

F. No. 3/1/2019-PPP  
Ministry of Finance  
Department of Economic Affairs  
Infrastructure Policy & Finance Division  
PPP Cell

North Block, New Delhi  
Dated 09th March, 2020

**Office Memorandum**

**Subject: Record of Discussion of 82<sup>nd</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding).**

The undersigned is directed to enclose herewith a copy of Record of Discussion of 82<sup>nd</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding) Scheme held on 25.02.2020 under the Chairmanship of Additional Secretary (Investment), DEA for information and necessary action.

Encl: As stated above

  
(Mukesh Kumar Gupta)  
Director (PPP)

To

1. CEO, NITI Aayog, Yojana Bhawan, New Delhi
2. Additional Secretary, Department of Expenditure, Ministry of Finance
3. Joint Secretary, M/o Road Transport & Highways (MoRTH), Transport Bhawan
4. MD, Madhya Pradesh Road Development Corporation Ltd. (MPRDCL), Bhopal

Copy to:

1. PPS to Additional Secretary (Investment), DEA
2. PPS to Adviser (IER)

**Record of Discussion of 82<sup>nd</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure held on 25.02.2020**

The 82<sup>nd</sup> Meeting of the EI for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding) chaired by Additional Secretary (Investment), DEA was held on 25<sup>th</sup> February 2020 in Room 131-A, North Block. *The list of participants is annexed.*

2. EI considered the following proposal from Madhya Pradesh Road Development Corporation Ltd. (MPRDCL), Government of Madhya Pradesh (GoMP) for "final approval" under the Scheme for Financial Support to Public Private Partnerships in Infrastructure.

**Rehabilitation & Up-gradation of two lane plus paved /hard shoulder road project from km 24.800 of NH-75 (Gwalior-Jhansi section) to km 19.00 upto Ghongha village (Dabra-Singhpur road) via. Bilua village through PPP on BOT (Toll) Basis**

**Project details**

Length: 19.00 km; Total Project Cost (TPC): Rs. 67.38 crore (as per Concession Agreement) & Rs. 63.00 crore (as appraised and approved by Lead Financial Institution (LFI))  
 Concession Period: 15 years (including construction period of 2 years)  
 VGF sought: Rs. 19.57 crore (i.e 31.06% of the TPC of Rs. 63.00 crore)

3. Director (PPP) informed the EI, that the project was accorded "in-principle" approval by the EI in its 75<sup>th</sup> meeting held on 06.12.2016. Now MPRDCL vide letter dated 16.10.2019 (received on 04.02.2020) provided clarifications on queries raised by DEA vide OM dated 03.09.2019 regarding "final approval" of EI. He then requested Chief Engineer (CE) (MPRDCL) to make a presentation on the project.

4. CE (MPRDCL), made a brief presentation and informed that the RFP was issued on 09.02.2017 and project was awarded on the basis of lowest bid for VGF grant (i.e. Rs. 19.57 crore). The Letter of Award was issued on 04.05.2017 and Concession Agreement was signed on 30.06.2017 between MPRDCL and M/s Gwalior Pathways Pvt. Ltd.

5. Regarding appointed date, EI observed that MPRDCL had declared the appointed date before the Financial Closure achieved by the Concessionaire, which is a Condition Precedent that needs to be fulfilled before notifying the Appointed Date. On this, MD (MPRDCL) stated that MPRDCL Board of Directors in its 18<sup>th</sup> meeting held on 08.04.2010 resolved that the Appointed Date be fixed as the earliest of (a) Start of work (b) Date of Achieving Financial Closure (c) 180<sup>th</sup> day of signing of the Concession Agreement). In this case the Financial Closure has been achieved on 24.10.2018 but the Concessionaire has started the construction work at site on 15.01.2018 after 100% RoW had been handed over to the Concessionaire on 29.12.2017 and date corresponding to start of work i.e. 15.01.2018 has been declared as appointed date.

6. The Chair enquired whether there is any limitation on declaring the Appointed Date before Financial Closure as per the Concession Agreement (CA). MPRDCL clarified that as per Clause 4.1.3 of the signed CA, the MPRDCL may in its sole discretion, grant any waiver w.r.t Conditions Precedent with such conditions as it may consider appropriate. Therefore, Appointed Date was declared as the date of start of work.



