is as in figure below. Further it is connected to all major cities, tourist destinations, business centres within the country by air, rail or road.

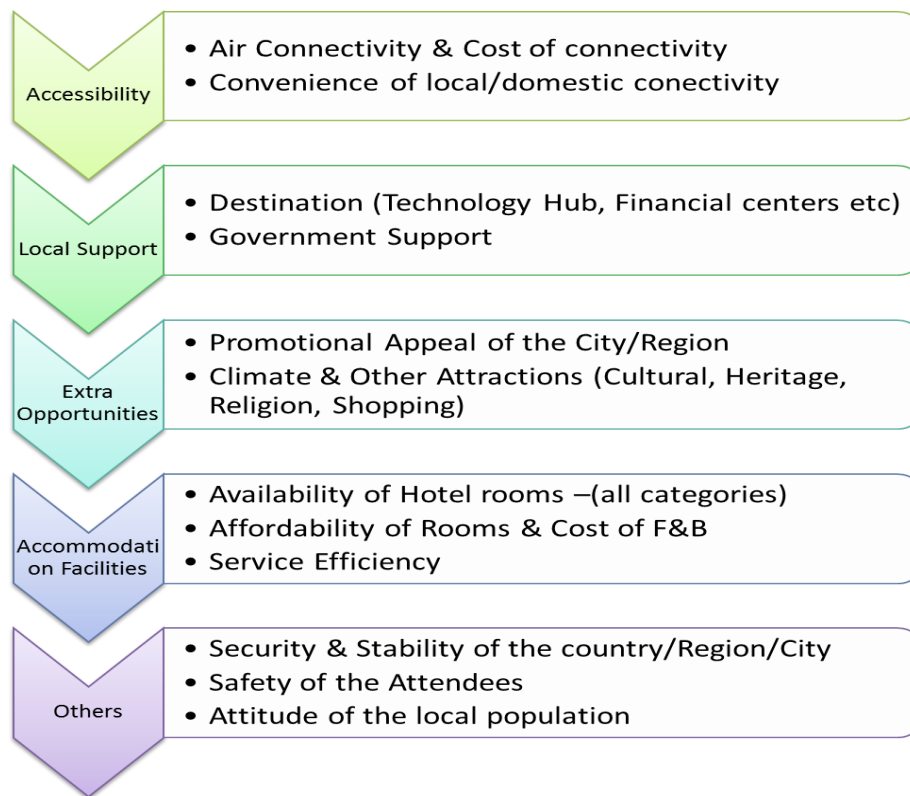
**Figure 4-5 International Connectivity from Bengaluru**



This connectivity advantage coupled with the growth of the city has propelled Bengaluru's Kempegowda International Airport (KIA) as the fastest growing airport in the country presently handling about 26 million passengers p.a. A second parallel runway is proposed south of the existing runway, which is currently under construction KIA is the third busiest airport by passenger traffic in India after Delhi and Mumbai airports, and is the fastest growing airport in the Country.

The prime criteria considered by the event organizers for selection of a convention centre is the availability of quality space /capacity requirements of the conference/event to be organized. While finalizing a convention centre, apart from the above criteria the organisers also consider certain complimentary attributes for organizing a successful event. The complimentary attributes are as in figure below.

**Figure 4-6 Attributes for Selection of Convention Centre**



As mentioned above and as can be seen from the figure 4.4 & 4.5, Bengaluru has an inherent advantage of almost all the complimentary attributes be it accessibility, destination forte (Technology Hub), climate, accommodation facilities, cosmopolitan culture etc. The “Incredible India” campaign has already provided the brand recognition for the country, piggy backing on the same, the tourism initiatives of GoK has also improved its position in the travel and tourism industry.

The intent of the Government to set up this world class convention centre with its associated facilities is envisaged to fulfill the prime criteria for transforming the city into a location in the Business Travel and MICE Industry.

#### 4.9 Outcome of Market Study-Potential Target Segments for Bengaluru

- **Medical / Biotechnology / Healthcare Conferences-** These are typically of very large sizes E.g. World Congress of Diabetes India – over 3,000 pax, Ophthalmology Conference - over 10,000 pax, World Aids Conference - 25,000 pax. They generally rotate between different cities and are on an annual basis. Most of them have a Convention and an Exhibition element.
- Bengaluru is the technology capital of India and the venue can target the main events for these companies such as the **Annual Day Celebration / Annual Party, Kick-off meetings for new hires (which are in huge numbers in IT / ITES industry).**



**Request for Proposal: Part VI -Project Information Memorandum**

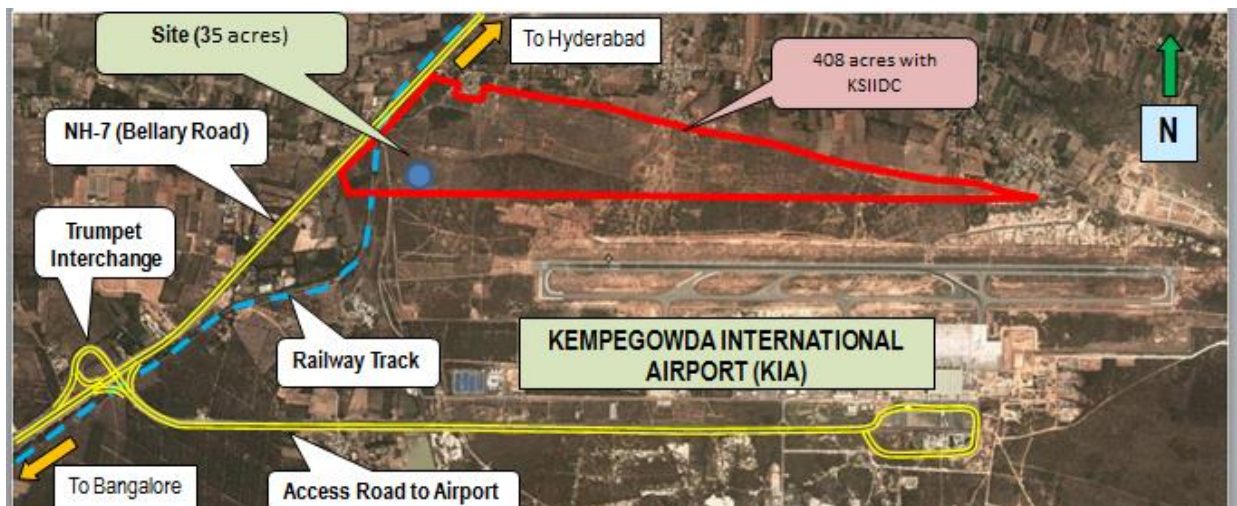
- **International Music Concerts – Rock Concert**, etc. are also a good target market. Bengaluru & Mumbai are the two cities in India where rock culture exists. Young cosmopolitan population are fond of global music and most of these are currently held in open grounds or hotels.
- **Events in Aviation sector-** Propelled by an increase in defense spending, growing commercial aviation market and the Make in India campaign, the Indian aerospace industry has become one of the fastest growing aerospace markets in the world. Karnataka and Bengaluru with its established positives of presence of PSUs in the sector, Technical expertise, network of SMEs, is expected to evolve as a stronghold in this sector. The Aero Show, held biannually, latest held in February 2015, attracted 750 exhibitors (Aero space & other allied companies) from across the world and also had other ancillary events / exhibitions. The business visitors to the event was 1,00,000 approximately which included 300 CEOs from India & abroad and other delegates from 42 countries. Approximately 3,00,000 general public visited the five day event. Bengaluru could explore opportunities that may arise out of the above event and also other prospects in this sector.
- **Weddings / social events** are also considered to be a target segment for the proposed development. Every year there are approximately 100 – 120 auspicious days in the Indian wedding calendar, when venues across Bengaluru have high occupancies.

