

Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

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Empowered Institution for the Scheme for Financial Support to Public Private Partnerships in Infrastructure

42nd Meeting on 25 September, 2012

Record Note of Discussions

The forty second meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on September 25, 2012. The list of participants is annexed.

2. The EI noted that there were ten proposals under consideration, six for grant of final approval and four for grant of in-principle approval for viability gap funding (VGF) support. These included six proposals from Government of Madhya Pradesh for grant of final approval for VGF support, and one proposal each for grant of in-principle approval for VGF support from Government of Odisha, Government of Karnataka, Ministry of Road, Transport and Highways and Government of Maharashtra.

Agenda Item I: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning of Khandwa-Dehtalai-Burhanpur section of SH-50 from km 0/500 (at Khandwa) to km 4.730 (at Burhanpur) on BOT (Toll)

Total length: 131.95 km; Total Project Cost: Rs. 227.08 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 45.41 crore. Actual VGF by L-1 bidder: Rs. 66.36 crore, VGF from Government of MP: Rs. 20.95 crore

Major development works/ structures: Major Bridges: 1; Minor bridges: 22; Culverts: 26; Toll plazas: 2 (km 10, & km 115); Bus-bays/shelters: 8; Major road junctions: 3; Minor road junctions: 29; Truck Lay Bys: 1

3. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 29th meeting held on March 16, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 66.36 crore, which is 29.22 per cent of the TPC. The State Government has executed the Concession Agreement on July 28, 2011 with M/s Khandwa Agroh Pathways (Pvt.) Ltd (project SPV) and the Financial Closure has been achieved on April 20, 2012. The Appointed Date of the project is April 20, 2012. Ninety percent of the total land requirement has been handed over to the concessionaire. However, land acquisition for around 3 ha is still pending and the process is underway. It has been informed that construction works have commenced and Concessionaire has infused

equity of Rs. 4 crore. Director, DEA requested the State Government to execute the Tripartite Agreement prescribed under the Scheme and send the documents to DEA to facilitate the onset of the process for disbursal of VGF. This was agreed to.

(Action: GoMP)

4. All members of the EI were in support of grant of final approval for VGF support to the project.

5. The Empowered Institution granted final approval for viability gap funding of Rs. 45.41 crore in respect of the project.

Agenda Item II: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning with granular shoulder in Lakhnadon to Ghansore section of SH-40 from km 0 to km 38 on BOT (Toll)

Total length: 37.93 km; Total Project Cost: Rs. 79.14 crore; Concession Period: 30 years including 2 years of construction period. VGF approved from Government of India: Nil. Actual VGF by L-1 bidder: Rs. 0.54 crore, VGF from Government of MP: Rs. 0.54 crore

Major development works/ structures: Major Bridges: Nil; Minor bridges: 11; Culverts: 43; Toll plazas: 1 (km 37.9); Bus-bays/shelters: 5; Major road junctions: 1; Minor road junctions: 12; Truck Lay Bys: 1

6. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 33rd meeting held on July 20, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 0.54 crore, which is 0.68 per cent of the TPC. The State Government has executed the Concession Agreement on September 22, 2011 with M/s Telecommunications Consultant India Limited (TCIL), New Delhi. Ninety percent of the total land requirement has been handed over to the concessionaire. However, land acquisition for around 17.89 ha is still pending and the process is underway. Director, DEA informed that TCIL is a fully owned Government of India Undertaking under the administrative control of Department of Telecommunications, Ministry of Communications. Accordingly, grant of VGF is not admissible under the GoI VGF Scheme.

7. Advisor, Planning Commission advised MPRDC that VGF quoted by the bidder is Rs. 0.54 crore and it may be met out by the State Government in view of the fact that project proposal is not compliant with the VGF Scheme of GoI. All the other members of EI were in support of this view.

(Action: GoMP)

8. The Empowered Institution decided to return the proposal as it was considered non-compliant with the VGF Scheme, hence, not admissible for grant of VGF under the Scheme of GoI.

