

Assemble Electricals in Special Economic Zone (SEZ) of Nepal

Power Summit-2018

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26th Jan., 2018

Power business in SEZ



SEZ: Produces electric locomotives



- Price competitive products
- Power generation & consumption



SEZ: Produces Solar panel

requires Power

Generates power

✓ SEZ would be a best client for power producer

✓ SEZ would be the best place for electric assembly industry

Energy Scenario of Nepal

S.No	Sector	Capacity
1.	Installed capacity	918.6 MW
2.	Actual Generation	676 MW
3.	Import	300 MW
4.	Peak demand	1742 MW (dry season)
5.	Deficiency	766 MW

➤ high scope of investment in solar panel assembly for faster energy crisis management

Electricity Demand (GWh) of Nepal

S.No	Sector	2015-20	25-30	35-40
1.	Industry	1506.6	5820.7	15320.7
2.	Transportation	0.06	567.6	1414.1
3.	Household	1857.5	5775.4	11632.1
4.	Service	503.2	862.8	1471.6
5.	Total	3867.4	12242.2	26819.2
	Increment %	-	216.5%	593.4%

➤ 2015 base year & 4.5%GDP, the total energy demand is 10,406.7MW in 20 years period; However, if 9.5% GDP, demand is 52,998GWH, i.e. 1270.3% increment (which is 22,129.9 MW in 20 years period). About 57% is in industry

Trade deficit

Export - Import data (2017)

Nepal Trade	Million NRs
Balance of trade	-87804.90
Export	5736.90
Imports	93541.80

- Trade deficit is increasing every year. Assemble electric products support to reduce trade deficit
- Therefore, Govt. has given high priority for the establishment of export oriented industries

Assemble Electric in SEZ

Products:

1. Electric Vehicles
2. Electric two/three wheelers
3. Solar panels
4. Electromechanical components

Scope of assemble electric

1. To replace fossil fuel driven automobiles
2. To control vehicular pollution
3. To harvest solar energy for immediate crisis management

Market

Electric vehicle market (2019):

- Global - USD 271 billion
- Asia market @ 47% - USD 125 billion

Solar panel market (2022)

- Global - USD 57.3 billion
- Asia market @ 41% - USD 23.5 billion

Electromechanical market (2023)

- Global - USD 190 billion
- Asia market @ 42% - USD 80.5 billion

- **Nepal would be the best location for assembly industries because worlds two giant market are neighbor**

Business environment

- world's largest market is around Nepal
- infrastructure ready for industrial set-up
- investment friendly environment: policy, act updated
- Formulated new rules and regulations
- ease of doing business : easy entry, transparent & faster working procedure & easy exit
- Additional financial benefits in SEZ
- One stop services in SEZ
- Every political party's agenda is economic prosperity

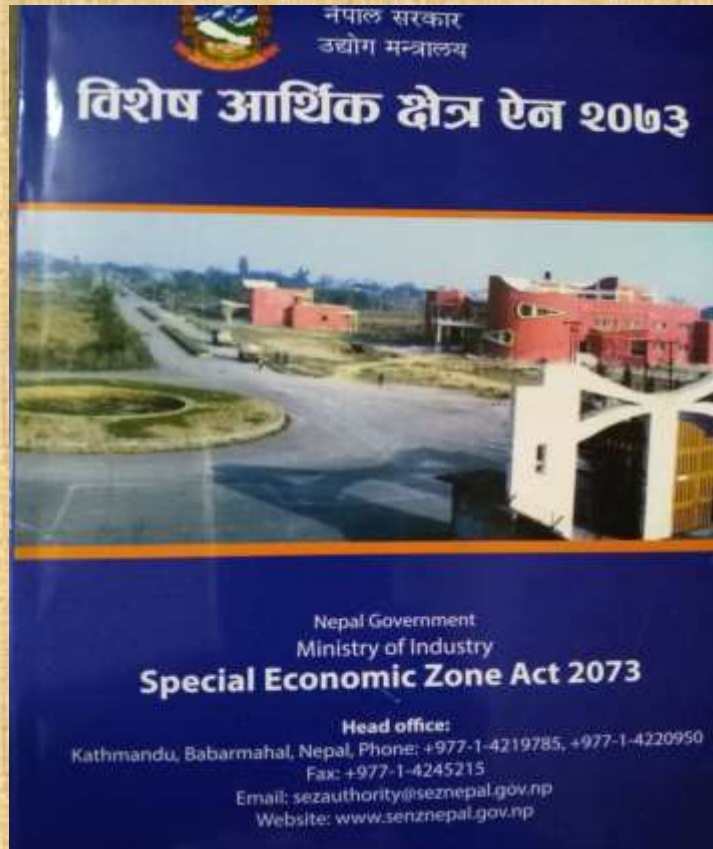
Investment environment is getting better, therefore,
seeking for new business idea & investment