## 5 Location & Project Site Analysis

### 5.1 Project Location

The Project Site forms part of “**Bengaluru Signature Business Park**” proposed in about 407 acres land owned by KSIIDC and is strategically located adjacent to Kempegowda International Airport (KIA) in Devanahalli, in North Bengaluru. The Project Site is about 40 km distance from Bengaluru CBD and is accessible through NH-7 connecting Bengaluru to Hyderabad. The land earmarked for the development is 35 acres and lies towards the North West of KIA as in figure below.

Figure 5-1 Location of the project site

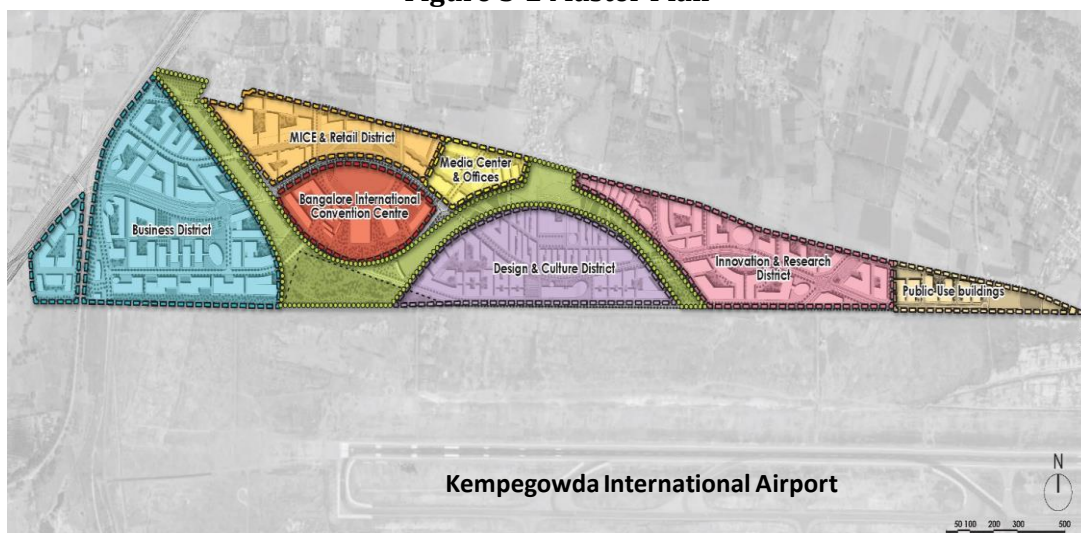


### 5.2 Salient Features of the site

The proposed “**Bengaluru Signature Business Park**” (BSBP) adjoining the northern boundary of BIAL is envisioned as a signature “**Mixed Use Development**” Concept, comprising of 4 Districts, namely (i) R&D and Innovation District, (ii) Design and Culture District, (iii) Business District; and (iv) MICE and Retail District.

It is envisaged that the BSBP would enhance the global status and recognition of the city / State / Nation and would house multinational entities.

Figure 5-2 Master Plan



The Site for the proposed BICC has been earmarked at a strategic location within the 407 Acres development.

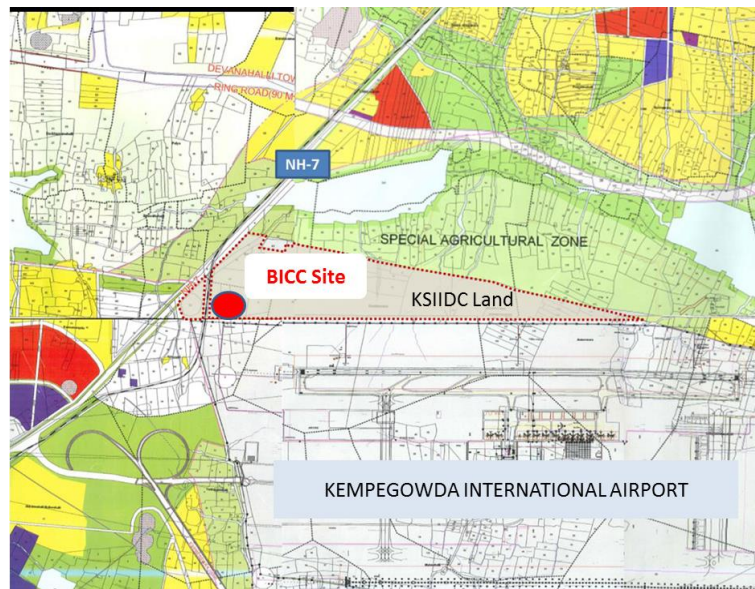
**It is envisaged that the BSBP would in itself generate a sizable captive demand for the proposed components of the Project including the Convention Centre, Exhibition Hall, Hotels, Retail and Commercial development.**

Further, for enabling direct access to the BSBP, a direct elevated connectivity from the National Highway is being taken up the Government of Karnataka.

### 5.3 Applicable Development Control Regulations of the Location

The site falls in the Bengaluru International Airport Area Planning Authority (BIAAPA) a special planning authority to regulate development in the area and hence the zoning of land use and regulations of BIAAPA are applicable. As per the same, the height of the buildings in BIAAPA is limited to the maximum of G+7 floors or 25 m whichever is lower. Project Site is categorized under 'Area of Special Control - Airport Zone' as per the BIAAPA Master Plan - 2021. The map below presents the zoning of the Project Site as per the BIAAPA Master Plan - 2021.

