

F.No.3A/6/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi the, October 2nd, 2014

Subject: Record of Discussions of the 58th Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

Please find enclosed the Record of Discussions of the 58th Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), held on **September 16, 2014**, under the **Chairmanship of Additional Secretary (EA)**.


(Abhilasha Mahapatra)
Director (PPP)

1. Dr. Arunish Chawla, Joint Secretary, Department of Expenditure, North Block, New Delhi.
2. Shri Praveen Mehto, Adviser (Infra), Planning Commission, Yojana Bhawan, New Delhi.
3. Shri R.K. Singh, Joint Secretary, Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.
4. Shri Vivek Aggarwal, Managing Director, Madhya Pradesh Road Development Corporation Limited, 16-A, Arera Hills, Bhopal-462011.
5. Shri N.K. Pradhan, EIC-cum-Secretary to Government, Works Department, Government of Odisha, Bhubaneshwar.

Copy to:

1. Sr. PPS to Additional Secretary (EA)
2. PS to JS (Infra).

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

58th Meeting on September 16, 2014

Record Note of Discussions

The fifty-eighth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on September 16, 2014. The list of participants is attached.

The EI noted that there were two (02) proposals for consideration for viability gap funding (VGF) under the Scheme. Of these proposals, one road sector proposal for in-principle approvals from Government of Madhya Pradesh and one road sector proposal for final approval from Government of Odisha.

The EI noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the EI, proposals for VGF up to Rs. 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC, with the approval of the Finance Minister.

A. Proposal for grant of Final Approval

Agenda Item I: Proposal from Government of Odisha (GoO), for grant of final approval: Four Laning with PSS of Sambalpur-Rourkela Section of SH-10 from Km 4.900 to 167.900 Km (Rourkela) in the State of Odisha 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: VGF quoted by L-1 bidder: Rs. 465.30 crore (36% of TPC); VGF from Government of India as grant during construction: Rs. 258.51 crore (20% of TPC) and balance Rs. 206.79 crore (16% of TPC) from GoO as support for O&M.

Major development works/ structures: Major Bridge-6, Minor Bridge-39, At grade ROB-1, ROB-3, By-passes: 2 of 14.065 km (Rengali-4.60 km & Jharsuguda-9.465km), Flyovers (12m)- 2, Service roads (5.50m)-26.017 km, Toll Plaza (12 lane)-3 at km 17.025, km 71.853 & km 150.075, Bus Bays & Bus shelters-26, Major Road Junctions- 13, Minor Road Junctions-255, Culverts- 328, Truck Lay byes- 8, Realignment- 1 locations of 1.40 km, Vehicular Underpasses-4, Pedestrian underpasses-12, Rentile/ Elephant underpasses-6

2. Secretary, PWD, Government of Odisha stated that Empowered Institution (EI) in its 42nd meeting held on September 25, 2012, recommended the grant of in-principle approval for grant of VGF for an amount of Rs. 258.51 crore. EC granted in-principle approval to the proposal at its 16th meeting held on December 12, 2012. M/s. L&T Ltd, with grant of Rs. 465.30 crore (36% of the TPC), was selected as the preferred bidder. Letter of Award (LoA) was issued on October 05, 2013 and Concession Agreement signed on November 08, 2013 between Govt. of Odisha & M/s L&T Sambalpur-Rourkela Tollways Limited (project SPV). Financial Close was achieved on May 06, 2014 with project cost of Rs. 1564.94 crore and Appointed Date was fixed on July 15, 2014 after meeting the Conditions Precedent, 90.88% land has been handed over as on the Appointed Date and at present 94.87% land is available for construction. Construction has started and the Concessionaire has infused Rs. 58 crore as initial Equity contribution into the Escrow Account.