(Action: DEA)

Agenda Item III: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning of Jhabua to Jobat from km. 0.0 to km 47.60 and Jobat - Zeerpanya-Bagh-Kukshi section from km. 32.95 to km 63.20 of SH-39 in the State of Madhya Pradesh on BOT (Toll) basis

Total length: 95.50 km; Total Project Cost: Rs. 157.44 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 31.49 crore. Actual VGF by L-1 bidder: Rs. 49 crore, VGF from Government of MP: Rs. 17.51 crore

Major development works/ structures: Major Bridges: 2; Minor bridges: 19; Bypass: 3 of 9 km; Culverts: 115; Toll plazas: 2 (km 23, & km 89); Bus-bays/shelters: 22; Major road junctions: 2; Minor road junctions: 33; Truck Lay Bys: 1

9. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 29th meeting held on March 16, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 49 crore, which is 31.12 per cent of the TPC. The State Government has executed the Concession Agreement on May 23, 2011 with M/s Gangotri Jhabua Jobat Kukshi Tollway (Pvt.) Ltd (project SPV) and the Financial Closure has been achieved on November 25, 2011. The Appointed Date of the project is November 25, 2011. Ninety percent of the total land requirement has been handed over to the concessionaire. However, land acquisition for around 30 ha is still pending for bypass and the process is underway. It has been informed that construction works have commenced and Concessionaire has infused equity of Rs. 27.28 crore. Director, DEA requested the State Government to execute the Tripartite Agreement prescribed under the Scheme and send the documents to DEA to facilitate the onset of the process for disbursement of VGF. This was agreed to.

(Action: GoMP)

10. All members of the EI were in support of grant of final approval for VGF support to the project.

11. The Empowered Institution granted final approval for viability gap funding of Rs. 31.49 crore in respect of the project.

(Action: GoMP)

Agenda Item IV: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning of Rau-Mhow-Jamghat-Mandleshwar section of SH-38 from km. 14.78 (old NH-3) to km 0.00 in the state of Madhya Pradesh on BOT (Toll) basis

Total length: 74.40 km; Total Project Cost: Rs. 176.06 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 35.21 crore. Actual VGF by L-1 bidder: Rs. 66.33 crore, VGF from Government of MP: Rs. 31.12 crore

Major development works/ structures: Major Bridges: 1; Minor bridges: 34; Culverts: 146; Toll plazas: 2 (km 3, & km 63); Bus-bays/shelters: 10; Major road junctions: 8; Minor road junctions: 57; Truck Lay Bys: 1

12. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 29th meeting held on March 16, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 66.33 crore, which is 37.67 per cent of the TPC. The State Government has executed the Concession Agreement on July 28, 2011 with M/s Mhow Agro Pathways Pvt. Ltd (project SPV) and the Financial Closure has been achieved on June 18, 2012. The Appointed Date of the project has not been notified as ninety percent land is not available. It has been informed that eighty percent of the total land requirement is available. However, additional land pertains to forest area and Ghat portion for which the process is underway. It has been informed that construction works on Mhow bypass have commenced and Concessionaire has infused equity of Rs. 4.55 crore.

13. Director, DEA indicated that in the Common Loan Agreement, VGF grant of Rs. 35.21 crore by GoI has not been shown separately. In order to execute the Tripartite Agreement under the VGF Scheme, the financing document require grant by GoI to be mentioned as a separate item. Chief Engineer, MPRDC responded that in the Common Loan Agreement shall be amended and grant portion shall be reflected in the same. Accordingly, the revised financing documents shall be submitted for record.

(Action: GoMP)

14. All members of the EI were in support of grant of conditional final approval for VGF support to the project subject to corrections in the Common Loan Agreement to indicate the VGF separately.

15. The Empowered Institution granted final approval for viability gap funding of Rs. 35.21 crore in respect of the project subject to corrections in the Common Loan Agreement/Financing documents to separately indicate the grant component of VGF from GoI and submission of the revised Common Loan Agreement/financing documents for record.

(Action: GoMP)

Agenda Item V: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning of Sarangpur-Akodia-Shujalpur section of SH-41 from km 0/000 (at Shujalpur) to km 38/600 (at Sarangpur) in the state of Madhya Pradesh on BOT (Toll) basis

Total length: 38.46 km; Total Project Cost: Rs. 67.56 crore (Rs. 50 crore as per Financial Closure); Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 10.00 crore. Actual VGF by L-1 bidder: Rs. 26.70 crore.