**Figure 5-4 Land Use map BIAAPA Master Plan - 2021**



As per the Land Use, the activities permissible at the site are as below:

- Aviation Land Uses: Runways, Taxiways, Terminal Buildings, Ancillary Airport infrastructure
- Non Aviation Land Uses: Business parks & offices, Hospitality & health care, Retail & Entertainment
- Open Spaces & Parks
- Traffic & Transportation

As per the Master Plan, Maximum Permissible Floor Area Ratio (FAR) under Airport Zone is 2.50 and Ground Coverage is 60%. However, as the Project Site is located adjacent to KIA, the height of the structures at the site would be governed by the Airport restrictions laid down by Airport Authority of India (AAI). As per preliminary studies carried out, the permissible height at the site as per AAI is approximately 25 m.

#### 5.4 Infra Assessment:

The Authority has through its consultant prepared the preliminary Trunk Infrastructure plan for the development of world class trunk infrastructure for the BSBP, comprising Internal Roads, Power supply, Water Supply, Sewerage System including treatment & supply of treated water, Solid Waste Management, Rainwater Harvesting, Information & Communication Technology (ICT) system, Utilities & Utility ducts, security & monitoring system, utility management / control centre, multi-level car parking, entrance plazas, green spaces, etc. The preliminary block estimate of the same is about INR 525 Crores and the same is envisaged to be implemented in 2 Phases, the 1<sup>st</sup> Phase being estimated at about INR 200 Crores.

In addition, for direct connectivity to the site from the National Highway, a flyover has been suggested, that is currently being envisaged to be implemented through National Highways Authority of India (NHAI). The implementation of the trunk infrastructure is envisaged to be synchronised / in parallel with the implementation of the flyover.

Currently, the GoK has decided **to take forward the next step, i.e. preparation of the detailed design of the Trunk Infrastructure for the proposed development and implement the Phase-1 of the Trunk Infrastructure and implementation of the same on a fast track basis.** In this regard, the needful approvals have been accorded to Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC), the Nodal Agency for the Project. The subject Project Site falls within the Phase-I and shall be connected with internal roads, water, power supply, sewerage system, solid waste connectivity and other trunk infrastructure components proposed to be developed.



## 6 Proposed Project Configuration

The BICC has been conceptualized to meet the international standards and aims to become the most preferred destination for **Meetings, Incentives, Conferences, and Exhibitions (MICE)**. Accordingly, the BICC has been conceptualized with a view to host major conventions, international / national trade exhibitions and entertainment events, local and regional trade fairs, conferences, meetings, cultural performances, etc.

KSIIDC, GoK through its consultant has taken up the preparation of Conceptual Master Plan for the BICC and has finalized the project theme, concept design for the proposed BICC. The Selected Bidder for the project is required to adhere to the stipulations of the concession agreement.

### 6.1 Conceptual Master Plan for the proposed BICC

The project has been conceptualized and master planning has been taken up with the following objectives:

- Showcasing Karnataka to the world
- Designing flexible, multi-use spaces
- Creating an architectural landmark
- An ecologically sustainable development
- Promoting Bengaluru as an international destination

The master planning concept for the International Convention Centre envisions as a 'Green Development' that will become a model of sustainable development for other developments proposed within the BSBP land owned by KSIIDC, GoK. Various options were developed by the KSIIDC through its Concept Architect Consultant and the Green House option in the Garden city theme was selected by the Government of Karnataka.

The proposed concept design has envisaged a central garden which could also be utilized for large events and festivals, smaller secondary gardens for smaller events and the pre-function spaces (additional) and amphitheatre for more intimate occasions. The illustrative images of the proposed concept master plan & elevation perspectives based on the approved theme / concept are as below.

Figure 6-1 Conceptual Master Plan



**Figure 6-2 Conceptual Master Plan**



**Figure 6-3 Conceptual Master Plan- Perspective View-1**







The details of various components of the development is as below:

#### **6.1.1 Convention & Exhibition Centre and Other Support Facilities**

This state-of-the-art facility has been designed to focus not only on large conventions but will also cater to the domestic and international corporate meeting market. The design of the facilities has been proposed so as to provide flexibility and divisibility of function space to enhance its potential to cater to a multitude of events and hence generate additional revenue. The main multi-purpose conference/plenary hall is proposed with a seating capacity of 6000 seats with provision of seats in retractable mode also so as to accommodate a variety of events.

The concept design also takes into account ample pre-function areas which has been incorporated as an integral component of the development concept design. An exhibition hall of approximately 8200 sqm is also proposed to cater to the exhibition market. It can also serve as additional space during major conventions. The convention centre is also supported by value added services and ancillary facilities which includes a food court, business centre, a media centre, ATMs, florist etc. In addition to the above, a business village of approximately 9500 sqm has been proposed with the following components

- meeting halls of 200 people each, which can be subdivided into 10 meeting rooms of 100 each or 20 meeting rooms of 50 each
- 1 meeting hall of 1000 (divisible into 2 halls of 500 each)
- CM's Office and Secretariat
- 2 VIP lounges, 1 VVIP lounge
- Business Centre including upto 10 small conference rooms
- Administrative offices

The concept also envisages several open areas and garden spaces so as to blend with the theme of Garden City. The proposed configurations for the open spaces are as below:

- Central Garden (open to public): 15000 sqm approx.
- Extended Central Garden Area for functions (rentable for weddings, music festivals and functions): 9000 sqm approx.
- Secondary Gardens Area (rentable for weddings, music festivals and functions): 14900 sqm. approx.
- Amphitheatre for minimum of 1000 people



**Request for Proposal: Part VI -Project Information Memorandum**

The above developments are envisaged in a built up area of approximately 133,500 sqm.

Other supporting infrastructure proposed as part of the convention and exhibition centre development is as below:

- **Car Parking:**  
Ample space for parking has been integrated in the project for the cars/other vehicles and may be utilized by the users of the convention/exhibition centre. The parking space (including surface parking & multilevel car parking) and a segregated VVIP car parking with separate entry and exit has been envisaged in the project.
- **Support Facilities and On- site Infrastructure:**  
This would include internal roads and other amenities like Power, Water, Sewage Treatment Plant (STP), Storm Water Drainage, and other services required for the development

### **6.1.2 Midscale Hotel**

The midscale hotel has been conceived as a full service 250 room property with a superior level of finish and modern guest-room amenities. This hotel is proposed to be the 'host' hotel for the C&EC facility, therefore, has been provided with high quantum of F&B areas as it is expected that this will be used by event guests. The various facilities planned for the hotel as per the preliminary analysis is as provided below.