3. It was noted that the Financing Plan submitted with project documents by the GoO states that the Concessionaire is required "to contribute Rs. 290.03 crore as Promoters' Equity plus Mezzanine/ Unsecured Debt". JS stated that as per the provisions of Concession Agreement, paid up equity capital of the Concessionaire should not be less than the Equity Support (Article 25.2.2), i.e., Rs. 258.51 crore and Unsecured debt cannot form part of equity. Government of Orissa was requested to obtain Lenders'/Concessionaire's confirmation that the minimum equity contribution of the Concessionaire would be Rs. 258.51 crore out of Rs. 290.03 crore indicated in the financing plan (excluding Mezzanine/ Unsecured Debt) as required for eligibility for the VGF grant.

4. Secretary, PWD, Government of Odisha responded that confirmation from Lenders'/ Concessionaire shall be provided on the contribution of Rs. 258.51 crore as equity, excluding Mezzanine/ Unsecured debt.

(Action: GoO)

5. Director, DEA indicated that Escrow and Substitution Agreement were dated 06.05.2014 (1st page), however it is signed on 05.05.2014 (last page). This needs to be corrected. Secretary, PWD, Government of Odisha stated that Concessionaire has been advised to make rectifications and corrected documents shall be submitted shortly.

(Action: GoO)

6. All members of the EI were in support for recommendation of the proposal to Empowered Committee (EC) to grant final approval for VGF support to the project. Government of Odisha shall send confirmation of the minimum equity contribution by the Concessionaire, of Rs. 258.51 crores (excluding Mezzanine /Unsecured debt).

The EI recommended the proposal to the EC for grant of final approval to the project for a TPC of Rs. 1292.56 crore with total maximum VGF support under the Scheme of Rs. 465.30 crore, out of which a maximum of Rs. 258.51 crore would be from Government of India subject to submission of the following:

- (i) Confirmation of contribution by Concessionaire of minimum of Rs. 258.51 crore as Equity (excluding Mezzanine/ Unsecured debt).
 - (ii) Submission of corrected Escrow and Substitution Agreement.
- (Action: GoO)*

B. Proposals for consideration of grant for In-principle Approval

Agenda Item II: Proposal from Government of Madhya Pradesh (GoMP), for grant of in-principle approval: Development of four-laning of Indore-Ichhapur to MP/Maharashtra Border section (SH-27) from km 2.5 to km 203.740 in the State of Madhya Pradesh on DBFOT (Toll) basis

Total length: 199.43 km; Total Project Cost: Rs. 1728.27 crore; Cost of pre-construction activities to be financed by GoM: Rs. 530.57 crore; Concession Period: 30 years with 3 years of construction period.

Major development works/ structures: Development of four lane portion: 199.43 kms of SH-27, Major Bridge: 5(new)& 3(widening)& 1(reconstruction); Minor Bridge: 36(new), 19 (widening), 19 (re-construction); ROB: 2(1 as 2-lane and 1 as 4-lane); Bypasses: 9 nos (59.05 km in EI Memo & Appendix B-III, 56.709 in Schedule B, Appendix-I); Service road : 4.20 km; Truck layby: 3; bus shelters: 28; Toll plazas: 4 (km 11.8, km 75.67, km 131.80 & km 200.46 design chainage); Rest: 1; HPC: 35 (widening) 129 (reconstruction), 82 (new); VUP:2; Major intersections: 26; Minor intersection: 68

7. Managing Director, Madhya Pradesh Road Development Corporation (MPRDC) presented the proposal. MD, MPRDC stated that the instant project road is a part of an inter-state road, constructed in 2002 on PPP (toll) basis with the Concession ending in 2015. He explained that the road passes through a rich agricultural belt and by the year of the proposed project's commercial operations in 2018, the traffic would exceed the benchmark of 15,000 PCUs. He therefore requested, based on the existing traffic trend and in order to facilitate advance planning by MPRDC, in-principle approval.

8. Advisor, Planning Commission pointed out the following main issues on the proposal:

8.1 Provisions of rest areas in the centre of Highways: Rest areas have been provided at the centre of the highways unlike in National Highways (NH) where these are built on either side of the roads, building of rest area in the median would be hazardous for the safety of public on the highway. It was suggested that rest area should be constructed on either side of the highway. Commercial activities such as food plaza, fuel stations also proposed to be provided in the rest area, the cost of construction of the commercial activities should not be part of the TPC. This shall give savings of Rs. 8 Cr. (approx.)

