

**F. No. 2/1/2021-PPP**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**(Infrastructure Support and Development Division)**  
\*\*\*

North Block, New Delhi  
21 June 2022

**OFFICE MEMORANDUM**

**Subject: Record of Discussion of 109<sup>th</sup> Meeting of PPPAC to consider the proposal of (i) Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode; and (ii) Development of Multipurpose Cargo Berth Off Tuna Tekra (Outside Kandla Creek) at Gulf of Kutch at Kandla on BOT basis under PPP mode - reg**

The undersigned is directed to enclose a copy of the minutes of the 109<sup>th</sup> Meeting of PPPAC held on 9<sup>th</sup> June, 2022 under the chairmanship of Secretary (EA) for information & necessary action.

2. This issues with approval of competent authority.



(Dr. Molishree)

**Deputy Secretary to the Government of India**

To,

1. CEO, NITI Aayog, Yojana Bhawan, New Delhi
2. Finance Secretary & Secretary, Department of Expenditure
3. Secretary, Ministry of Ports, Shipping & Waterways, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi

Copy To,

1. Sr. PPS to Secretary (EA)
2. Sr. PPS to JS (ISD)

**Record of Discussion of 109<sup>th</sup> Meeting of PPPAC to consider the proposal of (i) Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode; and (ii) Development of Multipurpose Cargo Berth Off Tuna Tekra (Outside Kandla Creek) at Gulf of Kutch at Kandla on BOT basis under PPP mode – reg.**

The 109<sup>th</sup> Meeting of PPPAC chaired by Secretary DEA was held on 9<sup>th</sup> June 2022 at 4:15 PM to consider the proposal of (i) Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode; and (ii) Development of Multipurpose Cargo Berth Off Tuna Tekra (Outside Kandla Creek) at Gulf of Kutch at Kandla on BOT basis under PPP mode. The list of attendees is annexed (**Annexure I**).

**I. Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode.**

The basic details of the projects are given in the table below:

<b>Project Details</b>	Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode				
<b>Total Proposed Capacity</b>	2.19 MN TEU's				
<b>Project Capex</b>	<b>Investment</b>	<b>Cost (INR) CR</b>			
	On Part of Concessionaire- For Project	Rs. 4243.64 Cr.			
	On Part of Concessioneing Authority (DPA)-Capital Dredging in Access Channel & Cost of Common User Four Lane Road	Rs 296.20 Cr			
	<b>Total</b>	<b>INR 4539.84 CR</b>			
<ul style="list-style-type: none"> <li><b>Break-up of Investment on part of concessionaire –</b></li> </ul>					
	<b>Particular</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Total (Cr. Rs)</b>
	<b>Port &amp; Marine Equipment</b>	0	0	1696.85	1696.85
	<b>Civil Infrastructure &amp; Utilities</b>	692.19	692.19	692.19	2076.57
	<b>IT System Costs</b>	0	0	75.47	75.47
	<b>Other Costs</b>	67.86	67.86	241.62	377.34
	<b>Environment Management</b>	17.40	0	0	17.40
	<b>Total Cost</b>	<b>777.46</b>	<b>760.05</b>	<b>2706.13</b>	<b>4243.64</b>

	<b>Phasing %</b>	<b>18.32</b>	<b>17.91</b>	<b>63.77</b>	<b>100</b>
	<ul style="list-style-type: none"> <li><b>Investment by Authority</b></li> </ul>				
	<b>Description</b>	<b>Amount (Cr. Rs)</b>			
	<b>Access channel</b>	175.85			
	<b>Common user 4 lane road</b>	67.93			
	<b>Contingency 1.5%</b>	3.65			
	<b>Establishment charge 2%</b>	4.87			
	<b>GST @ 18%</b>	43.88			
	<b>Total</b>	<b>296.2</b>			
<b>Concession Period</b>	<ul style="list-style-type: none"> <li>Construction Period - entire construction is expected to be completed in 36 months from the date of award of Concession</li> <li>The Concession Period is 30 years</li> </ul>				
<b>Project Structure</b>	Build, Operate and Transfer (BOT)				
<b>Tariff Fixation</b>	Concessionaire has the liberty to fix the Tariff based on market conditions and on such other conditions, if any, as may be notified and made applicable by a competent authority.				
<b>Project Revenue Sources</b>	The Concessionaire shall earn revenue by handling of Container cargo.				
<b>Bidding Parameter</b>	"Royalty" in terms of Rupees per TEU of Container Cargo				
<b>Financial Parameters</b>	<b>Particular</b>	<b>Container Terminal</b>			
	<b>IRR (Post-Tax)</b>	22.86 %			
	<b>Equity IRR (Post-tax)</b>	31.71 %			
	<b>Project NPV (Post-Tax) at 12% discount rate</b>	Rs. 5,312 Cr			
	<b>WACC</b>	11.16%			