Major development works/ structures: Major Bridges: 2; Minor bridges: 5; Culverts: Toll plazas: 1 (km 36); Bus-bays/shelters: 14 ; Major road junctions: 2; Minor road junctions: 16; Truck Lay Bys: Nil

16. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 29th meeting held on March 16, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 26.70 crore, which is 39.52 per cent of the TPC. The State Government has executed the Concession Agreement on July 30, 2011 with M/s Gangotri JSarangpur Shujalpur Tollway (Pvt.) Ltd (project SPV) and the Financial Closure has been achieved on February 13, 2012. The Appointed Date of the project is February 13, 2012. Ninety five percent of the total land requirement has been handed over to the concessionaire. However, land acquisition for around 5.48 ha is still pending and the process is underway. It has been informed that construction works have commenced and Concessionaire has infused equity of Rs. 7.75 crore.

17. Director, DEA informed that TPC of the project has been reduced from Rs. 67.56 crore as per DCA to Rs. 50 crore as per the Financial Closure. Hence, only Rs. 10 crore is admissible as per the GoI VGF scheme. The balance VGF may either be borne by the State Government or the Concessionaire. This was supported by the Advisor, Planning Commission.

(Action: GoMP)

18. All members of the EI were in support of grant of final approval for VGF support to the project.

19. The Empowered Institution granted final approval for viability gap funding of Rs. 10 crore in respect of the project.

(Action: GoMP)

Agenda Item VI: Proposal from Government of Madhya Pradesh (GoMP) for grant of final approval for: Two-laning with granular shoulder in Seoni to Katangi section of SH-54 start from Ganesh Chowk Km. 1.5 of SH-26 to Km 51.4 (Seoni distt.) and Km 51.4 or 0.10 to 24.10 (in Balaghat district) on SH-54 (MP-Maharashtra Border) on BOT (Toll)

basis

Total length: 75.6 km; Total Project Cost: Rs. 152.55 crore; Concession Period: 30 years including 2 years of construction period. VGF from Government of India: Rs. 30.50 crore. Actual VGF by L-1 bidder: Rs. 59.50 crore, VGF from Government of MP: Rs. 29.0 crore

Major development works/ structures: Major Bridges: 1; Minor bridges: 14; Bypass: 1 of 4.65 km; Culverts: 85; Toll plazas: 2 (km 5.95 & km 64.2); Bus-bays/shelters: 9 ; Major road junctions: 5; Minor road junctions: 31; Truck Lay Bys: 1

20. Representative of GoMP presented the proposal. The proposal was considered by the EI in its 33rd meeting held on July 20, 2011 and granted in-principle approval. The bid process for the project has been completed. The VGF quoted by the L-1 bidder is Rs. 59.50 crore, which is 39 per cent of the TPC. The State Government has executed the Concession Agreement on September 09, 2011 with M/s MBL Highway Development Company Limited (project SPV) and the Financial Closure has been achieved on February 21, 2012. The Appointed Date of the project is February 21, 2012. Ninety percent of the total land requirement has been handed over to the concessionaire. However, land acquisition for around 13.829 ha is still pending and the process is underway. It has been informed that construction works have commenced and Concessionaire has infused entire equity capital of Rs. 51.09 crore.

21. Director, DEA informed that \$26 million loan (Rs. 130 crore) sanctioned by the PNB, London and Bank of Baroda, London branch (\$13 million each) as per the response provided by MPRDC to the appraisal note of DEA. The Common Loan Agreement provided to the members of EI indicate \$26 million loan (Rs. 130 crore) sanctioned by the PNB, London and PNB, New Delhi branch (\$13 million each). Further, it was stated that Common Loan Agreement with the Bank of Baroda, London branch indicating its loan sanction is yet to be executed. Chief Engineer, MPRDC informed that Bank of Baroda, London branch has sanctioned \$13 million for the project, however, Loan Agreement is under execution. The same shall be obtained and submitted to members of EI.

(Action: GoMP)

22. All members of the EI agreed to defer the grant of final approval for VGF support to the project till the complete financing of the project is tied up and the final financing documents/ Common Loan Agreement(s) are submitted.

23. The Empowered Institution deferred the grant of final approval for VGF support to the project till the Common Loan Agreement for the entire loan requirement is executed and requisite documentary evidence is submitted to the members of EI.