- 250 guest rooms with a standard bay size of 30 sq.mt with the amenities viz. TV, mini-bar, channel music, electronic safe, telephones, internet connectivity, etc. has been considered.
- Of these 250 guest rooms, 20 nos has been considered as 2-bay suites measuring 60 sq.mt.
- A 250 cover all day coffee shop, two specialty restaurants of 100 covers each, a bar with 75 covers, poolside F&B space with 50 covers and a Night Club has been considered for the preliminary analysis.
- A 3,000 sq.ft. spa and gym area apart from recreation facilities including a swimming pool
- A Board Room of approximately 600 sq.ft. for smaller meetings of upto 30 pax has also been considered

### **6.1.3 Budget Hotel (not part of Minimum Development Obligations)**

C&EC events normally have people at various levels within the organization attending. These people have different limits with regards to hotel room rents, etc. depending on hierarchy. With a view of straddling more than one (price) segment for hotel room demand from the C&EC events, a budget hotel also has been considered in the preliminary analysis. The budget hotel has been conceived as a 300 room property with a superior level of finish and modern guest-room amenities. The assumptions of the components are as below:

- 300 guest rooms with a standard bay size of 22 sq.mt., with TV, mini-bar, channel music, electronic safe, telephones, internet connectivity, etc.
- 5 guest rooms measuring 44 sq.mt. each
- A 200 cover all day coffee shop and a bar with 75 covers
- A 1,200 sq.ft. gym
- A small meeting room with a capacity of 20 pax.

#### 6.1.4 Urban Entertainment & Retail Space

Urban Entertainment & Retail Space has been proposed to include a strong cultural and entertainment mix, which builds on the strengths of the State and the local businesses. This element would help to supplement other tourism related facilities and attractions. It is intended that this development would cater to the local population and will also serve as a critical mass for entertainment choices for visiting tourists and conventioners. The entertainment hubs may range from the conventional type such as multiplexes, night-clubs, and restaurants to the newer, high-technology, high-concept forms such as motion simulators, virtual reality attractions and the new high-tech arcades. A built-up area of upto 3.75 lakhs sqft has been earmarked for the facility.

It is expected that the entertainment hub would draw support from the following segments:

- Local Residents
- Leisure / Holiday Tourists
- Convention & Exhibition traffic / delegates
- Business Travellers

The above development of the Urban Entertainment cum Retail Zone is not mandatory and this element has been included for the purpose of financial projections.

The selected private sector partner is required to adhere to the Proposed Conceptual Theme and Option **(Green House option in the Garden city theme)** and the Selected Developer shall be free to further improvise on the concept and carry out the detailed master plan and design the Project components, internal arrangements etc. as per requirement

## 7 Financial Assessment

The financial analysis for the proposed project has been carried out for a Public Private Partnership (PPP) format and the financial viability has been assessed with respect to key indicators such as Project Internal Rate of Return (PIRR), Equity Internal Rate of Return (EIRR) and Debt Service Coverage Ratio (DSCR). This assessment is only for the reference of the Applicants / Bidders, who shall be required to carry out their own and independent assessment prior to submission of the Bid.

### 7.1 General Assumptions

The major assumptions made for preparing the project financials is as below

- The total land area is 35 acres.
- The project construction period is estimated at 48 months.
- Completion of all the elements viz. Midscale hotel and Retail are assumed to be around the same time as the C&EC.
- It is expected that there will be an internationally recognized operator for the C&EC, the midscale hotel and the budget hotel. The projections also assume that the marketing of the facility will commence well in advance of its opening.
- The financial projections also include an effective efficiency of 70.5% for net covered / carpet area to the leasable area for the Retail space.
- The Debt Equity ratio assumed is 50 : 50. Term loans are assumed at 13.5% interest rate with a 1 year capital moratorium after opening followed by a 8 year capital repayment programme, in all 9 years from COD.
- A general rate of inflation of 6.5% has been applied to all appropriate revenue and expense categories. This takes into account historical trends and the consultant's estimates of economy. Staff Costs for the two hotels have been inflated at 9% p.a.
- The concession period envisaged is 30 years. For computation of the Internal Rate of Return (IRR) under different scenarios a 30 year time frame has been assumed.
- It should be noted that since it is expected that the proposed facility will be the first and only one of its kind in the city, it will have a competitive advantage.
- Projections of annual operating results for the proposed project have been prepared for a 10 year period and further projected for the concession period of 30 years. The projections are based on the analysis of competition, which included examination of operating results and ratios achieved by comparable facilities, discussions with industry participants and consultants' knowledge of the industry.

## 7.2 Major Cost & Revenue & assumptions

Project costs have been compiled based on the market analysis, inputs from architects and technical consultants and development cost estimates of similar C&EC, Hotel & Retail projects implemented.

### 7.2.1 Convention & Exhibition Centre including other amenities

The estimated project cost based on the assumptions has been estimated at Rs. 624.96 cr. The other supporting Infrastructure like Multilevel Parking, utilities and amenities have been included in the Convention & exhibition center components. The convention Centre cost excluding the infrastructure and MLCP costs but including the preliminary expenses and IDC is Rs 550 crore. The same is arrived based on the estimates provided by the Concept Architect. The other infrastructure costs have been proportionately allocated to the various items of the Convention & Exhibition centre for the purpose of the financial evaluation. The summarized project cost of the Convention & exhibition centre is provided in table below.

**Table 7-1 Convention & Exhibition Centre - Summarized Project Cost Estimate**

No.	Particulars	Total Cost Rs. Lakhs
	<b>Buildings</b>	
1	Landscape	2,101
2	Built Items - Outside Covered Area	293
3	Civil Works- Basic Skeleton Services	12,695
4	Civil Linked Finishes (Exterior)	10,153
5	Interior Finishes - Civil	2,335
	<b>Total - Buildings</b>	<b>27,576</b>
	<b>Plant &amp; Machinery</b>	
6	Mechanical - HVAC	3,138
7	Mechanical Plumbing	874
8	Electrical	2,587
9	Low Voltage System	1,215
10	Vertical Transportation	622
11	Motor Vehicles	94
12	Kitchen / Food Service Equipment	790
13	Laundry Equipment	7,673
	<b>Total - Plant &amp; Machinery</b>	<b>16,992</b>
	<b>Furniture, Fixtures &amp; Furnishings</b>	
14	Interior Work - Conference & Exhibition	6,281
15	Interior Work - F & B Outlets	484
16	Interior Work - Public Revenue Areas	526
17	Interior Work - Back of the House Areas	614
18	Operating Supplies	1,060
	<b>Total-Fur., Fix. &amp; Furnishings</b>	<b>8,964</b>
	<b>C&amp;EC &amp; Services</b>	<b>53,533</b>
	<b>Pre - Operative Expenses</b>	
19	Interest During Const. Period	2,108
20	Design / Project Mgmt Fees	5,203
21	Public Issue, Advisory/Consultancy Fees	871
22	Preliminary Expenses	250
23	Pre- opening expenses	500
24	Working Capital Margin	-
	<b>Total - Pre-Operative Expenses</b>	<b>8,933</b>
	<b>Total Cost excluding land</b>	<b>62,466</b>

### 7.2.2 Mid-Scale Hotel

It is anticipated that this development will cost approximately Rs. 165.61 cr. including all other reasonably anticipated costs (construction costs, soft costs, developer overhead, furniture, fixtures, and equipment, start-up marketing costs, etc.). This is equivalent to approximately Rs. 66 lakhs per room. The summarized project cost is as in table below.