7. It was also informed that some of the balance work as per the punch list could not be completed on a stretch of 175 metre due to non-availability of land. The project has only achieved Pre-Commercial Operation and Provisional Completion Certificate was issued by Independent Engineer on 10.04.2019. The chair requested MD (MPRDCL) to expedite the handing over of the remaining RoW to concessionaire to achieve CoD which was acknowledged by the MD (MPRDCL) in affirmative.
8. Adviser (NITI Aayog) also sought reason for the Concessionaire not claiming the grant as it could imply default on part of the Government as per the signed CA and enquired if any arbitration is pending in this matter. MPRDCL clarified that no arbitration is pending in this regard.
9. Director (PPP) also stated that MPRDCL proposal was considerably delayed given clause 7 of VGF Scheme mandated that, *"Within 3 months from the date of award, or such extended period as may be permitted, the Lead Financial Institution shall present its appraisal of the project for consideration and approval of the Empowered Institution."* MD (MPRDCL) informed EI that although, the scheduled date of financial closure was 26.12.2017, the actual financial closure was achieved only on 24.10.2018. The Concessionaire approached MPRDCL that they will complete the project with its own funds, therefore, the financial closure was not required. However, MPRDCL asked the Concessionaire to achieve financial closure as per the provisions of the Concession Agreement.
10. Adviser (NITI Aayog) stated that VGF under DEA's Scheme for Financial Support to PPPs in Infrastructure is provided to make PPP Projects commercially viable and generally given in the form of a capital grant at the stage of project construction. In this case, the project is already in completion stage, then the eligibility of the project for VGF needs to be decided. MD (MPRDCL) clarified that the project road is an important road in Gwalior district and majority of the traffic originates where the quarries are located and crushers ply only on the stretch from Bilaua to NH-75 and Dabra Singhpur Road which include trucks, multi Axle trucks carrying B.T. metal from Bilaua Crusher Area. Traffic on the balance length of the road is relatively thin. Only commercial vehicles are tolled as per the toll rates notified by the Authority. Further, the project was considered risky due to the possibility of environmental restrictions on mining activity in the area.
11. The Chair enquired whether the toll collection is as per the projection and whether toll rates were mentioned in the bid documents issued to pre-qualified bidders. MPRDCL replied that toll collection is lower than the projections in DPR and confirmed that the toll rates mentioned in EI memo for Final Approval are same as those mentioned in the bid documents, issued to pre-qualified bidders. The Chair also enquired whether EI had accorded in-principle approval subject to fulfilment of certain conditions. MPRDCL confirmed that no changes have been incorporated in the bid documents as approved by EI in its 75<sup>th</sup> Meeting and all conditions were fulfilled.
12. Director (PPP) informed that as per the signed CA, the VGF amount is Rs.19.57 crore (i.e. 29.04% of the TPC of Rs.67.38 crore). However as per LFI, the estimated TPC is Rs. 63.00 crore. As per the VGF Scheme, the *"Total Project Cost means the lower of the total capital cost of the PPP Project:(a) as estimated by the government/statutory entity that owns the project; (b) as sanctioned by the Lead Financial Institution; and (c) as actually expended; but does not in any case include the cost of land incurred by the government/statutory*



*entity*". Since, the project is under construction, actual Project Cost is not available, therefore, the total project cost estimated by the LFI (lowest) will be considered for calculation of VGF. Hence VGF of Rs.19.57 crore constitutes 31.06% of the TPC, which is within the combined limit (Gol and State) of VGF up to 40% of TPC. The detailed bifurcation of VGF to be provided by Gol and State Government would be 20% of TPC i.e. Rs.12.60 crore from Gol and the balance 11.06% of TPC i.e. Rs.6.97 crore from GoMP.

13. The chair agreed to the same but request MPRDCL to provide details of the Total project Cost (TPC) actually expended by the Concessionaire on the project, since the project has only achieved Provisional Commercial Operations on 10.04.2019. Further, MPRDCL may also confirm that the road has been constructed as specified in the Concession Agreement and to provide reasons for showing revenue from operations of about Rs. 4.11 crore (as on 31.03.2019). He also directed MPRDCL to mention details of road lengths yet to be completed.

14. MoRTH Representative mentioned that MoRTH had furnished its comments on certain technical aspects w.r.t the proposal on 07.11.2016, however no response on the same was received. MPRDCL clarified that changes w.r.t the project design was not needed and comments of MoRTH were discussed in the 75<sup>th</sup> Meeting of EI held on 6.12.2016.

15. The EI granted 'final approval' for VGF for the Project subject to the following conditions:

- i. As per the VGF Guidelines, the project should provide a service against payment of a pre-determined tariff or user charges as mentioned in the Article 27 & Schedule-R of the Concession Agreement. MPRDCL may ensure that this is being adhered to over the entire concession period.
- ii. Prior to the disbursement, the Empowered Institution, Lead Financial Institution and the Concessionaire shall enter into an Tripartite Agreement.
- iii. VGF shall be utilized for payment of outstanding term loan and not equity of the project.
- iv. MPRDCL to provide details of the TPC actually expended by the Concessionaire on the project.
- v. MPRDCL to provide Independent Engineer's certificate confirming quality and conformity of the deliverables as per the CA. The punch list w.r.t balance work remaining on the project (as on date) is to be provided.

16. The meeting ended with vote of thanks to the chair.

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## Annexure

**Record of Discussion (RoD) of 82<sup>nd</sup> Meeting of the Empowered Institution for Viability Gap Funding Scheme held on 25.02.2020**

**List of Participants:-**

Sl. No	Name	Designation
1	Shri K. Rajaraman	Additional Secretary(Investment) , DEA - in Chair
2	Ms. Anu P. Mathai	Adviser (IER), DEA
3	Shri S.K.Saha	Adviser (PPP), NITI Aayog
4	Dr. Sudam Khade	Managing Director (MPRDCL), Bhopal
5	Shri Mukesh Kumar Gupta	Director (PPP), DEA
6	Shri Lakshmi Kant Trivedi	Deputy Secretary, D/o Expenditure
7	Shri Ashutosh Mishra	Chief Engineer (BOT), MPRDCL, Bhopal
8	Ms. Aditi Yadav	Under Secretary, M/o Road Transport& Highways
9	Shri Manoj Kumar Madholia	Deputy Director (PPP), DEA
10	Shri Arun Dewan	OSD (PPP), DEA
11	Ms. Mira Sethi	Assistant Director (PPP), DEA