(Action: GoMP)

Agenda Item VII: Proposal from Government of Odisha (GoO) for grant of in-principle approval for: Four-laning with paved side shoulder in Sampalpur to Rourkela section of SH-10 start from km. 4.900 to km 167.900 on BOT (Toll) basis

Total length: 161.737 km; Total Project Cost: Rs. 1292.56 crore; Cost of pre-construction activities to be financed by GoO: Rs. 186.35 crore; Concession Period: 22 years including 3 years of construction period. VGF from Government of India: Rs. 258.51 crore (20% of TPC)

Major development works/ structures: Major Bridges: 6; Minor bridges: 39; ROB: 3; Flyovers: 2; Bypass: 2 of 14.065 km at Rengalai and Jharsuguda; Service road: 26.017 km; Culverts: 328; Major junctions improvements: 13; Toll plazas: 3 (km. 17.025, km 71.853 & km 150.075); Minor road junctions: 255; Truck laybys: 8; Bus-bays/shelters: 26, Realignment: 1 location of 1.40 km; VUP: 4; PUP: 12; Reptile/ Elephant underpass: 6

24. Director, DEA informed that Government of Odisha has posed the project earlier and project restructuring was recommended on the same. The instant proposal the project has been restructured in accordance with the appraisal note of DEA. However, DEA has pointed out minor issues in the revised proposal. These have been agreed to by the Government of Odisha in their reply and have indicated that they shall incorporate the same in the project documents. Accordingly, approval may be granted to the project.

25. Advisor, Planning Commission indicated though they have raised certain issues in the appraisal note pertaining to reducing/ restructuring of bypasses, Pedestrian underpasses, vehicular underpasses, elephant underpasses, etc. However, since the total project cost is only Rs 7.99 crore per km, which is around 20 percent below the benchmark costs of NHAI projects, hence, they would not stress upon restructuring of the project as long as the project is viable on BOT (Toll) basis and Government of Odisha has responded with justification to its appraisal note. Secretary, Government of Odisha informed that they have already responded with justification for all the issues raised by Planning Commission.

26. Superintendent Engineer (SE), MoRTH indicated that propose RoW in some of the sections is only 27m, whereas as per IRC, the recommended RoW may be in the range of 30-60 m. further, the concession period may be 20 years instead of the proposed 25 year based on the capacity of the highway of 60,000 PCU. Secretary, Government of Odisha responded that the proposed RoW of 27 m has been kept in some sections in view of land constraints wherein land beyond 27m is either not available or cannot be acquired. Further, concession period has been kept as 22 years based on the design capacity of the highway at Level of Service –C. However, in the appraisal note of Planning Commission, it has advised the concession period be made as 29 years..

27. All the members were in agreement for grant of in-principle approval to the project.

28. The EI granted in-principle approval to the project for TPC of Rs. 1292.56 crore with maximum VGF of Rs. 258.51 crore (20 percent of TPC) under the Scheme, subject to fulfilment of the following conditions:

- a. GoO shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared with the short listed bidders.
- b. GoO shall ensure land acquisition in respect of the project to provide 90 per cent Right of Way (ROW), in accordance with the provisions of the Concession Agreement (MCA) of the project.
- c. GoO shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- d. GoO shall obtain prior approval of the EI before effecting any change in TPC, scope of work or project configuration as noted above.
- e. GoO shall circulate the final documents to the members of the EI for record.

(Action: GoO)

Agenda Item VIII: Proposal from Government of Karnataka (GoK) for grant of in-principle approval for: Two/Four-laning with paved side shoulder in Yelahanka at AP border section from km 13.8 to km 89.417 of SH-9 on BOT (Toll) basis

Total length: 74.35 km (4-lane : 24.46 km and 2-lane: 49.89 km); Total Project Cost: Rs. 338.68 crore; Cost of pre-construction activities to be financed by GoK: Not provided; Concession Period: 24 years including 2 years of construction period. VGF from Government of India: Rs. 67.736 crore (20% of TPC)

Major development works/ structures: Major Bridges: 1; Minor bridges: 7; Bypass: 1 of 5.2 km; Culverts: 166; Major junctions improvements: 12; Toll plazas: 2 (km. 27.7 & km 56.4); Minor road junctions: Nil; Truck laybys: 2; Bus-bays/shelters: 46, Realignment: 2 locationas of 0.28 km

29. EI noted that Government of Karnataka (GoK) vide letter dated September 22, 2012 has informed that based on its technical committee recommendations the project is being restructured and shall be submitted to DEA subsequently.

