

Agreement between Tata Motors Ltd., Government of West Bengal and WBIDC

1. Tata Motors Ltd. (TML) was intending to set up a manufacturing Plant for Automobile Products including “Tata Small Car” to manufacture 250,000 cars per annum on 2 shift basis which could be expanded to 350,000 on 3 shift basis. In addition, it would have several Vendors and act as a mother plant for many aggregates to tune of 500,000 cars. In this connection, TML was considering locating the plant in the States of Uttarakhand/ Himachal Pradesh in view of the fiscal incentive package for the rapid industrialization being made available by the Govt. of India to new Industries in these States which has been attracting a large number of industries to these States. The incentive package in Uttarakhand/Himachal Pradesh consists of:-
 - (a) 100% exemption from Excise Duty for 10 years.
 - (b) 100% exemption from Corporate Income Tax for first 5 years and 30% exemption from Corporate Income Tax for next 5 years.

2. The Government of West Bengal (GoWB) is keen to take appropriate steps for rapid industrialization in West Bengal and in this connection wanted to attract some major Automobile Projects to the State. The Government of West Bengal approached TML to persuade them to locate an Automobile Project including the project to manufacture “Tata Small Car” in West Bengal. TML showed interest in locating the plant in West Bengal, provided the State gave Fiscal incentive equivalent to the value of total incentives it would have received by locating the plant in Uttarakhand / Himachal Pradesh. GoWB offered to match the financial incentives in equivalent terms and invited TML to set up the Small Car plant in West Bengal entailing investment of over Rs. 1500 crores by TML. In addition, Vendors supporting the project are likely to make further investment of over Rs. 500 crores.

3. Since then numerous discussions have been held and based on this understanding, GoWB proceeded with identification of various lands for this mega project. Land of approximately 1000 acres chosen in P. S. Singur of District Hooghly was finalized with TML. West Bengal Industrial

Development Corporation Ltd. (WBIDC) commenced the process of acquisition of this land. The process was completed with the Declaration of Award under Section 11 of the Land Acquisition Act, and thereafter WBIDC has obtained mutation of ownership in its name in the Record-of-Rights, and conversion of usage of the land from agriculture to factory.

4. WBIDC is in possession of 997.11 acres of land, which has been acquired under the Land Acquisition Act. Out of this, an area admeasuring 645.67 acres will be leased to TML for setting up the Automobile Project including the small car plant, while an area admeasuring 290 acres will be leased to the vendors to this Automobile Project approved by TML (ancillary and component manufacturing units), 14.33 acres will be handed over by WBIDC to WBSEB only for construction of 220/132/33 KV substation and the balance admeasuring 47.11 acres will be used by WBIDC for rehabilitation activities for the needy families amongst the Project affected persons.
5. The terms of lease to TML for the 645.67 acres of land for the mother plant are described below. In addition, WBIDC will provide on lease 290 acres of land to the Vendors selected and approved by TML on payment of Premium equal to the actual cost of acquisition plus incidentals, to be calculated on the basis of the total acquisition cost and other incidental expenses expended by WBIDC or any of its subsidiaries (duly certified by its auditor) averaged over the total land acquired. The lease rental payable per year per acre by the vendors will be Rs. 8000/- per acre for the first 45 (forty five) years and Rs. 16000/- per acre for the next 45 (forty five) years. The initial lease tenure will be 90 years. On expiry of 90 years, the lease terms will be fixed on mutually agreed terms at that point of time.
6. The parties also discussed mutually to finalise the package of incentives required in order to enable GoWB to fulfill its commitment to match in equivalent financial terms the fiscal incentive foregone by TML in Uttarakhand. The Net Present Value (NPV) computation of benefits that the project would have received in Uttarakhand is attached in Annexure I which is agreed to by all the parties. Sample computation of benefits in West Bengal

with stated assumptions is given in Annexure II which is accepted by all parties as agreed basis of computation. The NPV is calculated @ 11%.

7. Accordingly, it is finally agreed, in supersession of all previous decisions and agreements in this regard, that for this mega project, the fiscal incentives under Industrial Promotion Assistance in terms of the West Bengal Incentive Scheme (WBIS 2004), assistance towards land cost and interest subsidy in the form of a loan against a quantum of the term loan to be taken by TML for this project will be offered by GoWB as follows:-

(a) WBIDC will provide Industrial Promotion Assistance in the form of a Loan to TML at 0.1% interest per annum for amounts equal to gross VAT and CST received by GoWB in each of the previous years ended 31st March on sale of “Tata Small Car” from the date of commencement of sales of the small car. This benefit will continue till the balance amount of the Uttarakhand benefit (after deducting the amount as stated in para 7b and 7c below) is reached on net present value basis, after which it shall be discontinued. The loan with interest will be repayable in annual installments starting from 31st year of commencement of sale from the plant. The loan availed in the first year will be repaid in the 31st year and the loan availed in the 2nd year will be repaid in the 32nd year and so on. WBIDC will ensure that the loan under this head is paid within 60 days of the close of the previous year (on 31st March) failing which WBIDC will be liable to compensate TML for the financial inconvenience caused @ 1.5 times the bank rate prevailing at the time on the amount due for the period of such delay.

TML & GoWB will make best efforts to maximize sale of products from the “Small Car Plant” in the State of West Bengal.

(b) WBIDC will provide 645.67 acres of Land to Tata Motors Ltd on a 90 year lease, on an annual lease rental of Rs. 1 crore per year for first 5 years with an increase @ 25% after every 5 years till 30 years. On expiry of 30 years, the lease rental will be fixed at Rs. 5 crores per year, with an increase @ 30% after every 10 years till the 60th year. On the expiry of 60

years, the lease rental will be fixed at Rs. 20 crores per year, which will remain unchanged till the 90th year. On expiry of 90 years the lease terms will be fixed on mutually agreed terms at that point of time. The benefit on account of land would be calculated as the total land area leased out to TML multiplied by the cost of acquisition calculated in the manner as provided in para 5 less NPV of rent payable during 60 years.

(c) The West Bengal Govt. will provide to TML a loan of Rs. 200 crores bearing @ 1% interest per year repayable in 5 equal annual installments starting from the 21st year from the date of disbursement of loan. This loan will be disbursed within 60 days of signing of this Agreement.

(d) The West Bengal Government will provide Electricity for the project at Rs. 3/- per KWH. In case of more than Rs. 0.25 per KWH increase in tariff in every block of five years, the Government will provide relief through additional compensation to neutralize such additional increase.

8. It is also agreed that the computation of the comparison of benefits in Annexure I and II will be changed if there are any changes in the rates of excise duty and corporate income tax during the next 10 years.

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