FEASIBILITY OF SEZ in Nepal ?



✓ **Advantage of location: Two neighboring countries with fast growing economy and huge market**

Special Economic Zone Act-2016






Features

1. Established SEZ Authority
2. SEZ open for private sector
3. Assured financial benefits
4. No strike
5. One stop services

- SEZ Regulation has also been enforced recently

Why assemble electric in SEZ?

SEZ provides:-

1. World-class infrastructure 
2. One stop services 
3. Special Financial benefits 
4. Strike Prohibited
5. Security arrangement
6. Hassle-free from outsiders or local
7. A special SEZ only for assemble electric

However, 75% of the total production must export

World class infrastructure

SEZ provides:-

1. Access road
2. Internal road
3. Water supply
4. Power supply
6. Sewerage system
7. Wastewater treatment plant
8. Petrol pump
9. Weigh bridge
10. Children playground
11. greenery

One stop services

SEZ provides:-

1. Industry registration
2. Company registration
3. Tax registration
4. Insurance
6. Banking
7. Freight forwarding
8. Immigration for Visa
9. Custom services



Special Financial Benefits

a. Income tax Exemption:

- 0-5 years: 100% exemption
- 6-10 years: 50% exemption
- 6-15 years: 50% exemption (domestic RM>60%)
- 0-10 years: 100% exemption (hilly or himalaya Region)
- 11 -20 years: 50% exemption (hilly or himalaya Region)
- 0-5 years: 100% exemption on dividend
- 6-8 years: 50% exemption on dividend

b. No VAT

- Zero VAT on export or sells to other industries inside SEZ.



Special Financial Benefits contd...

- 100% customs duty exemption for
 - Plant and machineries
 - Industrial tools
 - spare parts
 - Raw materials
 - Auxiliary RM
 - Packing materials and
 - upto 3 vehicles
- Duty refund on sells of goods to industry inside SEZ
- Transaction in foreign currency
- Rebate on rent: 50%, 40% & 25% in 1st, 2nd & 3rd yr, respect.