30. EI decided to return the project in view of the aforementioned submission of GoK.

Agenda Item IX: Proposal from Ministry of Road, Transport and Highways (MoRTH) for grant of in-principle approval for: Two-laning with paved side shoulder in Northern Kota Bypass from km 391.100 of NH-76 to km 11.700 at SH-33 crossing on BOT (Toll) basis in the State of Rajasthan

Total length: 14.652 km; Total Project Cost: Rs. 136.89 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 14.95 crore; Concession Period: 26 years including 2 years of construction period. VGF from Government of India: Rs. 27.378 crore (20% of TPC)

Major development works/ structures: Major Bridges: 2; Minor bridges: 2; ROB: 2; Bypass: 1 at Kota; Culverts: 61; Major junctions improvements: 2; Toll plazas: 1 (km. 6.3); Minor road junctions: 5; Underpasses: 1; Truck laybys: Nil; Bus-bays/shelters: 6

31. Director, DEA informed that the project has been considered by the Standing Finance Committee (SFC) in its meeting held on August 13, 2012 and recommended the project for approval and clearance by the two-member committee comprising Secretary, DEA and Secretary RTH. The project has been approved by Secretary RTH and is under submission for approval by Secretary, DEA. Since, the project is under NH (O), in order to meet the VGF requirement beyond 20 percent of the TPC, MoRTH may confirm budgetary provision for the same. Joint Secretary, MoRTH confirmed that suitable budgetary provisions have already been made. The Chair was desirous that MoRTH may provide written confirmation to this effect. MoRTH agreed to the same.

(Action: MoRTH)

32. Deputy Secretary, Department of Expenditure stated that the TPC is Rs. 9.34 crore per km, which is very high for development of a two-lane road with PSS. Superintendent Engineer, MoRTH indicated that the proposed project is completely a new bypass to serve as a ring road to Kota City and shall reduce the length of travel by 15 km, and which also includes two major bridges, two ROBs, two minor bridges etc. Hence, the project cost is justified. It has also been approved by the Cost Committee in its meeting held on May 15, 2012.

33. Advisor, Planning Commission indicated that there is another existing bypass to Kota City, hence, justification of the proposed bypass may be established.

34. Additional Secretary, DEA sought for an explanation of the alignment of the bypass.

35. EI deferred the project and advised MoRTH to justify the need of the project.

(Action: MoRTH)

Agenda Item X: Proposal from Government of Maharashtra (GoM) for grant of in-principle approval for: Six-lane expressway of Mumbai-Trans-Harbour-Link (MTHL) connecting Sewri on Mumbai Island to Nhava on the main land on BOT (Toll) basis

Total length: 21.973 km; Total Project Cost: Rs. 9630 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 500 crore; Concession Period: 45 years including 5 years of construction period. VGF from Government of India: Rs. 1926 crore (20% of TPC)

Major development works/ structures: Six lane expressway of Mumbai Trans Harbour Link (MTHL) connecting Sewri on Mumbai Island to Nhava on the main land; Sewri Interchange; Approaches at Sewri; Approach Ramps to MTHL from elevated Eastern Freeway; Elevated Sewri-Worli Connector from Messant Road & local road network - 0.750 km Bridge Structure across Creek – 13 (17.37 KM); Land Viaduct : Road on Viaduct up to Interchange at Chirle; Toll Plazas – 2 at km 19.37 (main as per six lane of NH) and at km 17.342 (mini on Interchange ramp) including interchanges at Coastal Road, SH 54 and NH 4B – 3.853 km; ROB -2 at km 18.39 and km 21.333, Real estate One ha. Land in Sec -15 and 16-a of Ulwe node of CIDCO. Navi Mumbai restricted to 0.01 million sq.ft; Land for casting yard: 15.17 ha. Land at Sewri site and 18.97 ha. Shivaji nagar

36. Municipal Commissioner, MMRDA presented the proposal. It was explained that the project is a length of 22.0 km, 16.5 km is the bridge on the sea and 5.5 km is a viaduct on land. The Trans harbour link has two interchanges at Sewri and Chirle. It was stated that the project was important for Mumbai city as it aimed at decongestion of island city of Mumbai, would enable speedy travel from Navi Mumbai Region and Airport and reduction in travel length by around 17 km leading to savings in travel time of 50 minutes, would encourage accelerated growth of Navi Mumbai, development of zones viz. Panvel & Alibaug, and provide superior connectivity to Pune Expressway, Port Connectivity & South India. It was also stated that this project is one of the longest bridges in the world and is under contemplation of development and procurement process since 2007. It was in the year 2007 that the project was first bid out, two bids were received, and bidding parameter was concession period. Amongst the prospective bidders, one bidder quoted nine years and eleven months and the other bidder quoted seventy two years. Thus, acceptability of lowest bid was declined by the Government of Maharashtra due to high disparity amongst the quotations and unrealistic nature of the nine years quoted as concession period. Again the year 2008, the project was bid out on EPC basis. No bids were received as the construction risk was considered as very high by the developers. Failure in concluding the bidding process twice earlier mandated the Government of Maharashtra to address the risks associated with the project, thus, the project was restructured for the third time and has been posed for viability gap funding under the VGF Scheme of GoI. A third round of bidding has been undertaken in early 2012, it was informed that five prestigious firm having international consortium partners have applied for the next round of bidding. It was requested that the project be grant approval.