8.2 Managing Director, MPRDC stated that the instant road is a green-field project. This is unlike NH because NH roads are already in existence and providing rest areas at the central area may be cumbersome and costly. In brown- field projects, two rest areas are provided at each side for road users. With reference to instant road, it was indicated that it being a green-field road the median area can be planned in advance. The advantage of providing rest area in the centre of the road is that it can be accessed from both the sides, thus, obviating the need to provide two rest areas for each side of the road. This would also reduce the cost by Rs. 3.0 – Rs. 4.0 crore. The proposed plan is to develop one rest area for every 50 km of road length. As regards, the cost of commercial activities, this would be reduced from the TPC.

8.3 Superintending Engineer, Ministry of Road Transport and Highways (MoRTH) indicated that while the rest areas can be constructed in the centre, adequate care must be taken during planning that applicable norms have been followed for geometric design and capacity, especially the lay-by arrangements for vehicle parking and halt. He stated that due care may be taken during alignment to adequately provide for converging/merging traffic at these rest areas. Managing Director, MPRDC confirmed that norms applicable as per the State Highways Act, 2004 have been followed.

8.4 Joint Secretary, DEA added that it may be ensured that the rest area should not become a bottleneck or an impediment for movement of traffic. The State Highways Act, 2004 and norms for rest area development may be shared with the members of EI. Such a model could be replicated in other projects if found successful.

(Action: GoMP/MPRDC)

9. **Service roads in urban areas:** Advisor, Planning Commission inquired whether there is a need for providing service roads as traffic appeared insufficient for such a requirement.

9.1 Managing Director, MPRDC clarified these roads have been provided in the built up areas. This provision is as per India Road Congress (IRC) norms, which indicate: under Clause 2.1(ii) (a) of IRC-SP-84; Built-up area is defined in clause 1.19.2, which states that "Built up area shall mean sections of the Project Highway that are situated within the limits of a municipal town and shall include sections of 200 m or more in non-municipal areas where dwellings/shops have been built on one or both sides of the Project Highway on at least 50 per cent of the total length comprising such section. The Built up areas shall be as specified in Schedule-B of the Concession Agreement." Further, the cost is only Rs. 9 crore. Hence, the provisions were requested to be retained.

9.2 MD, MPRDC informed the EI that the population of the 9 towns and villages to be serviced through this service road was low, around 2000 persons. However, as this is a built-up area, project-specific and local requirements for safe movement of this population and other traffic were required to be planned for.

9.3 Representative from MoRTH indicated that the provision of service roads was acceptable for such built up areas as otherwise slow moving/local traffic may impede smooth flow of traffic on the main roads.

10. **Provisional certificate to be provided at 75% completion of Homogenous section:** Adviser, Planning Commission pointed out that as per the project's DCA, if at least 75% (seventy five per cent) of the length of any Homogenous Section of Project Highway has been completed, provisional certificate can be provided. This meant that tolling can commence before the entire stretch has received a provisional certificate. This was sought to be clarified.

10.1 Managing Director, MPRDC clarified that successful examples of State Roads exist wherein tolling has been allowed for homogenous sections based on provisional certificates. This has been provided as an incentive mechanism to complete construction before time and allowing collection of tolling revenue to improve viability of a project.

10.2 In response to a query by Joint Secretary, DEA, it was informed by Managing Director, MPRDC, that the project highway was divided into four homogenous sections for the instant project each having one toll plaza.

10.3 Joint Secretary, DEA, stated that there is a difference between phased construction and splitting of contiguous stretches, and between allowing for partial tolling and the requirement of completion of 75 % of the construction (Punch list) within a stipulated period of time for tolling to be allowed . If the project length of the project stretch requires it to be broken up into four "homogeneous "stretches, then the project may be restructured accordingly, else there may be adverse public reaction to tolling of a visibly incomplete road.

10.4 Superintending Engineer, MoRTH also stated that while the aim is to incentivize the Concessionaire, it does not take away the risk of the Concessionaire not beginning/completing the construction of the other homogeneous stretches.