Bhairahawa Special Economic Zone

Master Plan



Entrance

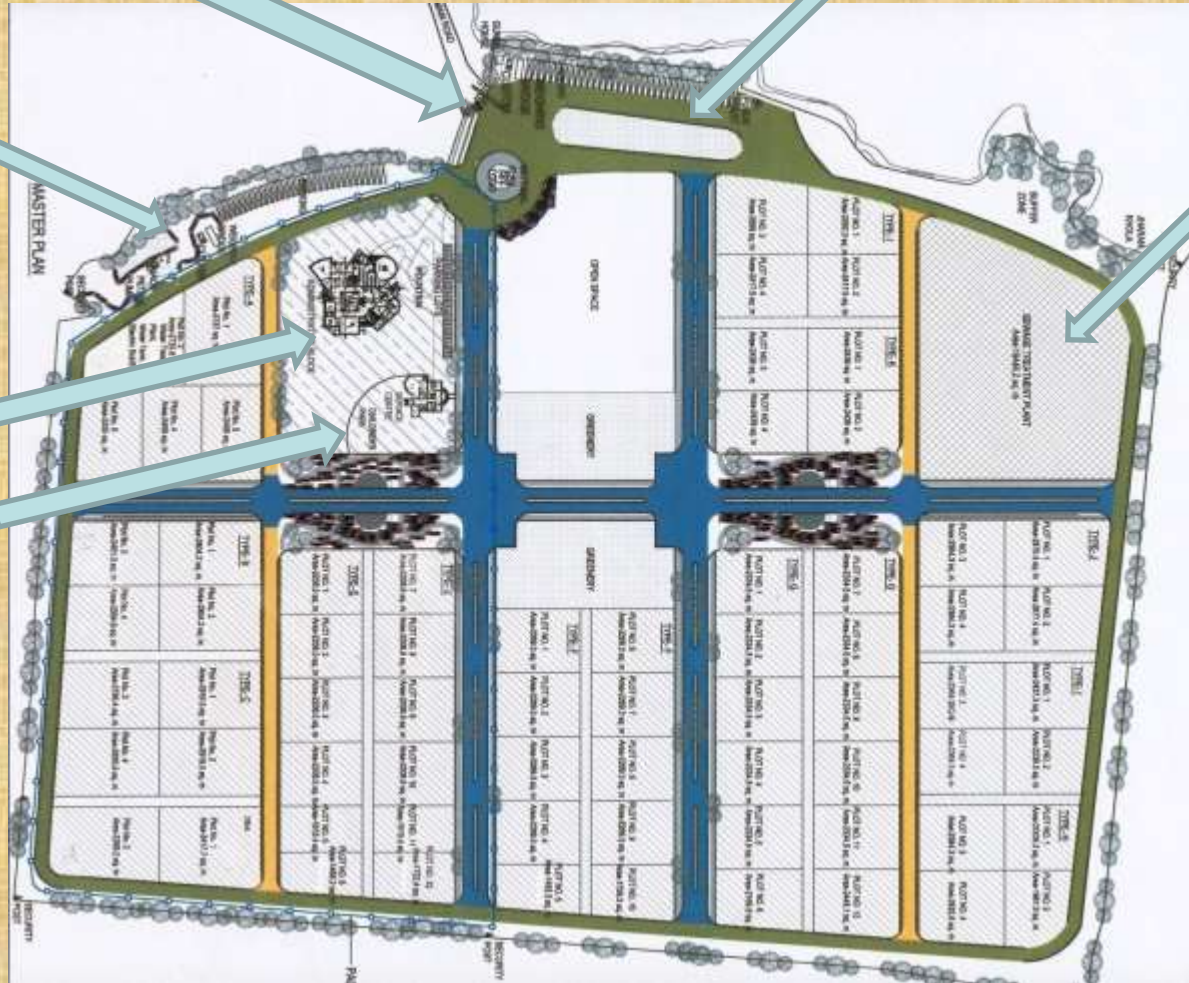
parking

WWTP

Petrol pump
Weighing
machine

Admin Bldg