**Table 7-2 Midscale Hotel - Summarised Project Cost Estimate**

No.	Particulars	TOTAL Rs. Lakhs
	<b>Buildings</b>	
1	Landscape	246
2	Built Items - Outside Covered Area	105
3	Civil Works- Basic Skeleton	4,196
4	Civil Linked Finishes (Exterior)	1,246
5	Interior Finishes - Civil	938
	<b>Total - Buildings</b>	<b>6,731</b>
	<b>Plant &amp; Machinery</b>	
6	Mechanical - HVAC	691
7	Plumbing & Fire Fighting	529
8	Electrical	493
9	Low Voltage System	441
10	Vertical Transportation	211
11	Motor Vehicles	67
12	Kitchen / Food Service Eqpt.	256
13	S Pool, H Club & Laundry Eqpt.	192
	<b>Total - Plant &amp; Machinery</b>	<b>2,881</b>
	<b>Furniture, Fixtures &amp; Furnishings</b>	
14	Interior Work - Rooms And Suites	2,447
15	Interior Work - Public F & B Outlets	594
16	Interior Work - Pub Non-Revenue	60
17	Interior Work - Back of the House	53
18	Operating Supplies	386
	<b>Total - Furniture, Fixt. &amp; Furnis.</b>	<b>3,540</b>
	<b>Pre - Operative Expenses</b>	
19	Interest During Construction Period	556
20	Design / Project Implementation Costs	1,295
21	Advisory / Consultancy Fees	459
22	Preliminary & Pre Opening Expenses	1,000
	<b>Total Pre-Operative Expenses</b>	<b>3,310</b>
	<b>Grand Total for Mid Scale Hotel</b>	<b>16,461</b>

### 7.2.3 Budget Hotel

The project cost estimated for the development of Budget Hotel is approximately Rs. 100.69 cr. including all other reasonably anticipated costs (construction costs, soft costs, developer overhead, furniture, fixtures, and equipment, start-up marketing costs, etc.). This is equivalent to approximately Rs. 33 lakhs per room.

**Table 7-3 Budget Hotel - Summarized Project Cost Estimate**

No.	Particulars	TOTAL Rs. Lakhs
	<b>Buildings</b>	
1	Landscape	31
2	Built Items - Outside Covered Area	40
3	Civil Works- Basic Skeleton	3,291
4	Civil Linked Finishes (Exterior)	542
5	Interior Finishes - Civil	452
	<b>Total - Buildings</b>	<b>4,355</b>
	<b>Plant &amp; Machinery</b>	
6	Mechanical - HVAC	495
7	Plumbing & Fire Fighting	413
8	Electrical	282
9	Low Voltage System	281
10	Vertical Transportation	122
11	Motor Vehicles	6
12	Kitchen / Food Service Eqpt.	128
13	SPool, HClub & Laundry Eqpt.	70
	<b>Total - Plant &amp; Machinery</b>	<b>1,797</b>
	<b>Furniture, Fixtures &amp; Furnishings</b>	
14	Interior Work - Rooms And Suites	1,643
15	Interior Work - Public F & B Outlets	196
16	Interior Work - Pub Non-Revenue	30
17	Interior Work - Back of the House	27
18	Operating Supplies	133
	<b>Total - Furniture, Fixt. &amp; Furnis.</b>	<b>2,028</b>
	<b>Pre - Operative Expenses</b>	
19	Interest During Construction Period	340
20	Design / Project Implementation Costs	788
21	Advisory / Consultancy Fees	270
22	Preliminary & Pre Opening Expenses	500
	<b>Total Pre-Operative Expenses</b>	<b>1,899</b>
	<b>Total Project Cost</b>	<b>10,079</b>

#### 7.2.4 Retail & Entertainment Centre

The project cost estimate for the Urban Entertainment cum Retail Zone including all other reasonably anticipated costs (construction costs, soft costs, developer overhead, cost of equipment, project preparatory expenses, consultancy costs, Interest during construction.) has been estimated at Rs. 144.93 cr.

Table 7-4 Urban Entertainment Cum Retail Zone- Summarised Project Cost Estimate

Particulars		Retail sq.ft.
Building - Built Up Area (Sq.ft)		375,755
Particulars	Rate Rs./Sq.ft	Total Rs. Lakhs
Building / Civil Costs	1,850	6,951
Equipment Cost	500	1,879
Interior Costs	200	752
Architects & Project Management Fee	128	479
Pre-operating Expenses	68	257
Project Development Fees	124	465
Advisory & Consultancy	27	100
Interest During Construction (IDC)	145	544
Contingency (32%)	816	3,066
<b>Total Project Cost - Retail</b>	<b>3,857</b>	<b>14,493</b>

### 7.2.5 Combined Project cost

The summary of project cost including all components is Rs. 1035.00 crores is as in table below:

Table 7-5 Combined Project Cost

Particulars	Rs in Lakhs				
	C&EC& other infra incl. MLCP	Midscale Hotel	Budget Hotel	Retail	Combined
<b>Building &amp; Civil Construction</b>	27576	6731	4355	6951	<b>45613</b>
<b>Equipment Cost</b>	16992	2881	1797	1879	<b>23549</b>
<b>Interior Cost</b>	8964	3540	2028	752	<b>15284</b>
<b>Interest Cost During Construction</b>	2108	556	340	544	<b>3548</b>
<b>Pre Operative Expenses, Contingency</b>	6825	2754	1559	4367	<b>15505</b>
<b>Total</b>	<b>62466</b>	<b>16462</b>	<b>10079</b>	<b>14493</b>	<b>103500</b>

However, the Budget Hotel is not part of the minimum development obligations and can be taken up for development at the choice of the Concessionaire. As such, the Cost of the Project excluding the Budget / 3 Star Hotel is Rs.935.00 Crores.