1. On behalf of the chair, JS(ISD) welcomed the attendees to the 109<sup>th</sup> PPPAC meeting and requested Deendayal Port Authority (DPA) to make their presentation.
2. DPA made a presentation on the broad contours of the project. It was informed that the said project had been earlier envisaged in 2012. The proposal was approved by PPPAC in its 61<sup>st</sup> Meeting held on 26<sup>th</sup> December 2013 & further approved by the CCEA in February in 2014. However, the project did not receive adequate interest from the market. The current proposal was submitted to DEA aligning it with Major Ports Act 2021 (MPA 2021) & the new Model Concession Agreement of 2021 (MCA 2021). As per MCA 2021, Capital & Maintenance dredging at the approach, Berth pocket & Turning Circle have been made the obligation of the concessionaire while the Concessioning Authority would carry out capital dredging in the common access channel.

3. The Chair invited PPPAC Members to raise unresolved issues, if any. With the permission of the Chair, the following issues were then raised:
  - a. Issues raised by NITI Aayog:
    - i. The Minimum Guaranteed Cargo expected from the eight year of operation is 70% of the optimal capacity. DPA was requested to clarify whether this condition would impact the biddability of the project.
    - ii. DPA was requested to clarify whether the impact of Competing Facilities have been accounted for in the project assessments.
    - iii. In the calculation of Total Project Cost, 10% has been earmarked as Other Cost. It was requested to clarify whether the 10% assumed for Other Cost is sufficient.
  - b. Issues raised by Department of Expenditure (DoE):
    - i. It was requested to clarify whether there are any benefits accruing to the Concessionaire due to the dredging undertaken by the Authority.
    - ii. The project IRR and equity IRR seems to be on higher side.
  - c. Department of Legal Affairs (DoLA) stated that from a legal angle they have no further comments/issues regarding the project.
  - d. The DEA informed that a substantial value addition has been done in this project and all their issues have been suitably incorporated by the Project Sponsoring Authority.
4. The Chair then raised the following issues:
  - a. Does DPA envisage adequate interest in the market for the project and whether the bids received will be competitive with premium offered?
  - b. Whether DPA has the adequate funds to carry out their dredging obligations or will they ask for financial support from the government?
  - c. How the market linked tariff mechanism will work in terms of initial tariff and subsequent revision?
  - d. Is the competing facility clause present in the DCA and the explanation thereof?
  - e. The concept of royalty may be explained.
5. DPA submitted the following with respect to the issue raised:
  - a. DPA stated that the higher Rate of Return is due to consideration of token license fee as per MCA 2021. In addition, financial modelling has not taken inflation into consideration. Again, it is calculation by the DPA and market will have its own assessment of the project which will reflect in royalty offered by the bidders.
  - b. In a study undertaken by Zebec Marines a significant supply gap in container handling capacity has been identified in the country from the year 2025. Furthermore, there has been significant growth witnessed in container cargo segment in recent years. All these factors indicate that there will be adequate competition & interest in the project when it is bid out.
  - c. DPA clarified that the entire expenditure towards common facilities, viz., capital dredging in Access Channel and Common Road will be incurred

through internal resources of DPA and DPA has adequate resources to finance the same.

- d. The provision for fixation of tariff is as per the MCA 2021. The provision grants the Concessionaire the freedom to set their own tariff. The earlier system wherein TAMP regulated the tariff of Major Ports has been done away with. JS(ISD) further highlighted that even though the concessionaire is free to set their own tariff, they would be guided by the tariff quoted by other competing ports due to commercial considerations.
  - e. DPA Chairman stated that the provision of Competing Facilities has been kept as per MCA 2021. As per article 12, the Authority cannot operationalise any facility to handle container cargo until the earlier of (i) five years from Scheduled Project Completion Date or (ii) the average annual volume of cargo handled at the Project Facilities and Services reaches a level of 70% of Project Capacity for two consecutive years.
  - f. DPA Chairman has stated that royalty is the sole bidding parameter which is to be paid by the Concessionaire 'Per TEU' for the Container Terminal Project. Secretary (MOPSW) highlighted that market competition and project potential would be captured in the form of Royalty, which is the bidding parameter for the project.
  - g. With respect to the query on Minimum Guaranteed Cargo raised by NITI Aayog, DPA stated that as per the studies conducted, there is a sufficient gap between projected traffic and existing available capacity thereby Concessionaire can achieve the required MGC from 8<sup>th</sup> year itself for Container Terminal.
  - h. With regards to the rest of the queries raised by NITI Aayog and DoE, DPA stated that the bidders would undertake their own study prior to submitting the bids. The Chair also stated that the intricacies of TPC, benefit accruing to concessionaire due to Capital Dredging in the access channel by the Authority, & impact of Competing Facilities would be better gauged by the market.
6. After detailed deliberations, PPPAC members unanimously recommended the proposal for 'In Principle and Final Approval' to the Competent Authority. Further, as per request of the Chairman DPA, the Board of DPA is granted the authority to approve upto 20% escalation in dredging costs beyond the estimated cost of Rs. 296.2 Cr. In case the dredging costs escalates beyond 20%, the same may be approved at the level of Secretary, Ministry of Port, Shipping and Waterways.
  7. Revalidation of its recommendations by the PPPAC is not required for following post recommendation changes in the project costs/bid documents:

- i. Impact of changes in the Project cost, Concession terms like concession period, termination payment, development rights, penalty clauses, tariffs/ user charges, is less than 20% of the originally recommended.
- ii. Any change in the date/time period for any time-bound actions like appointed date, financial close, construction period, etc.
- iii. Non-Substantial change in risk allocation.
- iv. Any other changes/modification (except as stated in para above) in the project proposal with the overall objective of making project successful.
- v. Further, the Ministry of Port, Shipping and Waterways will decide whether the changes proposed post recommendation of the project proposal by the PPPAC, fall within the threshold criteria as stated above.
- vi. All such changes falling within the threshold criteria as stated above shall be appraised at the level of Secretary, MoPSW without any further need of revalidation by the PPPAC and DPA shall proceed with the approval process accordingly.

**II. Development of Multipurpose Cargo (other than Container/Liquid) Berth Off Tuna Tekra at Gulf of Kutch at Kandla (the “Project”) on Build, Operate and Transfer (the “BOT”) basis.**

The basic details of the projects are detailed in the table below:

<b>Project Details</b>	Development of Multipurpose Cargo (other than Container/Liquid) Berth Off Tuna Tekra at Gulf of Kutch at Kandla (the “Project”) on Build, Operate and Transfer (the “BOT”) basis.				
<b>Total Proposed Capacity</b>	18.33 MMTPA				
<b>Project Capex</b>	<b>Responsibility</b>	<b>Cost (INR) CR</b>			
	On Part of Concessionaire- For Project	Rs. 1,719.22 Cr.			
	On Part of Concessioneing Authority (DPA)-Capital Dredging in Access Channel & Cost of Common User Four Lane Road	Rs 531.42 Cr			
	<b>Total</b>	<b>INR 2,250.64 CR</b>			
	<ul style="list-style-type: none"> <li>• <b>Investment on part of concessionaire –</b></li> </ul>				
	<b>Cost (Rs. Cr) &amp; Investment Phasing</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Total</b>

	Civil Assets	518.54	456.59	120.24	<b>1,095.36</b>
	Mechanical (Inclusive Electrical Work)	493.47	15.44	165.23	<b>493.47</b>
	Railway Connectivity	0	24.26	24.26	<b>48.52</b>
	Estimated Project Cost	533.98	646.08	457.28	<b>1637.35</b>
	5% Misc	26.70	32.30	22.86	<b>81.87</b>
	<b>Total Cost</b>	<b>560.68</b>	<b>678.38</b>	<b>480.15</b>	<b>1,719.22</b>
	<b>Phasing (%)</b>	<b>33</b>	<b>39</b>	<b>28</b>	<b>100</b>
<b>Concession Period</b>	<ul style="list-style-type: none"> <li>Construction Period - entire construction is expected to be completed in 30 months from the date of award of Concession</li> <li>The Concession Period is 30 years</li> </ul>				
<b>Project Structure</b>	Build, Operate and Transfer (BOT)				
<b>Tariff Fixation</b>	Concessionaire has the liberty to fix the Tariff based on market conditions and on such other conditions, if any, as may be notified and made applicable by a competent authority.				
<b>Project Revenue Sources</b>	The Concessionaire shall earn revenue by handling of handling Multipurpose cargo viz. food grains, fertilizers, coal, ores and minerals, steel cargo etc.				
<b>Bidding Parameter</b>	"Royalty" in terms of Rupees per MT of cargo (Other than Liquid/Container)				
<b>Financial Parameters</b>	<b>Particular</b>				<b>Container Terminal</b>
	<b>IRR (Post-Tax)</b>				12.07 %
	<b>Equity IRR (Post-tax)</b>				13.21 %
	<b>Project NPV (Post-Tax) at 12% discount rate</b>				Rs. 9.42 Cr
	<b>WACC</b>				11.16%