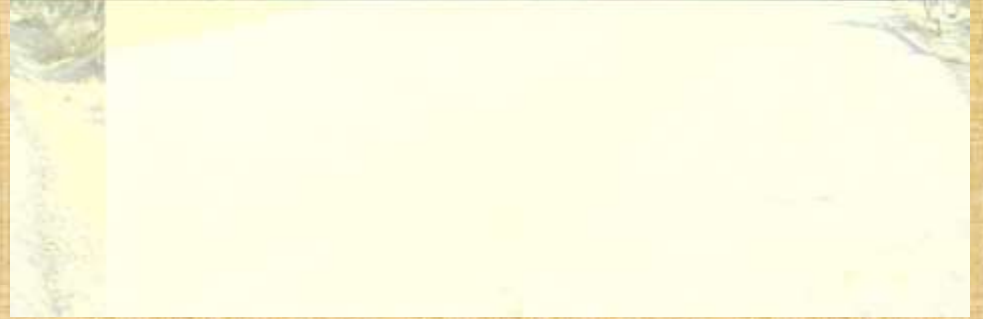
Service
Bldg



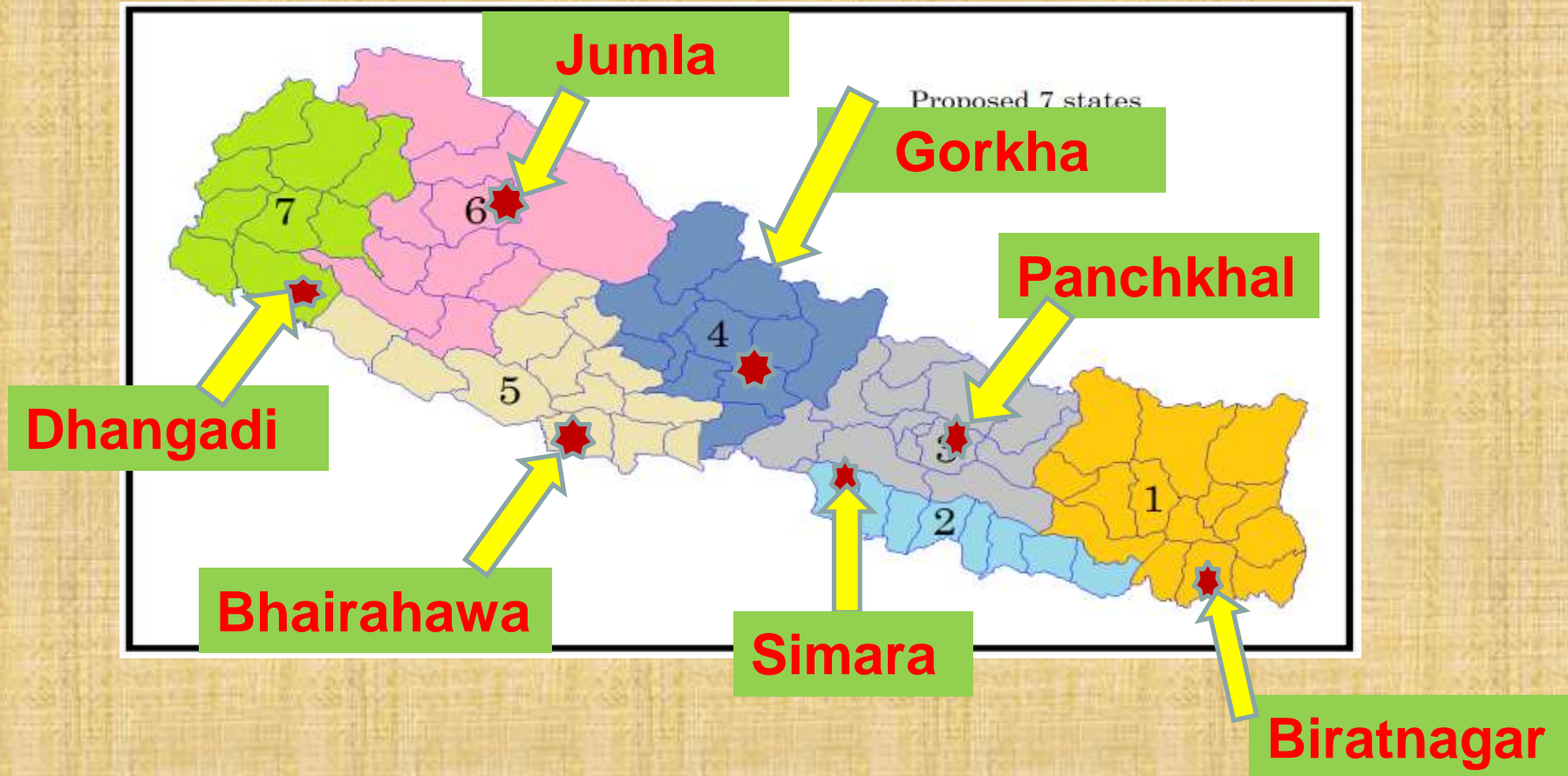
- 69 plots of sizes 3000 to 6000 sqm
- © Nepal Power Investment Summit 2018