## 7.3 Major Revenue Assumptions

### 7.3.1 Convention & Exhibition Centre

- Conference & Exhibition Space Rentals**

This category includes revenue generated from the rentals of space for exhibition halls, conventions, meetings and multi-purpose halls. The space utilization for the function space



**Request for Proposal: Part VI -Project Information Memorandum**

takes into account the multi-purpose use of these facilities which includes conventions and meetings, small exhibitions and consumer fairs, performances, weddings and social events. The summary of revenue assumptions is as in table below.

**Table 7-6: Revenue Assumptions (Convention & Exhibition Centre)**

<b>S No</b>	<b>Item</b>	<b>Details</b>
<b>1.</b>	<b>Convention (6000 capacity hall)</b>	
	Large Conventions	1no in the first year of operations, 3 nos from 2 <sup>nd</sup> years-4 nos from 3 <sup>rd</sup> year onwards
	Revenue (including F&B)	Rs 1100 per person/ day incremented @6.5% p.a
	Non Conventions ( Play /Shows etc)	6 nos in the first year of operations, 9 in the 2 <sup>nd</sup> years and 12 nos from 3 <sup>rd</sup> year onwards
	Revenue (for 6500 sqm hall)	Rs 260 per sqm/ day incremented @6.5% p.a
<b>2.</b>	<b>Convention (1000 capacity hall)</b>	
	Small Conventions	1no in the first year of operations, 2nos in 2 <sup>nd</sup> year – 3 nos from 3 <sup>rd</sup> year onwards
	Revenue (including F&B Assumptions)	Rs 1100 per person/ day incremented @6.5% annually
	Non Conventions ( Play Shows etc)	8 nos in the first year of operations,10 nos in 2 <sup>nd</sup> year and 15 nos from 3 <sup>rd</sup> year onwards
	Revenue (for 1385 sqm hall)	Rs 310 per sqm/day incremented @6.5% p.a
<b>3.</b>	<b>Small Meeting Rooms</b>	
	Small meetings	40nos in the first year of operations,60 nos in 2 <sup>nd</sup> year and 80 nos from 3 <sup>rd</sup> year onwards
	Revenue	Rs 950 per person/ day incremented @6.5% annually
<b>4.</b>	<b>Exhibitions (Large)</b>	
	No of Exhibitions	3 nos in the first year of operations,5 nos in 2 <sup>nd</sup> year and 7nos from 3 <sup>rd</sup> year onwards
	Revenue exhibition days	Rs 160 per Sqm/day incremented @6.5% annually
	Revenue Set Up / Dismantling	Rs 80 per Sqm/day incremented @6.5% annually
<b>5.</b>	<b>Exhibitions (Small)</b>	
	No of Exhibitions	20nos in the first year of operations,30 nos in 2 <sup>nd</sup> year and 40 nos from 3 <sup>rd</sup> year onwards
	Revenue exhibition days	Rs 160 per Sqm/day incremented @6.5% annually
	Revenue Set Up / Dismantling	Rs 80 per Sqm/day incremented @6.5% annually
<b>6.</b>	<b>Open Ground Rentals</b>	
	No of Events (Approximately 10000sqm)	15 nos in the first year of operations,25 nos in 2 <sup>nd</sup> year and 35 nos from 3 <sup>rd</sup> year onwards
	Revenue	Rs 4 per sqm/day incremented @6.5% annually
<b>7.</b>	<b>Social Functions</b>	
	Weddings/Social Events of approx. 3000 Pax	2 nos in the first year of operations,4 nos in 2 <sup>nd</sup> year and 6 nos from 3 <sup>rd</sup> year onwards
	Weddings/Social Events of approx. 1500 Pax	15 nos in the first year of operations,25 nos in 2 <sup>nd</sup> year and 40 nos from 3 <sup>rd</sup> year onwards
	Weddings/Social Events of approx. 500 Pax	30 nos in the first year of operations,45 nos in 2 <sup>nd</sup> year and 55 nos from 3 <sup>rd</sup> year onwards
	Small functions, birthdays. get together 75-100 Pax	40 nos in the first year of operations,55 nos in 2 <sup>nd</sup> year and 65 nos from 3 <sup>rd</sup> year onwards
	Revenue from the above	Rs 1200 per person/ day incremented @6.5% p.a

- **F & B and Banquet Revenue**

Food and beverages are an integral part of any facility and a major revenue earner. The proposed Convention Centre will have a blend of catering and concession operations. For the purposes of the financial projections, the Operator is assumed to service all F&B requirements.

- **Rentals from Commercial Service Providers**

Commercial Service Providers at the proposed C&EC would comprise of F&B outlets and other commercial establishments such as offices and shops within the complex. Rental rates assumed are in the range of Rs.35 per sq.ft. p.m. for the food court and Rs. 40 per sq.ft. p.m. for shops and commercial space.

- **Revenue from Ancillary Activities**

There are several line items which are ancillary in nature or are co-related to the main business of a Convention Centre and generate a regular stream of income. The major ancillary activities that generate revenues include crate storage, ticket income, technical & other services revenue and telecom revenue. These revenue streams are projected based on the percentage of the business generated in the form of income from exhibitions, conventions, conferences and meetings, etc.