37. Advisor, Planning Commission indicated that in their appraisal note it has been stated that in view of uncertainty of traffic the concession period of thirty years seems more reasonable and should be adopted for the project besides other issues in the draft concession agreement (DCA). However, it was reiterated that Planning Commission is not pressing any of these issues raised in the appraisal note as MMRDA

has undertaken extensive discussions with Planning Commission in order to finalise these current documentation.

38. Deputy Secretary, DOE pointed out that since the traffic breaches the capacity of the bridge in the twentieth year and the concession period is proposed as forty five years, the project may be developed as an eight-lane bridge. Municipal Commissioner, MMRDA indicated that presently based on projections the requirements for an eight lane bridge was not perceived. Further, in case the project is eight-laned the project fails to be financially viable.

39. SE, MORTH stated that the capacity of the bridge has been taken as 1,50,000 PCUs whereas as per the IORC codes, it should be 1,29,000 PCUs. Municipal Commissioner, MMRDA responded that capacity of the bridge has been taken at level of service (LOS) –C and considering that the bidder shall employ better traffic management skills of lanes in order to address the peaking periods of travel and non peak hours separately.

40. Director, DEA informed that DEA has pointed out several issues with regard to the proposal. An excerpt of these points are presented below:

- a. As per the Authority's estimates, the traffic breaches the capacity of the bridge (1,50,000 PCUs at the LOS-C) in the twentieth year and if 5% growth rate of traffic is considered, the traffic exceeds the proposed capacity in the twenty fifth years. Hence, the concession period may be reduced to twenty five (25) years. In case of higher concession period, it would lead to severe traffic congestion on the bridge and would compromise safety concerns, thus, defeating the purpose of providing superior connectivity to the users.
- b. As per DEA's estimates the project is financial viable with 25 years as concession period and in case 45 years is contemplated, there would be an extra revenue outgo to the Concessionaire amounting to Rs. 1,46,900 crore. In case Sponsoring Authority feels that financial viability is an issue, the entire grant of VGF upto maximum forty percent may be considered during the construction period instead of twenty percent during construction period and balance during operation and maintenance period. Thus, financials maybe reviewed on this revised parameter.
- c. Clause 29.2.4 of the DCA has been substantially modified by indicating that if the Concessionaire pays to the Sponsoring Authority (SA), twenty five percent of the revenue collected beyond the capacity of the road upto a limit of 120 percent and 100 percent of the revenue beyond 120 percent, the SA would terminate the contract as per Clause 29.2.3, even if the capacity of the road breeches in three consecutive years. As the capacity is exceeded in 25 years, interest of the users would be substantially comprised. In the 45th year the traffic is almost three times of the capacity of the road, this is not justified. Thus, provisions of the tenets under this clause 29 of the DCA may be reviewed.
- d. Clause 27.5 of the DCA states that if the actual average traffic during any year until the 15th anniversary of the COD falls below the 75 percent of the

projected traffic, the SA shall pay to the Concessionaire, a sum equal to 50 percent of the total fee as deemed for such shortfall in traffic. In PPP project, the traffic risk is expected to be borne by the Concessionaire and the SA may not provide for traffic guarantee for the first year of COD. Further, by providing O&M support, this breaches the 40 percent cap for grant of VGF under the Scheme. Hence, the project may be rendered as not eligible under the VGF Scheme of GoI.