8. The chair requested DPA to make their presentation on the second proposal.



9. DPA made a presentation on the broad contours of the project. It was said that the project structuring and its issues are largely the same as that of container terminal project. It was highlighted that this project along with the Container Terminal will be developed Off-Tuna Tekra, which is a satellite area of the port that is being further developed. The proposal under consideration was submitted to DEA after aligning with Major Ports Act 2021 (MPA 2021) & the new Model Concession Agreement of 2021 (MCA 2021). MCA 2021 states that “Supporting Infrastructure” for Projects is the obligation of the Authority. As Access Channel is for common use, it is a part of “Supporting Infrastructure”. Hence, capital dredging in the access channel is being done by DPA while Capital & Maintenance dredging at the approach, Berth pocket & Turning Circle is to be undertaken by the Concessionaire.
10. The chair raised issues with regards to the common infrastructure to be developed by the concessionaire in both projects and also inquired about the possibility of conflict between the two projects concessionaire regarding maintenance and upkeep of the common infrastructure.
11. DPA submitted that the Concessionaire in both projects will need to construct their own dedicated railway network and a part of road connectivity from take-off point up to backup area of their berth/terminal. Almost 5 km of common road shall be made by the DPA. This is in line with the structure followed in other PPP projects undertaken by DPA. As such, there would not be possibility of any conflict between the Container Terminal and the Multi-Purpose Cargo Berth.
12. After detailed deliberations, PPPAC members unanimously recommended the proposal for ‘In Principle and Final Approval’ to the Competent Authority. Further, the Board of DPA is granted the authority to approve upto 20% escalation in dredging costs undertaken by the Authority beyond the estimated cost of Rs. 448.88 Cr. In case the dredging costs escalates beyond 20%, the same may be approved at the level of Secretary, Ministry of Port, Shipping and Waterways under intimation to all the PPPAC members.
13. Revalidation of its recommendations by the PPPAC is not required for following post recommendation changes in the project costs/bid documents:
  - i. Impact of changes in the Project cost, Concession terms like concession period, termination payment, development rights, penalty clauses, tariffs/ user charges, is less than 20% of the originally recommended.
  - ii. Any change in the date/time period for any time-bound actions like appointed date, financial close, construction period, etc.
  - iii. Non-Substantial change in risk allocation.
  - iv. Any other changes/modification (except as stated in para above) in the project proposal with the overall objective of making project successful.



- v. Further, the Ministry of Port, Shipping and Waterways will decide whether the changes proposed post recommendation of the project proposal by the PPPAC, fall within the threshold criteria as stated above.
  - vi. All such changes falling within the threshold criteria as stated above shall be appraised at the level of Secretary, MoPSW without any further need of revalidation by the PPPAC and DPA shall proceed with the approval process accordingly.
14. The meeting ended with vote of thanks to the Chair.

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## Annexure - I

List of participants of 109<sup>th</sup> Meeting of PPPAC held on 09.06.2022 to consider the proposal of (i) Development of Container Terminal at Tuna-Tekra, Deendayal Port on BOT basis under PPP mode; and (ii) Development of Multipurpose Cargo Berth Off Tuna Tekra (Outside Kandla Creek) at Gulf of Kutch at Kandla on BOT basis under PPP mode are:

1. **Department of Economic Affairs (DEA), Ministry of Finance**
  - a. Sh. Ajay Seth, Secretary (In Chair)
  - b. Sh. Baldeo Purushartha, Joint Secretary (ISD)
  - c. Dr. Molishree, Deputy Secretary to the Government of India, (PIU)
  - d. Ms. Arya BK, Deputy Director
  - e. Sh. Rohan Nair, OSD
2. **Ministry of Ports, Shipping & Waterways**
  - a. Dr. Sanjeev Ranjan, Secretary
  - b. Shri Sanjay Kumar, Additional Secretary & Financial Adviser
  - c. Shri Bhushan Kumar, Joint Secretary (Sagarmala)
  - d. Shri P.K. Roy, Director (PPP)
3. **Deendayal Port Authority**
  - e. Shri S.K. Mehta, Chairman
  - f. Shri Nandeesh Shukla, Deputy Chairman
  - g. Shri V.R. Reddy, Chief Engineer
3. **Department of Expenditure (DoE), Ministry of Finance**
  - a. Shri L K Trivedi, Deputy Secretary
4. **NITI Aayog**
  - a. Sh. P. Sarathi Reddy, Adviser (PAMD)
  - b. Ms. Nidhi Arora, Consultant (Legal)
4. **Department of Legal Affairs (DoLA)**
  - a. Dr. R.J.R. Kasibhatla, Deputy Legal Advisor