**Table 7-7 C&EC -Operation Projections**

Rs Lakhs

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Income</b>										
Multipurpose & Convention Income	249	388	559	595	634	675	719	765	815	868
Exhibitions	889	1,477	2,138	2,277	2,425	2,583	2,750	2,929	3,120	3,322
Outdoor Exhibition Rentals	8	14	21	22	23	25	27	28	30	32
Banquets (F&B)	1,051	1,824	2,725	2,902	3,091	3,291	3,505	3,733	3,976	4,234
Rental from F&B Outlets	262	262	262	293	293	293	328	328	328	368
Rentals from Shops & Offices	20	20	20	22	22	22	24	24	24	27
Other Rev - Décor / Setups / Audio / Car Parking / Ticket Revenues etc.	549	926	1,361	1,449	1,543	1,643	1,750	1,864	1,985	2,114
Telecom Revenue	44	74	109	116	123	131	140	149	159	169
<b>Total Income</b>	<b>3,071</b>	<b>4,984</b>	<b>7,193</b>	<b>7,676</b>	<b>8,154</b>	<b>8,664</b>	<b>9,244</b>	<b>9,822</b>	<b>10,437</b>	<b>11,135</b>
<b>EXPENSES</b>										
Staff Costs	573	692	867	923	983	1,047	1,115	1,187	1,265	1,347
Banquets (F&B Cost)	315	547	817	871	927	987	1,052	1,120	1,193	1,270
Administration and General	230	299	360	384	408	433	462	491	522	557
Marketing & Promotions	246	349	432	384	408	433	462	491	522	557
Repairs & Maintenance	31	100	216	307	326	347	370	393	417	445
Energy	461	623	863	921	978	1,040	1,109	1,179	1,252	1,336
Consumables, Materials & Supplies	154	199	324	230	245	260	277	295	313	334
Insurance	26	27	29	31	33	35	38	40	43	45
Management Fees	165	300	446	484	514	546	582	618	657	701
<b>Total Expenses</b>	<b>2,200</b>	<b>3,136</b>	<b>4,353</b>	<b>4,535</b>	<b>4,822</b>	<b>5,128</b>	<b>5,467</b>	<b>5,814</b>	<b>6,184</b>	<b>6,593</b>
<b>Gross Operating Profit (GOP)</b>	<b>871</b>	<b>1,848</b>	<b>2,840</b>	<b>3,141</b>	<b>3,332</b>	<b>3,536</b>	<b>3,777</b>	<b>4,008</b>	<b>4,254</b>	<b>4,542</b>
	<b>28.4%</b>	<b>37.1%</b>	<b>39.5%</b>	<b>40.9%</b>	<b>40.9%</b>	<b>40.8%</b>	<b>40.9%</b>	<b>40.8%</b>	<b>40.8%</b>	<b>40.8%</b>
Replacement Reserve	31	100	216	307	326	347	370	393	417	445
Property Taxes	53	56	59	62	65	68	71	75	79	82
<b>Cash Return from Operations</b>	<b>787</b>	<b>1,692</b>	<b>2,565</b>	<b>2,772</b>	<b>2,941</b>	<b>3,121</b>	<b>3,336</b>	<b>3,540</b>	<b>3,758</b>	<b>4,015</b>
%	<b>25.6%</b>	<b>34.0%</b>	<b>35.7%</b>	<b>36.1%</b>	<b>36.1%</b>	<b>36.0%</b>	<b>36.1%</b>	<b>36.0%</b>	<b>36.0%</b>	<b>36.1%</b>

Note: Electricity for Exhibitions, Concerts, Shows, Plays, etc. (events where only rental is charged) is assumed to be charged in addition

### 7.3.2 Mid-Scale Hotel

In formulating estimates of the proposed hotel's projected operating performance the results of market research, interviews with prominent local hotel operators and data from the consultant's database has been considered. The ARR assumed in the first year of operations is Rs.7,076. The Uniform System of Accounts for the Lodging Industry, which is accepted as the global standard for hotel accounting, has been used to classify income and expenses in this report. In conformity with this system only direct operating expenses are charged to operating departments of the facilities. General expense line items that are applicable to operations of a property as a whole are classified as undistributed expenses and include marketing, administration and general expenses, utility and repairs and maintenance. The summary of revenue assumptions and computation is as in table below.

**Table 7-8 Mid-Scale Hotel- Major Revenue Assumptions**

Item	Details
No of Rooms	250
Expected Occupancy	50% in initial years to 70% on stabilization
Average Room Rates	Rs 7076/day incremented @ 6.5% annually

**Table 7-9 Mid-Scale Hotel-Operation Projections**

Particulars	Period	Year Ended Year 1	Year Ended Year 2	Year Ended Year 3	Year Ended Year 4	Year Ended Year 5
Days		365	365	365	365	365
No of Rooms		250	250	250	250	250
Expected Occupancy (%)		50.0%	60.0%	67.5%	70.0%	70.0%
Average Room Rates (Rs.)		7,076	7,535	8,025	8,547	9,102
RevPAR (Rs.)		3,538	4,521	5,417	5,983	6,372
<b>Statement of Projected Cashflow from Operations</b>						
Rs. Lakhs						
<b>Income</b>						
Room Revenue		3,228	4,126	4,943	5,459	5,814
F&B Revenue (see Sch)		4,002	4,557	5,089	5,503	5,861
MOD Revenue		258	330	395	437	465
Telephone Revenue		65	83	99	109	116
<b>Total Income</b>		<b>7,553</b>	<b>9,095</b>	<b>10,526</b>	<b>11,509</b>	<b>12,257</b>
<b>Departmental Expenses</b>						
Room Dept Cost		558	660	757	831	894
F&B Dept Cost		1,938	2,184	2,424	2,627	2,813
MOD Costs		116	144	170	187	200
Telephone Dept Costs		32	41	49	55	58
<b>Total Departmental Exp.</b>		<b>2,644</b>	<b>3,028</b>	<b>3,400</b>	<b>3,699</b>	<b>3,965</b>
<b>Departmental Profit</b>		<b>4,909</b>	<b>6,067</b>	<b>7,126</b>	<b>7,809</b>	<b>8,291</b>
<b>Undistributed Expenses</b>						
Admt and General		566	611	659	711	767
Marketing		378	409	438	469	502
Property Ops. & Maint.		189	273	368	460	490
Energy		499	531	565	602	641
Marketing Fees		32	41	49	55	58
Base Management Fees		227	273	316	345	368
<b>Total Undistributed Exp.</b>		<b>1,890</b>	<b>2,138</b>	<b>2,396</b>	<b>2,642</b>	<b>2,827</b>
<b>Gross Op Profit (GOP)</b>		<b>3,018</b>	<b>3,929</b>	<b>4,730</b>	<b>5,167</b>	<b>5,465</b>
Incentive Management Fees		211	275	331	362	383
Replacement Reserve		76	182	316	460	490
Insurance		26	27	29	31	33
Property Taxes		67	71	74	78	82
<b>Cash Return from Ops.</b>		<b>2,639</b>	<b>3,374</b>	<b>3,980</b>	<b>4,236</b>	<b>4,477</b>

### 7.3.3 Budget Hotel

As mentioned above in the case of Mid-Scale hotel, the projected operating performance of the budget hotel based on the results of market research, interviews with prominent local hotel operators and data from the consultant's database has been considered. The ARR assumed in the first year of operations is Rs.3538.00. The summary of revenue assumptions and computation is as in table below.