11. All the members of EI were in agreement that this was significant deviation from the practice followed in the National Highways and the approved Model Concession Agreement, GoMP may also consider restructuring the project into separate projects and bid them out accordingly. The EI recommended that at least 75% of the total construction work on the project highway may be completed by the Concessionaire prior to collection of any toll charges/fees.

12. Joint Secretary, DEA also inquired on how the risk of by-passes being subsumed by subsequent town expansion development has been dealt with for the instant project. Managing Director, MPRDC clarified that under the provisions of the State Highways Act, 2004, adequate Right of Way (ROW) has been earmarked and accordingly land shall be acquired. Further, earmarking building line at 45 m, each side from the centre line of a road; and control lines at 75 m, each side from the centre line of the road are the provisions that have been adopted. Permission to build anything within the control lines under the Town and Country Planning Act shall have to be obtained in advance.

13. Joint Advisor, Planning Commission pointed out that the feasibility report shows that the loan repayment period is 16 years. Managing Director, MPRDC informed that the loan repayment period with one year moratorium period is 14 years and the financial analysis has been done on this basis, the EI memo also mentions the loan repayment as 14 years. MPRDC shall reaffirm the financial analysis evaluations with respect to the project.

(Action: GoMP/MPRDC)

14. Joint Secretary, DEA asked about the status of land acquisition as presently only about 40% of total land is available. Managing Director, MPRDC stated that only 30% of total land (295 acres), which was private land, was left to be acquired. Remaining land is Government land, forest land etc. Land acquisition papers are ready and land acquisition is in progress. 80% land will be handed over before appointed date.

(Action: GoMP/MPRDC)

15. All the members of EI were in agreement to recommend the project to the Empowered Committee for grant of conditional in-principle approval.

16. The EI recommended the instant project to the Empowered Committee for grant of in-principle approval for a Total Project Cost (TPC) of Rs. 1728.27 crore and VGF grant as admissible under the extant guidelines of the Scheme subject to the following conditions:

16.1 Government of Madhya Pradesh (GoMP)/ Madhya Pradesh Road Development Corporation (MPRDC) shall ensure that 75% of the total construction work on the project highway may be completed by the Concessionaire prior to collection of any toll charges/fees.

16.2 Government of Madhya Pradesh (GoMP)/ Madhya Pradesh Road Development Corporation (MPRDC) shall ensure a proper and regular monitoring mechanism of toll collection and its deposit to project's Escrow Account, especially for the toll charges/fee that may be collected prior to achievement of Construction Completion for the entire stretch.

16.3 Government of Madhya Pradesh (GoMP)/ Madhya Pradesh Road Development Corporation (MPRDC) shall ensure that 80% of total land acquisition prior to achieving Appointed Date in line with the project's Concession Agreement.

(Action: GoMP/MPRDC)

The meeting ended with a Vote of Thanks to the Chair.

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**Empowered Institution for the 'Scheme and Guidelines for Financial Support to
Public Private Partnerships in Infrastructure'**

58th Meeting on September 16, 2014

List of Participants

- I. **Department of Economic Affairs**
 1. Shri Dinesh Sharma, Additional Secretary (In Chair)
 2. Kum. Sharmila Chavaly, Joint Secretary
 3. Smt. Abhilasha Mahapatra, Director
 4. Shri V. Srikanth, Deputy Director

- II. **Planning Commission**
 5. Shri Praveen Mehto, Advisor (Infra)
 6. Dr. A. Manohar, Joint Advisor

- III. **Department of Expenditure**
 7. Shri Arunish Chawla, Joint Secretary

- IV. **Government of Odisha**
 8. Shri Mr.N.K.Pradhan, Secretary Works

- V. **Ministry of Road Transport & Highways**
 9. Shri. Rakesh Kumar, Supdt. Engineer

- VI. **Government of Madhya Pradesh/ Madhya Pradesh Road Development Corporation**
 10. Shri. Vivek Aggarwal, MD, MPRDC
 11. Shri. Anil Chansoria, MPRDC
 12. Shri. Arun Paliwal, MPRDC

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