- e. User fee under a Toll policy proposed for this project has not been approved and notified by the State Government. RFP should be issued only after the toll rates are notified.
- f. Advertisement revenue of Rs. 26.60 crore has been estimated in the first year of COD. It may be confirmed that advertisement revenue shall be allowed to be retained by the Concessionaire as per the State Government's toll policy and in conjunction with the other orders from the Judiciary/Law applicable in the country.
- g. MMRDA has proposed real estate also of around 0.10 million square feet (sq.ft) in the project proposal .this appears yet to be approved by the State Government. The same needs to be confirmed.
- h. Condition precedent has been added under Clause 4.1.3 (1) of the DCA indicating the EPC contract shall be engaged having certain EPC experience. EPC contract may not be awarded the Appointed Date, hence, this may be an obligation but not a condition precedent of the contract.
- i. An obligation of the SA under Clause 6.1.2 (j) of the DCA has been added by making best endeavours to complete construction of dispersal link from Worli to Sewri prior to COD. Since, there is sufficiency in traffic; such an obligation on SA may not be imposed as this may lead to legal dispute in case of no completion.
- j. State Support Agreement has been included in the project DCA as per Clause 47.3, draft for the same is yet to be approved by the State Government.
- k. Additional Schedules (Schedule W-Environmental Mitigation Plan, Schedule X-Quality Management Plan, Schedule Y- Records and Reporting, Schedule Z- Requirement for design and independent design checking) have been added. The requirements of these Schedules may be reviewed as the project the project is being implemented on DBFOT basis. In case of requirement these should be a part of the Schedule D-Manual for Standards and Specifications.

Municipal Commissioner, MMRDA responded that concession period has been considered in order create a bankable project for obtaining financial closure, to maintain the DCSR ratio, higher Equity IRR expectations of the bidders of around 17% as against 15% for other roads projects. There are several construction risks being a sea bridge as geological uncertainties and underwater currents may be encountered during construction stage. Other substantial risks includes traffic risks as forecasting method can fail in view of the project being a Greenfield bridge and other alternative routes, user's ability to pay higher toll rates, noon completion of Worli-Sewri road by the SA, development of urban infrastructure in Navi Mumbai side, completion of New

Mumbai Airport, construction of Metro line and other railway lines across the sea and in parallel to the proposed bridge. Further, other similar bridges constructed on BOT basis across the world are North Tarrant expressways (USA) having concession period of 52 years, Rio-Antirion bridge (Greece) with concession period 42 years, and Confederation bridge (Canada) with concession period of 31 years. To mitigate the breach of capacity, a provision has been included in the DCA under Clause 27.4 to charge differential toll rates during peak and off peak hours. SA also plans to construct an additional Metro /rail link based on the needs of the region. Further, as per Clause 27.6 of the DCA the Concessionaire is required to pay twenty five percent of the revenue for traffic from 100 percent to 120 percent of traffic capacity and 100 percent beyond 120 percent. As per Clause 30.1 of the DCA, SA may construct additional toll-way after the 20th year of concession to safeguard the interest of the user and mitigate the safety risk. The financial viability calculated by DEA is based on 15 RoE calculated with entire grant during construction period and with 0.5 percent of TPC as O&M cost. The RoE as indicated earlier for such type of projects may be about 17 percent and 1 percent O&M cost may be required. Additionally, in the earlier rounds of bidding, the Concessionaire claimed 72 years as the concession period and no bid bids were received on EPC. The additional revenue of 1,46,900 crore from the 26th year to 45th year, if calculated on NPV basis may be estimated around Rs 525 crore only. The proposed toll rates have been submitted to the State Government which is under consideration and the process of approval shall be completed before the bid due date. The Concessionaire bears the risk of traffic shortfall from 100 percent to 75 percent of the estimated traffic. The SA bears the risk to the extent of 50 percent of the total fee as deemed for such shortfall in traffic to make the project bankable in the eye of the Lending Institutions. The entire grant has now been considered during construction period and accordingly the project may be eligible under the VGF Scheme. As per Clause 17.5 of the DCA the Concessionaire is allowed advertisement rights at the toll plaza, rest areas, bus shelters and telephone located on the project highway in accordance with the extant guideline of the PWD. The land allocated for the real estate has been approved by the CIDCO board and recommended to the State Government for approval. Clause 4.1.3 (i) and Clause 6.1.2 (j) has been agreed to be amended in line with the suggestions of DEA. SSA is under approval of the State Government and shall be obtained before the bid due date. All the acceptable changes shall be modified in the DCA and its Schedules and the project documents shall be resubmitted.

41. EI deferred the project and advised MMRDA to review the project documents and reassess the financial viability with 17 percent return on equity and with VGF grant upto 40 percent during construction period and concession period may be reassessed.

(Action: MMRDA)

42. The meeting ended with a vote of thanks to the Chair.