Administrative & Service Building

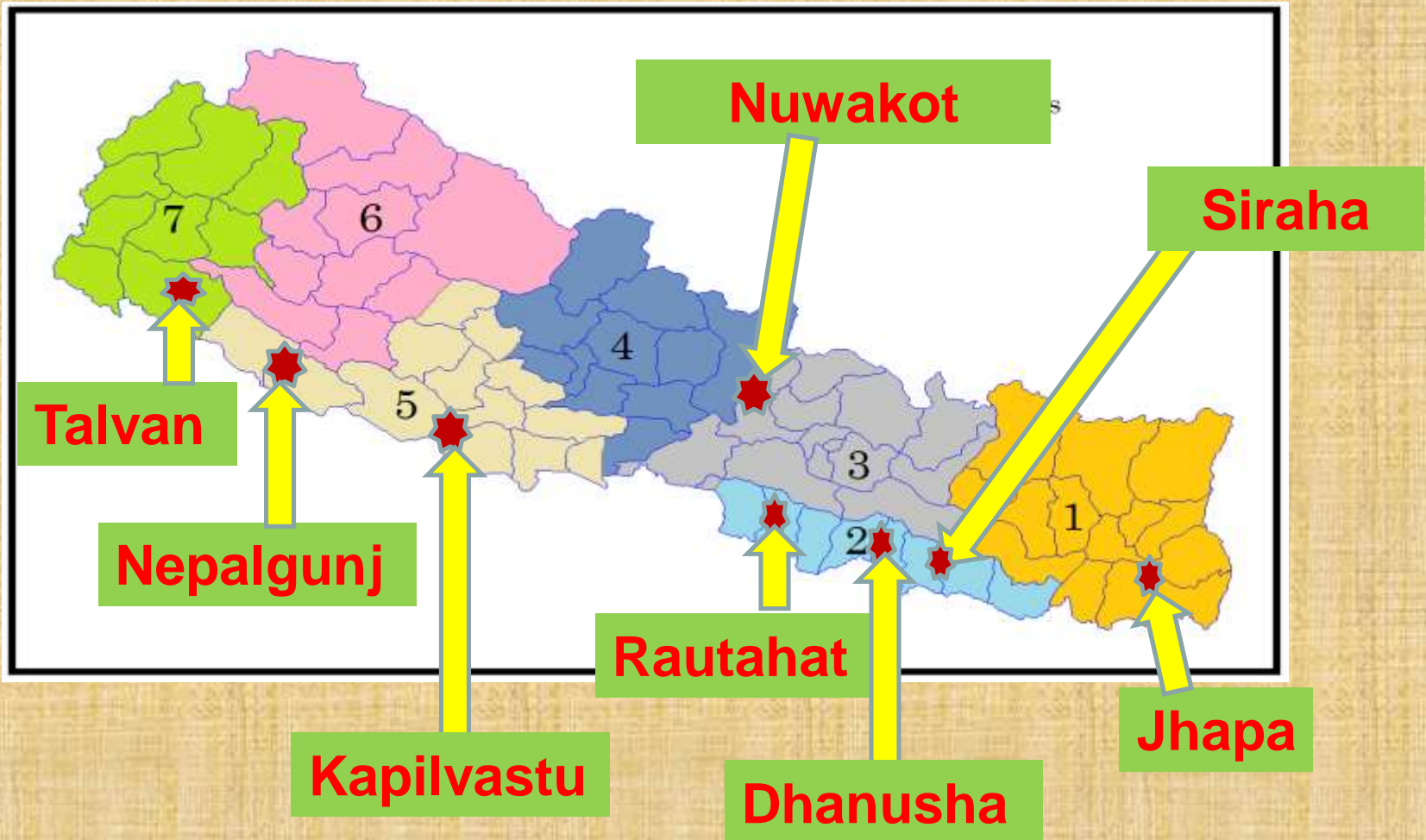




SEZ in 7 Province



SEZ in other locations



Product Specific SEZ

- Garment Processing Zone in Simara
- Product Specific SEZ : Electric Automobile Assembly SEZ, Pharmaceutical SEZ, Leather Processing SEZ,

Modality of SEZ Establishment

- 3 Modality of SEZ development: Govt. sector alone, Private sector alone and jointly managed by private and Government
- Therefore, SEZ Authority is looking for investors to join hands for the development, operation and manage SEZ in the identified locations or any other new locations

Summary

1. High scope of investment on energy sector due to the big gap between demand and supply. The gap still aggravate when rapid industrialization begins in near future.
2. Product specific (i.e. Assemble electrical) SEZ development and operation is possible jointly between Govt & Private sector or independently by private sector.
3. Solar panel assembly promotes clean energy which is useful for rapid power crisis management



THANK YOU!

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