**Table 7-10 Budget Hotel- Major Revenue Assumptions**

Item	Details
No of Rooms	300
Expected Occupancy	50% in initial years to 72.5% on stabilization
Average Room Rates	Rs 3538/day incremented @ 6.5% annually

**Table 7-11 Budget Hotel-Operation Projections**

Particulars	Period	Year Ended Year 1		Year Ended Year 2		Year Ended Year 3		Year Ended Year 4		Year Ended Year 5	
Days		365		365		365		365		365	
No of Rooms		300		300		300		300		300	
Expected Occupancy (%)		50.0%		60.0%		67.5%		70.0%		72.5%	
Average Room Rates (Rs.)		3,538		3,768		4,013		4,273		4,551	
RevPAR (Rs.)		1,769		2,261		2,707		2,991		3,300	
Statement of Projected Cashflow from Operations											
Rs. Lakhs											
Income											
Room Revenue	1,937	65.8%	2,475	66.9%	2,964	67.5%	3,276	67.7%	3,613	67.9%	
F&B Revenue (see Sch)	796	27.0%	952	25.7%	1,098	25.0%	1,200	24.8%	1,309	24.6%	
MOD Revenue	194	6.6%	248	6.7%	296	6.8%	328	6.8%	361	6.8%	
Telephone Revenue	19	0.7%	25	0.7%	30	0.7%	33	0.7%	36	0.7%	
Total Income	2,946	100.0%	3,700	100.0%	4,388	100.0%	4,836	100.0%	5,320	100.0%	
Departmental Expenses											
Room Dept Cost	299	15.4%	362	14.6%	421	14.2%	464	14.2%	510	14.1%	
F&B Dept Cost	372	46.7%	436	45.8%	497	45.3%	543	45.2%	592	45.2%	
MOD Costs	87	45.0%	111	44.7%	132	44.5%	146	44.5%	161	44.5%	
Telephone Dept Costs	10	50.0%	12	50.0%	15	50.0%	16	50.0%	18	50.0%	
Total Departmental Exp.	767	26.0%	921	24.9%	1,065	24.3%	1,168	24.2%	1,281	24.1%	
Departmental Profit	2,178	74.0%	2,779	75.1%	3,323	75.7%	3,667	75.8%	4,039	75.9%	
Undistributed Expenses											
Admt and General	221	7.5%	238	6.4%	257	5.9%	278	5.7%	300	5.6%	
Marketing	147	5.0%	167	4.5%	178	4.0%	190	3.9%	202	3.8%	
Property Ops. & Maint.	74	2.5%	111	3.0%	154	3.5%	193	4.0%	213	4.0%	
Energy	482	16.4%	514	13.9%	547	12.5%	583	12.1%	621	11.7%	
Marketing Fees	19	0.7%	25	0.7%	30	0.7%	33	0.7%	36	0.7%	
Base Management Fees	88	3.0%	111	3.0%	132	3.0%	145	3.0%	160	3.0%	
Total Undistributed Exp.	1,032	35.0%	1,165	31.5%	1,297	29.6%	1,421	29.4%	1,531	28.8%	
Gross Op Profit (GOP)	1,146	38.9%	1,614	43.6%	2,026	46.2%	2,246	46.4%	2,508	47.1%	
Incentive Management Fees	80	2.7%	113	3.1%	142	3.2%	157	3.3%	176	3.3%	
Replacement Reserve	29	1.0%	74	2.0%	132	3.0%	193	4.0%	213	4.0%	
Insurance	13	0.4%	14	0.4%	15	0.3%	16	0.3%	17	0.3%	
Property Taxes	45	1.5%	47	1.3%	50	1.1%	52	1.1%	55	1.0%	
Cash Return from Ops.	979	33.2%	1,366	36.9%	1,689	38.5%	1,828	37.8%	2,049	38.5%	

### 7.3.4 Retail & Entertainment Zone

For the purpose of this analysis it has been assumed that the developer will lease out the Retail / Entertainment area for fixed lease rentals. However in practice the developer may choose to charge the tenants a percentage of gross receipts or a combination of base rent and a percentage of sales. The weighted average rental rates assumed in the opening year is Rs. 84.6 per sq.ft. per month (Refer table below). The rental rates have been arrived at by

**Request for Proposal: Part VI -Project Information Memorandum**

assuming achievable rents for different elements of the Retail space. The rental area allocations/average rental value assumptions is as in table below

**Table 7-12 Retail & Entertainment Centre (Lease Rental)**

Element	Covered Area		% of GLA	Efficiency Capable	Leaseable Area		Rent (Yr 1) Rs.pst.p.m.
	Sq.mt.	Sq.ft.			Sq.mt.	Sq.ft.	
Multiplex	3,252	35,000	13%	80%	4,064	43,750	45.0
Retail Vanilla	9,290	100,000	38%	65%	14,293	153,846	128.6
Vanilla	9,290	100,000	38%	65%	14,293	153,846	
Hypermart + Anchors	9,290	100,000	38%	76%	12,264	132,005	57.9
Dept Store	2,787	30,000	11%	80%	3,484	37,500	
Hypermarket (LG)	3,716	40,000	15%	80%	4,645	50,000	
Large format Fashion	1,394	15,000	6%	70%	1,991	21,429	
Electronics	465	5,000	2%	65%	715	7,692	
Home	929	10,000	4%	65%	1,429	15,385	
Food Court + F&B Outlets	1,394	15,000	6%	65%	2,144	23,077	51.5
Entertainment Centre	1,394	15,000	6%	65%	2,144	23,077	51.5
<b>Total - Mall + Entertainment</b>	<b>24,619</b>	<b>265,000</b>	<b>110,755</b>	<b>70.5%</b>	<b>34,909</b>	<b>375,755</b>	<b>84.6</b>

#### 7.4 Summary of Financial Parameters

As referred above in the general assumptions the Debt Equity ratio assumed is 50 : 50 .Term loans are assumed at 13.5% interest rate with a 1 year capital moratorium after opening followed by a 8 year capital repayment .A general rate of inflation of 6.5% has been applied to all appropriate revenue and expense categories. The concession period envisaged for the project is 30 years and Internal Rate of Return (IRR) under different scenarios for a 30 year time frame has been calculated.

**The returns on the project considering all the components with Revenue share @ 1% of gross revenues from 15th Year of Operations and increasing @ 0.5% every year for the balance period is as in table below.** The summary of the viability analysis is as in table below.

**Table 7-13 Summary of DSCR & IRR**

Summary	C&EC & other infra	Midscale Hotel	Budget Hotel	Retail	Combined
Estimated Project Cost (in Rs crores)	<b>624.66</b>	<b>164.61</b>	<b>100.71</b>	<b>144.93</b>	<b>1035.00</b>
DSCR	0.458	2.299	1.741	2.214	<b>1.148</b>
Project IRR (Pre debt service, Post Tax)	<b>5.10%</b>	<b>20.20%</b>	<b>16.4%</b>	<b>19.0%</b>	<b>11.40%</b>
Equity IRR (Post Tax & Debt Service)	<b>3.90%</b>	<b>22.10%</b>	<b>17.2%</b>	<b>20.7%</b>	<b>11.10%</b>

**Annexure to Project Information Memorandum**

1. Annexure-1: Market Study Report by M/s Mahajan & Aibara